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Free Markets, Free Muslims

Can a New Middle Class Make a New Middle East?

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It was not long ago that word of "the Dubai miracle" was on everyone's lips. Driven by little more than a grand idea of itself, this sparsely populated, sun-baked strip on the Persian Gulf had become a gleaming multiethnic metropolis overnight. Dubai was bursting with financial assets, boasting the world's most luxurious hotels, and attracting more than six million visitors every year -- no small feat for an emirate of a mere 100,000 citizens. But in the last year, the speculative bubble that had driven much of Dubai's growth popped: cranes fell still, and ambitious projects lay languishing on the drawing board. Behind the scenes, it took tens of billions of dollars in financial guarantees from Abu Dhabi to keep the whole enterprise afloat.

Vali Nasr's new book, *Forces of Fortune*, was written largely in the exuberant phase of Dubai's story, but it is being published in a more sober time. It reflects some of the old enthusiasm for the notion that "the Dubai model" -- a multiethnic, capitalist society insulated from violence and ideology -- could save the Middle East from a downward spiral of intolerance and political extremism. Nasr's overall conclusion -- that the triumph of free markets in the Middle East "will pave the way to the decisive defeat of extremism and to social liberalization" -- is sympathetic to the Dubai experience. "If that battle is won by private-sector business leaders and the rising middle class tied to them," Nasr argues, "then progress with political rights will follow."

This is not merely a book about Dubai, however. It is a book about the enduring promise of Dubai, the struggles of Iran, and the success of Turkey. Bolstering these cases with brief studies on Egypt and Pakistan, Nasr suggests that where capitalism flourishes, so, too, do tolerance and moderation. He also thinks that the resurgence of Islam is promising rather than threatening. Judging that the tide has turned against extremism, he views middle-class religiosity as a path through which Muslim communities can integrate with the rest of the world. In Nasr's words, "This upwardly mobile class consumes Islam as much as practicing it," seeking to embrace modernity on Muslim terms rather than rejecting it as a form of corruption. The old populist dogmas that focused on injustice and encouraged

resistance are waning. Consequently, resources poured into bolstering liberal ideals in Muslim communities merely feed the culture wars, Nasr cautions. Instead, "The key struggle that will pave the way to the decisive defeat of extremism and to social liberalization will be the battle to free the markets."

DUBAI OR NOT DUBAI

Of the three models of social and political change presented in the book, Dubai is clearly the headliner. Its remarkable wealth and its embrace of immigrants stand out against the anticolonial sentiment and xenophobia found in much of the rest of the Middle East. Its efficient business environment and high quality of life make the emirate a more attractive base for Western expatriates than any other place in the Middle East, and its can-do business culture makes it a place where even Arab businesspeople often go to broker deals. Iranians flock in, too, to trade and to party; by some estimates, there are four times as many Iranians in Dubai as native Dubaians. The city has become a safe harbor from the battles that rage throughout the Middle East over money, politics, and religion. Dubai is not about a clash of civilizations. It is about modernity, comfort, and profit.

Yet for all of its success, Dubai is an inadequate model for the future of the Middle East. Its small native population has had to learn, by necessity, to live as a minority on its home turf. The tiny native work force is easy to employ fully; the needs of customs and law enforcement alone absorb much of it. Equally important, Dubai owes at least part of its success to its wealthy neighbor Abu Dhabi, whose petrodollars act as insurance against Dubai's collapse. The Dubai model works well for Dubai, but it has limited relevance for the rest of the Middle East.

Iran's circumstances are more relevant to most countries in the region, and they present a far more cautionary tale. With its strong imperial history, vast oil and gas wealth, and population of almost 70 million, Iran is a natural powerhouse in the Middle East. Yet Nasr argues that Iran's combination of religion, politics, and economics, which mixes "theocratic Shia fundamentalism with a strong dose of class warfare and hatred for capitalism," has dragged the country down. As he explains, Iran's clerical leadership has often used Iran's isolation from the world to consolidate its economic and political grip on the country. Immediately following the 1979 revolution, private businesses were nationalized or sold, the state payroll was tripled, and the economy was crippled by international sanctions and a bloody war with Iraq. With all other options exhausted by the early 1990s, Nasr writes, President Ali Akbar Hashemi Rafsanjani cautiously sought to revive the private sector; after President Muhammad Khatami was elected in 1997, those efforts accelerated and foreign capital began to flow in. Alongside the economic reform came gradual political openness. Civil-society groups became increasingly active, the rule of law began to return, and public debate surged.

