Featured briefing

The changing face of the Middle East

YANNIS BEHRAKIS / REUTERS

An opposition supporter lifts a hand drawn placard at the front line near Tahrir Square in Cairo. The placard reads, "Thanks Egypt youth" (top) and "We will not leave till we get the 70 billion dollars."

ASMAA WAGUIH / REUTERS

A demonstrator puts a scarf on the head of another protester whose face is painted in the colors of the Egyptian flag in Cairo's Tharir Square.

Roads less traveled

BY VITTORIO EMANUELE PARSI

The Great Arab Revolt of 2011 offers a crucial lesson for the West: do not follow the usual routes, which are often as wrong as they are familiar.

There were very few people who believed that the success of the Tunisian revolution at beginning of the year could have such immediate repercussions on the Arab world. Still fewer would have bet that President Hosni Mubarak would share the fate of Zine El Abidine Ben Ali, losing power in just over three weeks after more than 30 years in power. Beyond the forms the protests have taken and their possible outcomes, it is clear that after a decades-long stagnation, the Middle East and Arab world is getting back on track, and it is forcing a reconsideration of what had becomes a mantra of Western foreign policy since the end of the Cold War: that immobility was the price to be paid for maintaining regional stability.

The fact that the end of the Cold War, and its attendant bipolarity has been metabolized by the Middle East is hardly surprising. The internal dynamics of the region had for the most part been able to avoid being overly influenced by Cold War logic, if anything, it had curbed the disruptive potential, in terms of restructuring of regional balance. The Iraqi invasion of Kuwait in August 1990, may well be viewed as an attempt to seize the opportunity for action offered by the end of Soviet-American competition in the region. The international community's reaction between 1990 and 1991 (Operation Desert Storm), however, because of the choice of getting the widest possible support, gave further legitimacy to maintaining the status quo. Paradoxically, even the position of Saddam Hussein was never formally challenged. The only dynamic element was the start of the Israeli-Palestinian peace negotiations, as if this were possible if all the other elements of the regional puzzle were froze.

The September 11 attacks in 2001 and the 2003 invasion of Iraq, with the subsequent overthrow of Saddam Hussein, brought the United States, though not the entire international community or its institutions, to focus on a dynamic approach to the question of stability in the Middle East. And it is precisely on that occasion that the guarantor of post-Cold War global and regional stability drew a link between the authoritarian nature of the majority of Arab and Middle Eastern states and threats to regional and international security. The failure of the policy related to the Iraqi campaign – create the foundations for regional stability through the promotion of democracy – caused a strategic impasse. The return to an approach decidedly in favor of the status quo was accompanied by a rhetoric of openness to democratization from below. What the Republican neocon administration hoped would take place is now happening under a Democratic administration. But with one huge difference: the marginal role played by the United States in this process. If the regime change in Iraq was not possible without Washington's massive direct intervention, the collapse of the regimes in Tunisia and Egypt has taken place despite Washington. In the case of Egypt, especially, the Obama administration was suspended for days between embarrassed support for a regime that had long proved to be the US's trusted ally and support for the demonstrators. In the end – against the advice of his Secretary of State and challenging the prudence invoked by the main European leaders – the President decided to break out of the inertia and bet on people's aspiration rather than simply chase events, thus contributing in all likelihood to a quicker collapse of the regime.

Beyond the deepest convictions of President Obama, the question that many are asking is whether these grassroots revolutions prefigure worrying scenarios for the West and Europe, or rather open up unprecedented opportunities to for more collaboration between the Islamic world and the Western. To respond appropriately to such a question, I believe we must be aware of the complex, gradual loss of influence of the West (and especially the US) in the region, also caused by the erosion of American prestige during the long campaigns in Iraq and Afghanistan. To paraphrase Machiavelli, today's Americans are neither loved nor feared in the Middle East. They have long ceased to be an object of admiration. But they no longer fear Amer-

A new pact for stability

BY FRANCO FRATTINI
Italian Minister for Foreign Affairs

The new challenge posed by the dramatic changes in the Middle East is how to maintain stability. To do this we need to understand who our new interlocuters are. We hope those who have effected the trasformation will also prove to be viable counterparts.

The Mediterranean poses dramatic new challenges for European security. Events in Libya may add a fresh wave of refugees to the 5,000 Tunisian migrants who have landed on the island of Lampedusa already. Human traffickers, criminals and terrorists stand ready to exploit the chaos stemming from the collapse of the old order. Europe must act quickly, or this "arc of crisis" will lead to more illegal immigration, terrorism and Islamic fundamentalism.

Europe's security depends on regional stability. Of course, the pace of democratic transition in Tunisia, Egypt and elsewhere must be determined by each country. But Europe, acting respectfully, can help shape a regional order through an ambitious new development and stability pact, based on three pillars: substantial (and visible) economic assistance; political partnership; and social inclusion.

How do we develop this pact? First, Europe needs to step in to promote growth. This means improving the European Union's neighborhood policy. Resources for this must be increased in future EU budgets and made commensurate to the strategic value of this area. Existing resources should be better allocated to programs that stimulate growth and create jobs. In Egypt, for example, EU money should be invested in tourism. Although damaged by the crisis, this remains a source of income and jobs.

Next, the Union for the Mediterranean, which first saw the light of day over two years ago, must accelerate the implementation of its planned projects. Too much time has been lost setting up the institutions of this new union, a 43-member body incorporating the 27 EU states and 16 Balkan, North African and Middle Eastern partners. Few people in the region even know of its existence. But the current crisis can be a stimulus to redirect the UM toward the concrete tasks announced when it was launched. These include development projects ranging from new maritime and land highways to renewable energy schemes, the promotion of small and medium-sized enterprises and creation of a "Euro-Mediterranean higher education, science and research area."

That said, at this transformational moment in our history, we should go even further. A broader economic initiative is also needed. The EU, other world powers, and international institutions such as the World Bank and the International Monetary Fund, should urgently develop an equivalent of the Marshall Plan for Mediterranean economic stability. This plan must mobilize a critical mass of new European and international financial resources, in the order of billions of euros, to modernize the economies of the region and improve investment. The removal of trade and economic barriers between Mediterranean countries should also be a priority. The EU should work together on this strategy with the US, whose role remains crucial.

The EU, in the meantime, should deepen its relations with countries in the region by considering granting all of them "enhanced status" of association. This entails progressive integration into the EU's internal market, participation in a number of EU programs and regular summits between the EU and Mediterranean countries. It would lend substance to the principle of equal partnership, on which the new relationship between Europe and the Mediterranean countries must be based. Foreign and security policy should be high on the EU agenda too, with the long-term aim of Mediterranean countries becoming producers rather than consumers of regional stability.

Last, personal contacts will be vital to developing civil society. Links in education, above all, will improve prospects, especially for young people and help forestall radicalization. The launch of a massive new Euro-Mediterranean Erasmus program in higher education could help spread hope among young people. Offering young people the opportunity to study and train in Europe would also be the best way to curb illegal immigration and trafficking.

Of course, there must be conditions. My proposed development and stability pact would include a commitment from each country to improve governance, meet international obligations and respect individual rights, including for women and religious minorities. Change in the Mediterranean is a test for Europe. But it is also an opportunity for European and Mediterranean countries to work together in the interests of all.

GORAN TOMASEVIC / REUTERS

A man poses for a photograph in Cairo's Tahrir Square.

REUTERS/DYLAN MARTINEZ

An opposition supporter holds up a laptop showing images of celebrations in Cairo's Tahrir Square, after President Hosni Mubarak resigned on February 11.

ican hubris, and this is new. Obama's policy seems to want to take account of this new situation and try to develop a successful policy in the changed strategic context. In this sense, the President's choices appear to be oriented toward realism. Meanwhile those who would continue to uncritically support autocratic regimes in the region appear to be an expression of dangerous wishful thinking.

