

Free Market Principles Could Help Arab Reform

By Jon Alterman

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The modern struggle against al-Qaeda, its acolytes and imitators seems entirely different from cold war-era conflicts. Al-Qaeda is not a state, it has no standing army and controls relatively few assets. The west's huge armies are of limited use against such an elusive foe.

One cold war remnant could be a vital weapon, however. In the late 20th century, economists came to agree that heavy-handed regulation deadens — rather than protects — markets. The same principle holds for Arab political life. Radical groups will persistently threaten governments as long as those governments maintain their political stranglehold. More open political competition, however, would provide alternatives to the status quo.

In the mid-20th century, economists debated the role of the state in national economic growth. Many now agree that the public sector experiment yielded mixed results at best, producing bloated bureaucracies, inefficient production lines and over-protected industries. The resultant industries were more preoccupied with self-preservation than performance, giving rise to black markets that could fill needs the public sector could not. Many governments, sick of their costly monopolies, spent the 1990s trying to sell off these businesses; few lamented their demise.

Arab governments learned the lessons of economic privatisation well. From Tunisia to Saudi Arabia, and from Egypt to Oman, they have turned away from heavy-handed economic regulation toward reliance on market forces. Amid deregulation in sectors such as

telecommunications and manufacturing, quality has surged while prices have fallen. The market is at work. When it comes to politics, however, many of these governments cling to their accustomed strategies of regulation and subsidy. They fill their domestic media with meaningless news of meetings held and decisions taken, but their agendas are both uninspired and uninspiring.

In the meantime, governments either smother or marginalise non-governmental views, arrogating a monopoly on truth. Their political structures resemble the economic dinosaurs that they spent the 1990s trying to dismantle. In their defence, these governments argue that the political stakes are too high and their foes too vicious to allow opening up of the market.

A regulatory strategy cannot save Arab politics any more than it can save Arab economies. Regulation as a long-term strategy is wholly inadequate. No one is arguing, or should, that the goal is no regulation whatsoever. *Laissez faire* economies have regulations and all democracies place limits on speech and action. Yet both rely primarily on market mechanisms to marginalise weak ideas. The transition to a more open political environment is full of peril. New political monopolists could rise from the ashes of the old system, or from the existing opposition. Establishing safeguards to ensure continued deregulation of political life, rather than re-regulation under new masters, is not only in the interests of these countries but also in the interests of outside powers.

Deregulated Arab politics would no doubt yield systems that look different from the current ones. Liberal secular voices would most likely suffer setbacks, at least initially. Religiously oriented factions are well-organised and their appeal to tradition can be attractive in times of uncertainty. Piety need not be equivalent to extremism, however, and even nominally more conservative governments can do surprisingly liberal things. In Kuwait's parliamentary elections in 2003, traditional and Islamist parties routed the liberals. Yet, last May, the resultant, more conservative parliament, gave women the right to vote.

Greater openness lessens pressure on those who sympathise with extreme views. At the same time, it presents potential extremists with a range of attractive — and less extreme — options. Radicalism therefore becomes one of many

alternatives to the status quo. Organic forces lead most to seek the centre, rather than the extremes. But moving in this direction will require more than governments courageous enough to admit their systems have outlived their usefulness. It also requires western governments to support opening up political systems to groups with whom they have fundamental disagreements. To date, they have been reluctant to do so. Heavy-handed political regulation can be no more successful than heavy-handed economic regulation. The high stakes may necessitate caution but they similarly necessitate action.

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