But all of this proved too much for Iran's leadership, and it reversed course. Nasr lays much of the blame for this at the feet of Iran's supreme leader, Ayatollah Ali Khamenei, who called out Iran's Revolutionary Guard Corps to curb social reform and preserve the unholy alliance between religious clerics and political cronies that the revolution had spawned. The election of the populist president Mahmoud Ahmadinejad in 2005 consolidated the counterreform effort and dealt a harsh blow to those hoping for more economic openness. What was opened, instead, was the Treasury, which poured tens of billions of dollars into subsidies, handed out wads of cash, and embarked on a state-supported building spree. Many in Iran's lower class appreciated the relief, but the middle class was devastated.

Over the past few years, the value of Iran's currency has plummeted and inflation has soared, straining pensioners and government workers. The political consequences were made clear last June, when the government cracked down on the opposition for claiming that the government had stolen the presidential elections. Many close observers believed the episode was a putsch by Khamenei and the Revolutionary Guards to keep themselves in power, against the wishes of tens of millions of Iranian voters. Less attention has been paid to the economic component of Iranian authoritarianism and the creation of what Nasr calls "Islamic Republic, Inc." The government's economic and political monopolies go hand in hand.

To Nasr, Turkey represents a happier balance between the state and the public. Under the logic of Kemal Atatürk, the founder of the Turkish republic, the government pushed economic and social development from the top down throughout the middle years of the twentieth century. The state planned the economy, built industries, and managed trade. The state also enforced strict secularism as a necessary component of modernization. But in recent decades, a more bottom-up, free-market, and religious logic has emerged in the country, tied to the rising fortunes of the Justice and Development Party (AKP). This story's hero is Turkey's prime minister in the 1980s, Turgut Özal. He breathed life into Turkey's Anatolian heartland by helping create networks of entrepreneurs untethered to the state-led capitalist system that Atatürk had built. The proprietors of these thriving small and medium-sized enterprises were typically conservative and pious -- Nasr compares them to Midwestern Republicans -- and they helped lead to a fusion of religion and politics that had previously been inconceivable in Turkey.

The Turkish General Staff, the keeper of the Kemalist flame, still regards the AKP warily, and Turkish politics is rife with accusations that the AKP is little more than a gang of fundamentalists in suits who seek to overthrow the Turkish republic. For his part, Nasr is satisfied with the state of competition in Turkey. As he sees it, "commerce has both shackled state power and softened Islam's hard edges." The rise of the AKP has coincided with the rise of a capitalist middle class and a turn away from state control over the economy. Nasr also suggests that the demands of middle-class voters have forced the AKP to become a relatively tolerant technocratic force in Turkish politics. The challenge of electoral competition has helped forge a more moderate form of political Islam.

MIDDLE-CLASS HEROES

So what went right in Turkey, and what went wrong in Iran? As Nasr tells it, the two countries rose from the ashes of the failed modernization process that characterized the Middle East in the middle of the twentieth century -- secular, state-led efforts that produced little wealth and even less freedom. In 1963, the Middle East scholar Manfred Halpern predicted that as independent states in the region became stronger, the growing petite bourgeoisie of schoolteachers, army officers, and bureaucrats would constitute a "new middle class" and a modernizing force. But, Nasr writes, because this group was "a product of the state . . . it forfeited its role as the vehicle of liberalization, opting instead for state patronage."

Yet it was a broad swath of this group that grew frustrated by continued poverty and felt alienated by rulers who seemed more comfortable in the salons of Europe than in their own capitals. Islam provided both a space to organize against the status quo and a rationale for doing so. In Iran, the shah's repressive form of secular nationalism gave birth to the opposition movements that created the

Islamic Republic, and in Egypt and elsewhere, secular nationalism created violent groups that have employed Islamic slogans and symbols in their efforts to overthrow existing governments. These movements, in turn, have given many observers the impression that more Islamically oriented governments would be intolerant of women and minorities, distrustful of the majority's will, and hostile to Western interests.