From what has happened Iran, as well as in Tunisia and Egypt, there is the feeling that all regimes in the Muslim world, regardless of whether they are pro- or anti-West, are facing great difficulties in the face of mounting popular discontent. Far more than being differentiated by their international position, their form of government or by their principle of legitimacy, they are all united by a very weak institution, a lack of inclusiveness, and appalling corruption. This is what has made the revolution in Tunisia so exportable. Though obviously the success of other revolts depends on individual factors within each nation. What might happen in Egypt will be very different from the possible developments in Libya, and the same goes for Yemen, Tunisia and Bahrain, or any other country in the Maghreb or the Middle East. Acknowledging the impossibility of a simple restoration of the status quo means, for us Westerners that we must free ourselves from the established patterns of the past and try new paths, feeling out whatever new stakeholders may arise from the changed circumstances. Thus, it in everyone's interest to consider a possibility that is by no means merely theoretical. Namely, that the disappearance of autocracy and opening of the society could help in the development of democratic political movements inspired by Islam. On the one hand, we should not forget that the very fact that these movements have always had to deal with repressive powers may have contributed to accentuate their "militarist"

GORAN TOMASEVIC / REUTERS

Anti-government protesters in Tahrir Square wave shoes in dismay as Mubarak speaks to the nation.

structures. On the other hand, it should be noted that, the authorities might no longer be able to keep them at bay (much less ban them) by force.

One thing can be said from looking at the recent events in Tunisia and Egypt. In the 1950s the Nasser coup inaugurated the season of military socialist governments throughout the region. In the late 1970s, Khomeini's Iranian revolution launched the idea that an Islamic republic could be established at the turn of the millennium. Today, the success of the Tunisian and Egyptian revolution suggest that grassroots, leaderless revolutions will characterize the Middle East. It seems a new development to be followed very carefully and deserving far more sympathy than either Nasser or Khomeini's revolutions.

At the international level are at least three issues that arise:

Firstly, there is the waves of migration. This is the issue which most affects Europe. Yet it is the most transient issue. Any prolonged uncertainty could exacerbate this phenomenon. If there is no longer a dictatorship, but democracy has yet to be established, it is still impossible for a people to determine their future by voting with their feet. Such an exodus was seen in East Germany in the last days of the communist regime. This is why Italian Interior Minister Roberto Maroni evoked the image of a new 1989. Still, it is too early to tell whether the domino effect will be similar in the absence of a country like the USSR was to the communist system. Two differences, however, are apparent. The first is that the migrations in the late 1980s and early 1990s, in some ways anticipated the reunification of Europe that would be accomplished institutionally, step by step, in the two decades that followed. It is now clear that no process of unification between the two shores of the Mediterranean is in sight – nor is it desirable. The second is that back then the European authorities – the EU and its member states –played the role as unifiers with a great awareness of the challenge before them and their geopolitical position. Whereas today Europe seems like political reality "despite itself," facing the Mediterranean and essentially incapable of having an comprehensive policy with regard to the Mediterranean, where the immigration issue is paramount.

The second issue is the security of Israel. This problem in not contingent on anything and requires a greater commitment from Europe, which has so far played a much too timid role. The starting point was and remains a solemn affirmation, beyond the internal political developments in individual countries whose sovereignty they should respect, that the security of Israel is a non-negotiable for Europe. It seems that the less certain the democratization process, or if it gets derailed, then the more likely it could result in a rise of pan-Arabic rhetoric and anti-Israeli sentiment. However, rhetoric is far less expensive than action (especially when it comes to war). It should also be emphasized that only in the progressive democratization of the area, the creation of an effective rule of law, can an authentic Arab middle class develop, which is interested in improving their living conditions, creating prospects for their children and holding its government accountable for its actions. On the other hand, it is hard to imagine that the current stalemate in the peace process and the continuation of Israeli domestic policies can go on indefinitely without reigniting the conflict in Gaza and the West Bank, and radicalizing the Palestinian representatives. So for Israel the possible democratization of the Middle East could be a chance that should not be wasted. Rather, it should be exploited in their own long-term interests. Moreover, considering what happened in Iran, these events, which will one day will be remembered as "the great Arab revolt of 2011" could reach the Gaza Strip, where Hamas rules with methods as authoritarian as they are ineffective and against whom the discontent of the population is growing. It's not a given that these rebellions in the Middle East cannot be translated into an opportunity for Israel, creating a situation that eases the pressure on its borders, allowing it to find a way out of the cul-de-sac in which its policy has hunkered down.

The third question, then, relates to the possible increase of the Chinese presence in the Middle East, linked not only to its growing thirst for oil, but also because of the far more uncritical support that Beijing could provide to autocratic regimes. After the American decision to abandon an ally in trouble, many have learned the lesson that American support could be wanting just when it is most needed. Saudi Arabia, for instance, which has already publicly declared its willingness to replace the flow of US aid to Egypt if Mubarak resisted and the US cut him off, would look favorably at a greater Chinese presence in the region. It is little more than an "academic" hypothesis for now. But may appear less random in a few years, especially if the tide of revolt fails to achieve the objective of effective democratic regimes in the area.

Ultimately one must look at the facts in the Middle East with close attention to avoid two mistakes. The first mistake would be to be overly optimistic regarding the rapid emergence of democracy, believing that this would lead automatically to the resolution of conflicts; and second remaining prisoners of our own prejudices, condemned forever to walk the same streets just because there are more familiar, even though they may lead us in the wrong direction. If nothing else, we will be helped by the awareness that our ability to actively influence the outcome of those dynamics is essentially exhausted. And for the first time we may find ourselves able to image the world of the future less Western, but no less democratic.

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DYLAN MARTINEZ / REUTERS

A Muslim holding the Koran and a Coptic Christian holding a cross are carried through protesters in Tahrir Square.

The seeds of revolt

BY FRANCESCO ZANNINI

Libya is not Egypt. And yet the people of both countries have been enflamed by a desire to take their political destiny into their own hands. How each country differs depends largely on its historical relationship to the West and its own indigenous cultures.

If anyone has a crystal ball that can see the future of the Arab world after the current uprisings, then it is still a well kept sect. One thing is certain, however: in each country there is a different approach to the common desire to get rid of worn and corrupted governments. In order to figure out these differences, thereby glimpsing the future, one might do better to have quick look at the history and cultural background of each of these countries.

In Egypt the mass movement seems to consist mostly of students, intellectuals and the middle class, people who have a history of dialogue with the universal values that emerged throughout the Mediterranean civilization, going back to ancient times, when Alexandria was a center of both Greek and Near East culture. The various waves of Sunni and Shiite Muslim invasions never entirely destroyed this culture, which was preserved by both Muslim cultural institutions and the Christian Coptic tradition. From the beginning of Ottoman rule up to the end of it in the 19th and 20th centuries, the links between Egyptians and the opposite shore of the Mediterranean Sea increased substantially, as witnessed through the "renaissance movement" (*al-nahda*), a moment of deep dialogue between this ancient civilization and the new Europe that came out of the French and Industrial Revolutions.

Yet often throughout Egypt's modern history, the reformists have seen their deans fading away. It began with the transition from Turkish rule to democracy, when old feudal lords were replaced by political leaders, creating power networks tied to a single political party or dominant group. Interestingly, when general Muhammad Naguib, the first President of Egypt, expressed the reason for why his Free Officers Movement took over the government there was a reference to a financial crisis and the corruption of the falling regime. He also cited the emergence of new reform movement called the Muslim Brotherhood, which was ultimately sidelined under Gamal Nasser's forceful nationalism and the almost monarchic leadership that continued under Anwar Sadat.

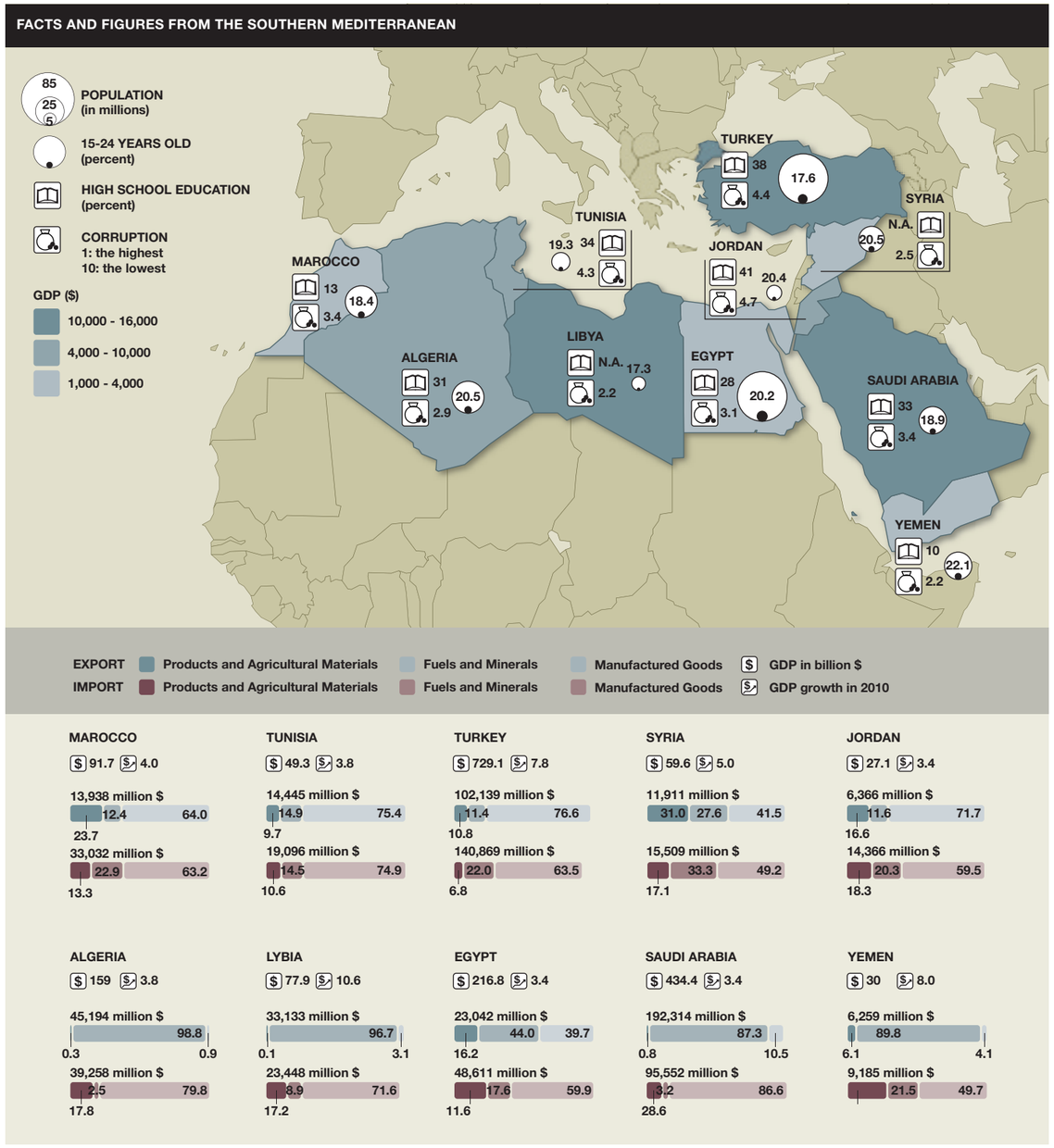
During Sadat's reign Egypt opened up to the international economy and to Israel, which initially brought progress and wealth to the country, then gradually gave way to new political exploitation and corruption. Over the years, the control of communications and the imprisonment of several opposition leaders has weekend opposition parties such as the Muslim Brotherhood, which is now afflicted by internal ideological and political conflicts.

Carthage up from the ruins

Like Egypt, Tunisia has an ancient tradition of cultural exchange with Europe. Historical monuments and archeological sites are spread out all over the country, reminding us of the Roman presence and the impact that early Christian communities had on the people.

Through conflicts and encounters, the Islamic period continued this tradition. Its ideas were crystallized in the writings of Ibn Khaldun, born in the 14th century in what is now Tunisia, who fostered a new philosophical approach to the history and the politics of the Islamic world.

Tunisia's geographical position (few kilometers from Italy), combined with the presence of many Italians and French, both workers and intellectuals, during the years of French rule has made the population feel at once faithful to the Arabic-Islamic tradition and very close to the European way of life and thinking. Tunisia has through the years developed a class of intellectuals who regularly commute between European and Middle Eastern universities and cultural centers. Secularization was initiated by Habib Bourguiba, the first President of the Tunisian Republic, and carried on by his successor Zine El Abidine Ben Ali, who strongly supported secular education. It has produced a thoughtful intellectual community and a strong expectations for a full-fledged democracy, something neither Bourguiba nor Ben Ali would tolerate. Opposition parties, such as the fundamentalist Islamic Tendency Movement, whose leader Rashid al-Ghannushi was exiled, were banned.



A tale of two armies

BY ROBERTO SANTORO

The riots across the Arab world have been largely determined by the reaction of the military. So how do they compare?

Hosni Mubarak and Colonel Muammar Gaddafi both have a military past in common, but the similarities end there. The role of the military in these two countries' histories is almost opposite. In Egypt, the army has always been the main political force, the real power. As in Pakistan, the Egyptian army is strong, rich, and popular. Under Sadat it became a professionalized corps compared to other Arab militaries, and for a long time wearing a uniform meant to realize the dream of a lifetime. Billions of dollars of aid from the United States have strengthened the status of the military, despite the progressive enlargement of its bureaucratic caste. Thus, during the "Lotus Revolution," the army's chain of command withstood popular pressure and proved itself a counterbalancing force, nudging the Pharaoh to exit from the scene.

In a month of protests Egypt has mourned 300 victims. In neighboring Libya, with a fraction of Egypt's population, the first days of the uprising counted more than double that number. The armed forces in this case were the instrument of power, not a stabilizing factor. After the Cold War, when the Soviet advisers left, Gaddafi's army became impoverished and lost political importance. It was weakened by rivalries with the "popular committees." Then the disastrous war with Chad fueled the military's intolerance to the Colonel, as did the tribal divisions between the Qhadarfa and other clans that had become hostile to the regime.

It is not yet clear, however, to what degree Islamists have penetrated either the Egyptian or the Libyan barracks. That Gaddafi's army was in shambles was clear from the events in Benghazi, where snipers fired on the crowd in a display of psychological unpreparedness and forced adherence to the higher ranks (Gaddafi gave orders to kill those who refused to obey). The massacre was managed by Gaddafi's son Khamis, who graduated from the Frunze Military Academy in Moscow and commands of the 32nd Battalion – the Khamis Brigade. Snipers fired from a distance while the dirty work on the streets was entrusted to African mercenaries, a foreign legion so ruthless as to tempt the officers who have mutinied to stage a coup. The army is split, and some pilots have deserted, landing their jets in Malta after refusing to fire on the crowds. "The army has no power to change the situation," wrote the blogger Djahmi. "Gaddafi has neutralized it, replacing with his own militia."

In Egypt, the opposite has happened. General Tantawi, who now leads the transition, flew to Washington before Mubarak fell to reaffirm the strict pro-American line of the Supreme Military Council. Perhaps Tantawi will be forced to make concessions to the Muslim Brotherhood, but the "cold peace" with Israel does not seem to be in question.

To put it simply, in Libya, everything dies with Gaddafi. In Egypt after Mubarak, there will be new Mubaraks.