Nasr disagrees, arguing that a more Islamic form of nationalism throughout the region would sit more easily with the middle class, liberalize politics, and lead to new moderation throughout the Middle East. He contends that a sustained effort to promote secularist principles is a losing fight because "the current battle line in many Muslim societies lies not between Islam and secularism but rather between types of Islam." The continued defense of unalloyed secularism, he argues, only gives Muslims a feeling that they are being besieged, feeding a culture war that the West cannot win. Nasr suggests that it is far better to promote greater economic openness to empower the middle class and then to rely on these people's good sense to curb the more extreme manifestations of Islamist politics. After all, Muslims in the Middle East "have generally not thrown their support behind fundamentalist parties in elections -- at least not until those parties have abandoned the fundamentalist component of their stated goals." The new breed of Muslim yuppies have no hatred in their hearts; their Islam is one that "celebrates piety while rejecting violence and extremism."

A WAY OUT

But Nasr's view is by no means universally held. Many Christians and secularists in the Middle East would quarrel with it, and their exodus from the region is a sign that they distrust the Islamist forces.

Another flaw is that Nasr does not put forward a plan for opening the region economically, religiously, and politically or suggest how such an evolution might be managed. At points, *Forces of Fortune* feels as if it is guided more by sentiment than argument. Nasr points consistently to the Turkish model, but he does not dwell on its nuances and particularities -- for example, the way in which prospective membership in the European Union has both restrained Turkey's generals and inspired the AKP to pursue orthodox economic policies. Nor does Nasr dwell on the fact that in some instances wealth has been no barrier to extremism in the region (although he does mention this). After all, Osama bin Laden grew up in a very wealthy Saudi family, and his Egyptian deputy, Ayman al-Zawahiri, was raised by an upper-middle-class family in Cairo and trained as a physician. Moreover, some countries, such as Tunisia, have nurtured a middle class at the same time as they have stifled political openness, and in Dubai, elections play a vanishingly small role in governance.

But the most puzzling omission is Saudi Arabia, which barely appears in this book about religion, economics, and politics in the Middle East, despite having an abundance of all three. Saudi Arabia is the most prominent voice defining orthodox Islam, and it supports a range of nongovernmental groups in Muslim communities around the world. No government spends more money indoctrinating its own people and spreading its understanding of Islam beyond its borders. The Saudi royals and those close to them own virtually all the pan-Arab media, and the Saudi government trains thousands of clerics and prints millions of religious books every year. The country is a major economic force, too, with a GDP almost twice as large as that of the United Arab Emirates, three times as large as that of Kuwait, and four times as large as that of Qatar. Nasr describes Iran as "the only state ever created from scratch by fundamentalists," but Saudi Arabia is certainly another, and it is one that matters.

In Nasr's defense, one might argue that Saudi Arabia's oil-based economy has eviscerated the middle class and has led to precisely the sort of state-centered authoritarian system that Nasr hopes will be undermined. Nevertheless, Saudi influence -- in terms of both money and ideas -- is ubiquitous in Muslim circles. If the future of Islam lies in the marketplace, omitting Saudi Arabia from a discussion of how that is to happen is a religious, economic, and political distortion.

Even so, Nasr has written a rewarding and impressive book. He is a lively guide to a maze of issues that rarely get discussed, and he uses the fruits of his wide travels in the Middle East with great skill. *Forces of Fortune* is full of knowing insights, telling jokes, and subtle personal portraits, and it is an easy -- although not breezy -- read.

Judging by this book, it is no mystery that Nasr has risen to such prominence in U.S. government circles as a preeminent explainer of the complex phenomena that define the modern Middle East. Since writing it, he has become a senior adviser to Richard Holbrooke, the State Department's special representative for Afghanistan and Pakistan. Nasr's new responsibilities include figuring out how to tip these countries toward greater stability and moderation -- a process, Nasr suggests, that will take decades of sustained effort.

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