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Battle for Algiers redux

Something similar can be said of Algeria, where, however, there has been a split in the population between French-educated people, very keen on the Western way of life and thought, the Berbers, and the strictly Arab part of the population which tends to cling to traditional Arabic and Islamic ways. In fact, since the time of the struggle for independence the masses followed the call of the National Liberation Front – not because of its ideology but for the sake of a better future, financial progress, and a more equitable distribution of wealth. Unfortunately under the government of Ahmed Ben Bella and his successors, the leadership became increasingly authoritarian and corrupted. The misuse of power and wealth created the desire for an alternative, eventually proposed by Islamic Salvation Front, which won the country's first multi-party elections in 1991. The subsequent ban of the movement, despite its victory, cauterized the country's democratic progress.

Moroccan ripples

Signs of uneasiness also emerged among the Moroccan population where, however, the traditional Muslim spirituality expressed through several Sufi orders mingles with an evident element of modernity and Western lifestyle and thinking. New rules have changed the status of women and nudged the society to a closer encounter with the European countries, which, through Spain have long been reference points for Moroccan culture and where many Moroccan immigrants live. Though Morocco has always been known for its liberal interpretation of Islam, the fear of possible resurgent fundamentalism has given way to strong state control, which restricted not only the spread of fundamentalist ideas but also intellectual freedom, creating uneasiness among cultural elites in the country.

To the shores of Tripoli

Libya is a different case. The country is rich, and blessed with oil and gas. The industrialization and urbanization promoted by Muammar Gaddafi, has not fully limited of the ancient tribal traditions or their social and family structures, also linked to the Sufi orders that have not only great influence on the society but have also on several occasions played an important political role. The authoritarian position of Gaddafi has established a sort of Muslim socialism where both Islam and socialism have been twisted for the sake of power, and where even religious tolerance has been part of the agenda. His political control, however, based on a sort of deal both with the tribal groups and with the urbanized population, seems to have left some areas like the Cyrenaica beyond reach. In this part of the country opposition groups are getting stronger and Islamic fundamentalism, which was banned, has begun to reappear. In this case we see the weakness of political power not achieved with a real democratic consensus, but rather by the way of a populist self-made leadership that has to resort to violence to maintain the established political system.

The Levant and Arabia Felix

The wave of popular uprisings has also touched the Middle East. In countries like Jordan, which represented the ancient border between the Arab and Byzantine worlds, there has developed through the ages a sort of symbiosis between the Bedouin tradition and a strong reference to the Mediterranean world, both for the sake of trade and cultural interest. The religiously shaped Hashemite dynasty, which claims descent from Muhammad's family, has increased this closeness with the West and allowed people to open up to universal values and a variety of customs. However, a growing debate with regard to governance has arisen due to several factors: the growing presence of Palestinians in the country, which came as a result of Arab-Israeli conflict; the question of refugees in the Iraqi war and the continuing structural economic difficulties; the emerging corruption of several regime figures; and the rise of political movements such as the Islamist Action Front.

Then there is the completely different world of Bahrain, where a Sunni Muslim royal family rules over a Shiite Muslim majority. As a result there have been increasing tensions between the Sunni and Shiite communities, with severe civil unrest, in spite of the fact that Bahrain is a democratic state and has enjoyed increasing freedom of expression. Here the claim for political and human rights seems to mix with the resurging ancient conflict between Shiites and Sunnites, exacerbated by Iran, which since pre-Islamic times has always seen the Gulf and the southern Arabian countries as the natural places of cultural and political expansion.

On the other side of the Arabian Peninsula, we are witnessing uprisings in Yemen, the ancient Arabia Felix, a rich crossroads of peoples and civilizations. Here Sunni and Shiite population have shared their lives within a tribal and urbanized context. The rule of the Egyptian Sunni power and of the Ottoman Empire, has shaped the structure of the modern Republic of Yemen, which after years of border wars between traditionalist North Yemen and Marxist South Yemen where finally united. Though it has been increasingly modernized, Yemen is still characterized by its tribal tradition, which is also source of tensions, as the struggle for political power conceals tribal competition and the desire for economic privileges. Millions of people have been displaced by these clashes and conflicts, as this traditionally rich country's economy sinks and many people remain jobless. In such a situation another danger is represented by the presence of a Yemen-based branch of al-Qaeda, which can take advantage of a situation of unsteadiness, due to the people rising up against the authoritarian leadership of a president whose last election was accompanied by violence, violations of press freedoms, and allegations of fraud.

Will these different backgrounds play a significant role in reshaping the political conditions in North Africa and the Middle East? At the moment the situation is too foggy to make any kind of prediction. But it seems clear that any efforts to implement human rights and democracy will need to come to terms with each country's social and cultural situations.

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ALI JARRAR / REUTERS

Jordanians in Amman hit a TV showing Libya's Muammar Gaddafi with their shoes on February 22.

Middle East

A delicate balance

BY ALESSANDRO MEROLA

"As always happens at the beginning of every revolution, we don't perceive the shape of the future world, amazed as we are by what is disappearing under our eyes. We sit among the ruins of the past, unable to imagine the world to come."

Frederic Martel

UPI PHOTO / EYEVINE

Egyptian demonstrator lies down on the wheels of a tank Cairo's Tahrir Square on February 6.

When looking at the official declarations and press commentaries on the not-so-flowery revolutions shaking the Mediterranean area, the only uniting factor seems to be the disunion among all parties concerned about the ways and means of getting out of the crisis and the kind of light that should flash at the end of the tunnel. It's an understandable game of mirrors, considering the perception gaps among the various players.

But while waiting for the haze of tear gas and the smoke of the human torches to clear (provided they will), there are many lessons to learn and many questions to answer regarding the Facebook intifadas that are bound to change the balance in the Arab world and its relationship with the West – maybe even in a more dramatic way than the Twin Towers attack.

Obviously, the differences between the small, urban, middle-class, Western-oriented Tunisia and the backward, overcrowded, contradictory Egyptian reality are glaring. Not to mention the differences with other countries also affected in varying degrees by the revolts – from Libya and Algeria to Jordan and Yemen, even the tiny Bahrain and Iran.

Nevertheless, in few weeks the epidemics that started with a slap in the face of a Tunisian fruit vendor has brought the fall of two lifelong presidents. The scenario is similar to one described by some historians as a global version of "Murphy's law": a coincidence of secondary events that , in certain conditions, can spark a systemic collapse. The unexpected speed and dimensions of the revolts might help understanding, perhaps, why the robust apparatus of foreign diplomacy and intelligence deployed in the region, together with the fabled local security structures have been caught completely by surprise and proved unable to manage the protest. History and internal investigations will – hopefully – tell why the world's most praised intelligence services have so clearly failed in their tasks.

On the other hand, if such a surprise is understandable for the riots in Algeria or Tunisia, in the case of Egypt it is hard to believe that the almighty Mukhabarat could have been unaware of the ongoing contacts between the Kefayah activists and their Tunisian counterparts, or of the massive demonstration already planned for the end of January. It was a suspicious oversight, considering that a war for succession was already underway, opposing different factions – like the army and the police – that played crucial roles in the crisis. Now the whole area has been reshuffled like a gigantic puzzle, and whether the final picture resembles more the situation after the fall of the Berlin Wall or the Iranian Revolution will largely depend on the course that events will take inside and outside the region.

The first conundrum is the role of the military, which is determinant for the success of the protests in all countries concerned and will be pivotal for the transition phase and its future issues.

In Egypt, it is evident now that Mubarak's resignation was the result of a military coup. Nothing new, since the army has held power for 60 years after Nasser's

FRANCO PAGETTI/VII NETWORK

Egyptians of all kinds gathered in Tahrir Square, praying, chanting slogans, and waving flags in a mostly peaceful demonstrations.

putsch and all Egypt's presidents came from its ranks. The difference this time is that it will be difficult for the Egyptian (and the Tunisian) military to merely replace the ousted presidents with other generals and continue business as usual after the massive demands for change and democracy that have emerged from the population. And it will be difficult for the West to rely once again upon the traditional deals concluded with "*our* sons of bitches" to keep the situation under control. It will be even more difficult to legitimize the dynastic vision that prevailed until now among those "sons of bitches" and their grandsons.

The opacity of the context grows if the situation is considered from an economic point of view. The roots of the protest are entrenched in the poor economic situation, which in its turn largely depends on the strongly centralized, state-oriented model prevailing in the majority of the countries hit by street revolts – a model suited to the authoritarian rule.

Will they be able or willing to share their dominance in the economy (45% according to some estimates) with "liberal" forces that will certainly push for the privatization of state industries or – worse – with the religious movements?

It seems unlikely that the Egyptian military will be inclined to encourage the birth of the "deep democracy" evoked by Baroness Ashton on behalf of the European Union, as the target for the aftermath of the crisis.Time will be a central factor. The demands for real reforms might find an early and adequate response in which the emerging civilian parties will be associated from the beginning with the constitutional changes. Otherwise the only winners of a prolonged tug-of-war with the military risk being the Muslim Brotherhood, as the only organized force that could capitalize on discontent.

For many, the best example could come from Ankara, where the army allowed the blossoming of civilian institutions and a moderate religious party was able to win elections and stay in power. The reference is inspiring, but the differences probably overweigh the similarities. Like in Egypt, the Turkish army staged a coup in 1980. Unlike Egypt, however, the military withdrew from power and accepted the growing democratic process. Also, the heritage of Atatürk left the army with the task of preserving the secularist tradition after the fall of the Ottoman Empire rather than rule the country. The Turkish military has always respected this role, whereas in Egypt the army looks at itself more as the defender of the status quo than the guarantor of secularism.

Furthermore, the military let the Turkish economy open itself to a dynamic private sector and to international investments. As a result, the Turkish economy is now four times bigger than the Egyptian, though both countries have about the same population and Egypt may count on more relevant energy resources. What role will the religious movements have in the new Arab world's future political balance? Can the existing movements become credible partners in any democratic process? Here again opinions diverge. Everybody agrees that the Tunisian En-Nahda, like the Muslim Brotherhood in Egypt, had little influence (or none at all) on the uprising. On the contrary, they were both very cautious toward the demonstrations. Since the beginning of the 1990s, En-Nahda (whose leader was living in exile until recently) has been active mostly abroad and therefore enjoys relatively low popularity inside the country.

As for the Muslim Brothers, after years of repression and coexistence with the government, they are no longer considered a radical movement and are too divided to take the lead of any future regime, despite their undisputable grip on the Egyptian masses, especially in rural areas. This weakness is apparently shared by other Islamic movements in the region (including Algeria's once feared Islamic Salvation Front).

Yet several analysts and diplomats think that the attitude of relative neutrality adopted by the Muslim Brothers is purely tactical and their proximity to El Baradei can be only functional as part of a "long march" to power. As one observer says, the Muslim Brothers "have many strands, many of which have been quiet under Mubarak's repression," but they are ready to emerge when the time comes. There's no doubt that an Islamist Egypt would be a nightmare scenario for the United States and could also affect the attitude of the army, if it decided that the popularity of the regime could be maintained through a less pro-Western policy.

In spite of all these fears, it looks inevitable that every attempt to prejudicially exclude the religious movements from the political life of all the countries where a new era is expected would be very dangerous, and there is a widespread opinion that it will be safer to give the future Islam-oriented parties a chance, confronting them with responsibilities that will make it necessary for all the movements involved to be pragmatic and act according to real choices rather than extremist slogans.

Outside the region, the reactions to the "days of rage" following the inevitable tribute to freedom, democracy and internet – varied from weariness to mistrust.

A prominent opinion-maker describes the shock wave as the first "post-American revolution" – an unfair judgment, perhaps, considering the decisive impact that the personal position of President Obama had in accelerating Mubarak's resignation, which proves that sometimes politics comes before realpolitik. Nevertheless, contrasts among the different actors inside the administration were heard loud and clear. From the refusal of Vice President Joe Biden to admit the "dictatorial" character of the Egyptian regime to the warning addressed by Secretary of State Hillary Clinton that Arab states might "sink in the sand" and the conservative attitude of the Pentagon, it looks evident that Washington hasn't made up its mind yet on the direction that developments in the region should take.

The most concerned shareholder, Israel, seems to have embraced a conservative attitude, looking more at the Iran analogy than at the opportunities that the fall of the Berlin Wall once created. The deafening silence during the first days of the revolts has been replaced by cautious appeals to meditate on the long-term consequences, especially with regard to security.

As a matter of fact, for more than 30 years the strategic balance of the region and the security of Israel has relied upon the 1978 agreement with Egypt and the 1994 agreement with Jordan, which secured the other vulnerable border. For the moment, the Egyptian Supreme Council of the Armed Forces (composed of officers appointed by Mubarak and faithful to the traditional non-belligerence policy toward Israel) has stated that it will stick to the existing treaties.

FRANCO PAGETTI/VII NETWORK

Egyptians gather for the "Day of Departure" protest, in Tahrir Square. A motor oil stand at a refueling station becomes a supply point for bits of pavement where protesters arm themselves against pro-government provocators.

But the impending generational changes inside the army and the growing role that might be played by the Islamic component could push it toward a revision of the Egyptian position. And yet, it could be risky for Israel to surrender to a more militant ideology and invoke the Islamic danger as an excuse to avoid any settlement with the Palestinians or to exclude from the outset any possibility of compromise with the Muslim Brotherhood or the other rising religious movements. As one expert observes: "If the long-term center of gravity of Israel's national security is at least the neutrality of Egypt, then doing everything to maintain that is a military requirement that must be carried out by political means."

And the European Union? Divided as usual on the "stability vs. democracy" alternative and without a strategy after the failure of the Mediterranean Union project, Europe has spoken with Baroness Ashton's feeble voice, but has yet to advance any concrete proposals on how to help transition, or what attitude to adopt toward the Islamic movements and their political role, or how to avoid the attempts to reestablish old regimes under a new face that are already underway in the countries hit by the perfect storm. This vacuum should be filled quickly or Europe, despite all its ambitions, will be condemned to long-term irrelevance in a region that directly affects its economic and political security – as the first, massive wave of migrants escaping Tunisia and Egypt has already demonstrated.

ALESSANDRO MEROLA *served in several European and Asian countries as Italian ambassador*

Watching and waiting

BY VINCENZO CAMPORINI

STRINGER ITALY / REUTERS

Thousands of illegal immigrants from North Africa have arrived on the southern Italian island of Lampedusa since February 13.

Things change quickly. If we don't want to be caught out we must use our imagination to forecast possible outcomes and take the right steps.

The dramatic recent events in the countries of the southern Mediterranean coast have taken most international observers by surprise – academics and government analysts alike. Now it's time to analyze how this could happen. In parallel, we need to examine the consequences that the upheaval in those lands can have for the national policies of Western countries.

I believe there are two determining factors to getting caught by surprise: First, the difficulty experienced by any observer in detaching himself from his own point of view, so as to have the broadest possible perspective. With this regard, I recall an enlightening comment by a political scientist who predicted a landslide defeat of Ronald Reagan in the presidential elections: "How could that happen, since no one I know voted for him?" The point is that his statistic specimen was totally unrepresentative of reality.

Indeed, reality is much more complex, and even within a single culture, several subcultures can be identified, which may escape even the sharpest observer if he does not detach from his own vision.

Second, there is tendency to consider any present situation as unchangeable. During the Cold War everyone took for granted that everything would go on indefinitely with an enduring ideological dualism between communism and capitalism.

Likewise, in the 1990s it was widely accepted that instability hotbeds would develop beyond our frontiers. Now we are living in the era of transnational terrorism. In order to counter it we are not only compelled to engage our military and civil resources in no-man's lands, but we have also had to change our lifestyles. Nonetheless, we are unconsciously convinced that things will always be the same.

But in fact, things do change – and quickly. If we do not want to get caught by surprise, we must use our imaginations. More than that, we need to understand the imaginations of others: the peasant in the orchard by the Nile, the textile dealer in the Bakwa bazaar, the assembly-line worker in the Chrysler factory, and so on.

First we need to ask ourselves to what extent we are involved in what's happening and what other friendly and allied countries are touched by the events. It seems that Italy is one of the countries with the most to be worried about.

The influx of migrants from across the Strait of Sicily looks very much like what happened in the mid-1990s when Albanians flooded across the Adriatic Sea into Italy. And there is no doubt that some models of social behavior in our community have been deeply influenced, if not shaken. We have to ask ourselves whether this new migration wave is of a temporary and episodic nature, or are we dealing with a massive phenomenon with permanent features. Also, is Italy the final destination or only a temporary staging area with a view to other destinations? In both cases, it begs the question of whether the European Union has any real intention to take a leading role in the matter, or whether it will just be a spectator. So far its track record gives scant real hope for a proactive attitude.

The situation is made all the more serious by Italy's high level of dependence on the direct flow of gas and oil from North African countries. It also relies on the freedom of transit and cost affordability from Gulf sources coming through the Suez Canal, which is already less secure given the threat posed by the resurgence of piracy, a phenomenon which can be reduced, but for sure not eliminated by the very costly patrolling put in place by Western navies in the Indian Ocean, Gulf of Aden and Somali Basin.

Italy is certainly not the only country to be worried. But its specific vulnerability must be stressed, especially because of its geographical position.

What to do now? Strangely enough, the answer could be: nothing new.

And the reason for such a response lies in the fact that the interests of all stakeholders are convergent: we need to obtain natural gas from Algeria at least as much as Algeria needs to sell it to Italy. Therefore, it is probably irrelevant who is in power in Algiers. What matters is that someone be in power!

Tunisia will surely find a new political balance. And if this process is fast enough, the temptation for Tunisians to go away will return to the manageable levels of some months ago. It is a fact that Tunisia, among all the North African countries, given the scarcity of energy resources, is the one where development depends on an adequate level of internal stability – a key element allowing for the tourism so vital to its economy.

The case for Egypt is much more complex, because of its size (geographical and demographic) and its contiguity with Israel – and therefore, because of its inevitable involvement with the Palestinians.

The open empowerment of the armed forces – or rather, the army, given the ancillary role of the other components – is, from this point of view, reassuring. During the last decades the Egyptian army has progressively, though not completely, assimilated the structural elements of a modern and efficient military force. As such, it has become even more aware of its relevance in the national panorama. With most of its equipment coming from Western providers, and its well-distributed cadres being mostly educated and trained in the US, it constitutes a pivotal element for internal stability. The military's action plan appears to be realistic and pragmatic, inspired by a clear vision of the objective to be pursued, which looks forward to evolution, not revolution. Also very reassuring is the attitude towards Israel, with the statement that the peace treaty will not be put under scrutiny.

Between a scenario in which "everything must change so that nothing changes" and "the overthrow of everything" there is a middle ground that may be possible and would be in the interest not only of the Egyptian people, but also of the international community. This middle ground is represented by the emergence of a new ruling team, which is in some ways the expression of a growing middle class that is vital in Egypt as well as in Tunisia, and capable of taking on the responsibility of power. Certainly we are not seeing a replica of the path followed by the "Young Turks" and Kemal Atatürk, given the enormous differences of the conditions at the start: i.e., the political, strategic and above all cultural climate, with a substantial presence of Islamic ideas that were alien to the founder of modern Turkey. But it is also clear that key elements of the Egyptian armed forces are bearers of realistic and pragmatic ideas.

The following weeks and months will tell us if the projected path can be followed without excessive shocks.

So what would be the soundest attitude to be adopted by Italy, the European Union and NATO? Probably the wisest thing to do is to observe with deep interest, but with utmost prudence, the development of events. Appearing to take the side of any specific solution would be immediately perceived as undue interference and would unleash hostile reactions, with possibly irremediable consequences.

No one likes to receive lessons and suggestions on how to manage their own future, especially people as proud as the Egyptians.

VINCENZO CAMPORINI *is the former Chief of Italian Defense Staff*

Middle East

NATO's Middle East alliances put to the test

STRINGER EGYPT / REUTERS

BY EMILIANO STORNELLI

Most of the countries experiencing upheavals are NATO partners in the Mediterranean Dialogue and the Istanbul Cooperation Initiative. So what happens when a hostile warship takes advantage of the turmoil to provoke the Alliance?

An Iranian naval ship travels through the Suez Canal on February 22. Two Iranian naval ships entered the Suez Canal in a move that could anger Israel.

As history unfolds across the greater Middle East, NATO is facing the second wave of liberty in its history after the fall of communism and the Soviet Union. Similarly, it is not a disinterested spectator. Since the 9/11 terrorist attacks, the area has become of vital interest for the security of NATO member states and the whole international community. In addition, many of the countries being experiencing internal uprisings are NATO partners in the frameworks of the Mediterranean Dialogue (MD) and Istanbul Cooperation Initiative (ICI). Therefore, the Alliance is monitoring with due care the current events in North Africa, the Middle East and the Gulf as well as Southwest Asia. Nobody knows what outcomes will take shape from such turmoil and uncertainty is further raising alarms around the major security threats whose the greater Middle East is a primary source: terrorism, political and religious extremism, weapons of mass destruction and ballistic missiles proliferation. Not to mention that the stabilization of Afghanistan seems to be still trapped in a deadlock and NATO enduring commitment in the country is challenging the political cohesion of the Alliance and the Transatlantic link.

While expressing his concern about the possible fallout of the ongoing situation, Secretary General, Anders Fogh Rasmussen, has been straightforward in backing up the legitimate aspirations to freedom of Arab and Muslims populations. Commenting on the protests in Egypt, he immediately called for "a peaceful transition to democracy" and "respect for minorities, human rights and the rule of law… These are the

XINHUA NEWS AGENCY / EYEVINE

The Iranian navy frigate IS Alvand accompanied by the replenishment ship IS Kharg passes through the Suez Canal at Ismailia, Egypt, Feb. 22, 2011 en route to Syria. This was the first time in three decades that Tehran has sent military ships through the strategic waterway.

principles on which our Alliance is based. These are also the principles we hope will be respected by countries participating in our partnership," he stated. In fact, Egypt is one of NATO's seven partners in the MD, including Algeria, Israel, Jordan, Mauritania, Morocco and Tunisia. Except for Israel, these countries are all experiencing domestic unrest. In the same vein, ICI countries like Bahrain and Kuwait are being affected by clashes, and we will find out whether Qatar and the United Arab Emirates (UAE) will remain immune to any turbulence. All that is likely to have an impact on NATO partnerships throughout the Middle East.

Cooperation in crisis management between NATO and the MD partners has a positive record. Morocco, Egypt and Jordan participated in NATO operations in Bosnia-Herzegovina and Kosovo, Morocco and Israel are playing a role in Operation Active Endeavour patrolling the Mediterranean Sea against terrorism. Jordan has deployed troops in Afghanistan to support NATO-ISAF mission with training and reconstruction tasks. Unlike the ICI, the MD provides a multilateral format designed to stimulate talks among the seven countries of the southern shore of the Mediterranean. Up to now, numerous conferences, programs and relevant initiatives have been organized under the MD umbrella. Meetings at a level of the Ministers of Defense and Foreign Affairs as well as Joint Chiefs of Staff have been held since 2004, when the MD achieved partnership status. However, no real multilateral cooperation on security and defense issues is underway among the Mediterranean partners. So far, mutual distrust and long-standing misconceptions have kept them from establishing a constructive interaction. On the other hand, considering the Israeli-Palestinian conflict, gathering all the MD countries around the same table is already a good start in promoting security in the area.

As for the ICI, important agreements have been signed on information protection and sharing, but the amount of practical bilateral activities is far less than the MD, despite the wide menu of tools provided by NATO in the same sectors. This is mainly due to the low-profile approach the GCC members have adopted toward NATO. The history, function and aims of the Alliance are still often erroneously perceived across the region and may have influenced Gulf countries' attitude, even if they have a strong need for the kind of cooperation that NATO is willing and able to set up. For instance, Saudi Arabia and Oman have chosen not to enter the ICI yet, whereas the GCC appointed a representative to the EU in Brussels but not to NATO. As a consequence, the bilateral cooperation in the ICI is not as developed as it could be if more energies and resources were committed by partner countries. Against this backdrop, the UAE can be considered an exception, as they have established a deeper security cooperation with the Alliance and sent troops alongside NATO in Afghanistan and the Balkans, that is well beyond the Gulf area.

Concerning the multilateral dimension, the ICI lacks of a structured forum for dialogue among partners, as a reflection of the hurdles hampering cooperation within the GCC itself. Then, the role of the NATO public diplomacy is being crucial to foster talks and interchange at multilateral other than bilateral level, even encompassing the GCC countries not involved in the ICI.
The globalization of insecurity is driving the Alliance to upgrade partnerships with relevant countries and international organizations worldwide in order to effectively cope with the transnational threats and challenges of the 21st century. At the beginning of his tenure in August 2009, Secretary General Rasmussen indicated the revitalization of efforts to deepen and streamline dialogue and cooperation in the MD and ICI frameworks as one of his priorities in office. Later, this stance became the official policy of the Alliance in Lisbon, where the new NATO Strategic Concept was adopted last November, advocating an "active engagement" with global partners.

As a sign of the growing political relevance of the MD and ICI, the NATO Strategic Concept has also assured that the Alliance "will be open to consultation with any partner country on security issues of common concern," which is a right that the 1999 Strategic Concept simply recognized to the Partnership for Peace countries. Rasmussen then announced that NATO is ready to equalize the MD and ICI partners to the Euro-Atlantic Partnership Council members.

In light of all this, the Alliance has laid the groundwork for a strategic relaunch of the MD and ICI. Nevertheless, the future of these strategic partnerships seems now to be hanging by the dynamics currently agitating the greater Middle East. Much will be dependent on the conduct of the governments caught up in the demonstrations. NATO put on hold relations with Mauritania due to the military coup on August 2009 and resumed it only after elections were held. This could constitute a significant precedent and something similar could be happening at short notice again. Or harsher measures could be taken if a partner resorts to the extreme measures carried out by Libya against the protestors.

The ongoing events could also empower governments which are less friendly or hostile to NATO and will not respect the bilateral agreements in the security field. Should this be the case, the continuation of partnership relations cannot but be questioned and the resulting void of interlocutors would put at serious stake the whole course of the MD and ICI. In addition, aggressive forces could take advantage of the instability in the area. To this effect, the decision of the Egyptian provisional authorities to allow the passage of two Iranian warships through the Suez Canal seems not to be in line either with traditional Egyptian policy or with the security arrangements relevant to the NATO maritime operations Active Endeavor and Ocean Shield, the latter engaged in combating piracy off the cost of the Horn of Africa.

On the other hand, such a volatile scenario holds "a great potential for positive, democratic change," as Secretary General Rasmussen pointed out speaking at the recent 11th Herzlyia Conference in Israel. On this occasion, by acknowledging "the need to address the demand of Arab societies for democratic reforms," he reminded the Alliance what goals should be pursued in the Greater Middle East for the sake of long-term security and stability of the Euro-Atlantic community. Then, turning to the NATO Mediterranean partners, and implicitly to those of the ICI, he also highlighted three requirements to meet for a better common future: 1) define our common threats and challenges; 2) find common solutions; 3) understand that we share a common destiny.

Along these lines, conditions could be created for tackling the common threats to peace and stability in the greater Middle East. The door of this security compact would remain open to new partners around the region, starting with Iraq, where NATO Training Mission continues to perform a crucial role, and Afghanistan, which has signed an Enduring Partnership with the Alliance. "Nuclear proliferation, ballistic missile proliferation and terrorism constitute problems for the Middle East and for us all," Rasmussen explained, and the NATO "decision to develop a Missile Defense Capability" provides further ground for cooperation with the MD and ICI partners. Hence, common solutions for common threats and again the hope for a common destiny based on freedom and democracy for the Arab-Muslim world and the West.

In seeking these objectives, one of the main obstacles to overcome remains the Israeli-Palestinian conflict. As the Secretary General put it, this dispute "may no longer be perceived as the only problem in the region, but it still constitutes a major impediment in addressing other issues that threaten regional stability." Therefore, he urged Israel and the Palestinians to restart negotiations, confirming the Alliance's availability to deploy a peacekeeping mission if a comprehensive peace agreement were to be reached, if requested by both the parties and if the UN give the green light to a possible NATO intervention. Such a scenario is unlikely to occur right away. Yet, this rising new wave in the Middle East can eventually lead to more promising circumstances for a peace settlement between Israel and the Palestinians as well as for NATO partnerships in the area.

EMILIANO STORNELLI *is a researcher on foreign policy and security issues at the Italian Atlantic Committee*

Economic prospects after the turmoil

BY FRANCO ZALLIO

Ironically, much of the recent strife has been the fruit of past economic reforms. Whoever now gains power will have to build on them.

"Once we are past this crisis we can restore growth at around 7.5% to 8.5%. If we can maintain this for five years I can almost guarantee a significant improvement in the standard of living of all Egyptians. But I need five consecutive years at above 7.5%." This quote came from Youssef Boutros Ghali in 2009, when he was minister of Finance, during an interview by *Al-Ahram* on Egypt's prospects after the 2008 international economic crisis. His statements show that the economic team, close to Gamal Mubarak, who was leading the economic reform process, had clearly perceived the risks of economic reforms that had not sufficiently trickled down to the average citizen. However, neither the interview nor any other contemporary assessments by leading Egyptian economic reformers reveal expectations about phenomena which could have sparked the 2011 Tahrir Square revolt.

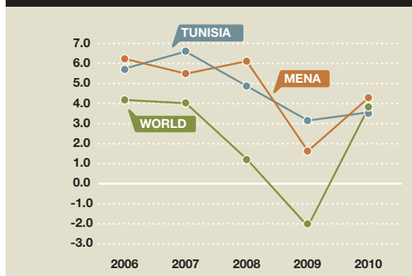
On the one hand, the economic team close to Gamal Mubarak entirely overlooked young people's aspiration to political openness and accountability. On the other hand, they gravely underestimated the army's rejection of their policies and, above all, of Gamal's presidential ambitions. Consequently, through accumulation of foreign assets and precautionary food imports, they prepared themselves for events such as the "bread revolts" that have repeatedly occurred the region, the last time in 2008. This year, however, they had to face a rather different phenomenon: a revolt by disenchanted young people aided or exploited, as only time will tell, by an army rejecting the "dynastic" succession from Hosni to Gamal Mubarak, as well as the economic policies and business practices of the coterie close to Gamal.

In the revolts, which are spreading across the Middle East and North Africa (MENA), economic factors play mainly a facilitating role. High unemployment among the young, increasing prices of basic consumer goods and growing social inequality set the scene for the 2011 revolts. However, these revolts have little in common with the previous bread revolts. This time political demands are key elements of the revolt and the legitimacy of political systems and ruling elites is under attack.

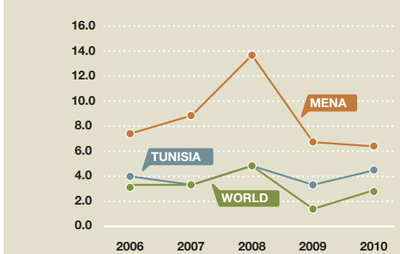
MENA economies will be strongly influenced by current political transformation. While it is too early to assess the size and depth of this transformation, some early considerations on the short- and long-run economic impacts of recent events, focusing on Egypt and Tunisia, are worth elucidating.

Both Egypt and Tunisia will suffer negative short-run impacts on their economic performance during the current year. Key factors are the disruption of production and distribution activities, the decline in tourist flows, the outflow of foreign capital, the domestic capital flight, and the precautionary hoarding of basic consumer goods, which together with disruptions causes scarcity on the market. On the macroeconomic side this translates into greater inflation, devaluation, and a slowdown of GDP growth. Moreover, to appease protesters, incumbent regimes increased public wages and subsidies for consumer goods, thus inflating a public deficit which was already hit by the declining revenues caused by the slowing down of the economy.

REAL GDP GROWTH (5%CHANGE)



CONSUMER PRICE INFLATION (AV %)



As for external accounts, balance of payments is worsening in both current and capital accounts. Current account is hurt by the decline in exports as a consequence of production disruptions (only partially compensated by the oil price increase due to the greater political risk in the region), the large fall in tourism revenue, and the diversion of remittances into non-banking channels following the progressive devaluation of local currency. Capital account suffers a decline in foreign direct investment (FDI), a massive outflow of foreign portfolio investments, and a large domestic capital flight. Due to the unavailability of new foreign capital, the balance of payments deficit has to be financed through a reduction in foreign assets.

In the last decade Egypt and Tunisia, like many other Mediterranean economies, registered 5% to 7% yearly growth rates and accumulated significant foreign assets. Therefore, the short-run negative impact on external accounts will remain manageable, thanks to strong reserves and a liquid banking system, with no immediate risk of financial crisis. However, prolonged political uncertainty would bring about a more worrisome negative impact.

NASSER NURI / REUTERS

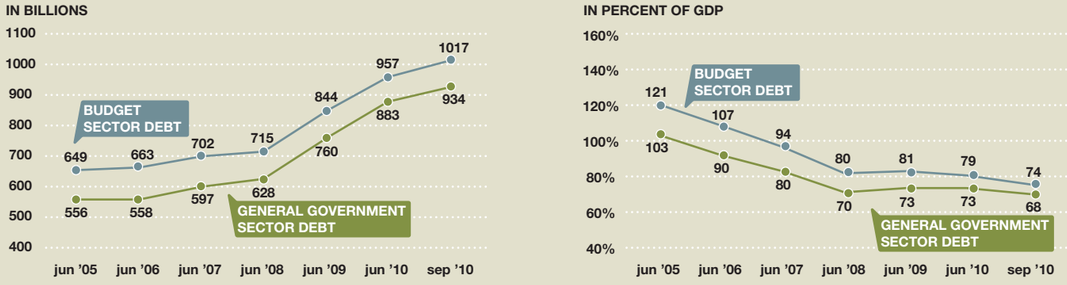
Workers build a pipeline for transporting natural gas to Israel in north Delta Nile, 300 km north of Cairo.

While political transformation in the Mediterranean region is still unfolding, it is too early to assess its medium-to-long-term economic effects. It can be easily predicted, however, that the key factor affecting the process will be the future economic policies and, more specifically, the policies aimed at the integration into global economy. A short-run policy objective should be the reactivation of foreign capital inflows, especially FDI, and the repatriation of flight capital. Over the longer term, the main policy objective should be a deeper integration into the global economy.

The assessment, by new political authorities, of past economic reforms will play a key role in defining future economic policies. The main variable will be the relationship between political power, technocrats and businessmen. From this point of view, early outcomes of the revolts in Tunisia and Egypt have been rather different.

In Tunisia the economic focus of the revolt has been the private wealth of the family clan surrounding the former president Ben Ali. Economic reforms per se have not been attacked by the protesters. In fact, as a signal in favor of economic reforms, the new Tunisian government choose Mustafa Nabli, a former Chief

TOTAL EGYPTIAN GOVERNMENT DEBT (DOMESTIC AND FOREIGN)



Economist of the MENA region at the World Bank, as new Governor of the Central Bank.

The situation in Egypt is more complex. The most recent, and deepest, phase of economic reforms started in 2004, with the formation of the cabinet headed by Prime Minister Nazif. Some ministers were brought into the cabinet from the private sector as part of a drive to improve the investment climate and encourage foreign investors. Interrelations between political power, technocrats and businessmen were therefore much stricter than in Tunisia, and raised much more criticism. Things were further complicated by the fact that the reform-minded economic ministers were close to Gamal Mubarak, the son of the president often mentioned as his possible heir.

Therefore, economic reforms have been tainted by the strict link between their major sponsors in the government and the Mubarak family, putting their sustainability at risk. Ironically, economic reforms are now under attack by both the protesters and the army. The former perceive them as a key facilitating factor for the enrichment of the Mubarak family and the coterie close to Gamal, as well as for the spread of patronage and corruption. The latter sees economic reforms as the main cause of the loss of social control by the government.

According to a 2008 State Department cable released by the WikiLeaks website, Field Marshal Mohamed Hussein Tantawi, Commander-in-Chief of the Egyptian Armed Forces and head of the Higher Military Council that took control of Egypt after Mubarak, "has opposed both economic and political reforms that he perceives as eroding central government power." More specifically, "on economic reform, Tantawi believes that Egypt's economic reform plan fosters social instability by lessening government controls over prices and production."

These negative assessments are, however, not well-grounded. Egypt and Tunisia have been among the best economic reformers of the region and the results of their reform processes have been quite positive, in terms of both human development and increased attractiveness for foreign investors. According to the 2010 "Human Development Report," out of the 95 countries for which data is available Tunisia and Egypt are respectively in 7th and 8th place for improvement in their Human Development Index between 1980 and 2010. There is still much room for improvement, given that their current ranking is rather low (Tunisia ranks number 81 and Egypt 101, out of 169 countries), but past improvements are very noticeable.

A similar positive assessment may be drawn from statistics on integration into the global economy, and especially on foreign direct investments, which increased considerably in the last decade. As an example of the positive evaluation by foreign investors, the A. T. Kearney report on "Offshoring Opportunities Amid Economic Turbulence," published in January 2011 when events in the Mediterranean region were at an early stage, ranks Egypt as the fourth best place in the world as a location for global services outsourcing, while Tunisia holds the 23rd place out of the 50 ranked countries. Especially impressive is the rapid improvement of these rankings: in 2005 the same A. T. Kearney Global Services Location Index put Egypt in 12th place and Tunisia in 30th.

However, a grain of truth may be found in the negative assessments attributed to Tantawi. As economist Dani Rodrik recently stated: "economic growth itself generates social and economic mobilization, a fundamental source of political instability" and, therefore, "if Tunisia's Zine El Abidine Ben Ali or Egypt's Hosni Mubarak were hoping for political popularity as a reward for economic gains, they must have been sorely disappointed". However, as shown by the financial and economic crisis which both Egypt and Tunisia had to face in the 1980s, the solution cannot lie in the return to old centralized economic policies, as sometimes suggested by old-guard generals, still fond of Nasserite policies.

Today's challenge is to build on the positive results of the last decade of economic reforms, getting rid as far as possible of their negative side-effects and improving their social impact. Corruption, cronyism and nepotism are the outcomes of the socio-political environment in which reforms were applied rather than the result of economic reforms. In other words, they are the result of an authoritarian regime governed by a narrow elite of strongly interconnected militaries, politicians and businessmen. The social impact of economic reforms may be enhanced through a more focused wage policy and a better balanced taxation policy, together with a reform of the welfare system, which is now too centered on subsidies.

However, this is not on today's political agenda and, on the contrary, a populist tendency that considers all previous economic reforms a mistake that promotes corruption, prevails. At the time of writing, the 2004-2011 Prime Minister Nazif, the former Minister of Trade and Industry Rashid and about 40 other former officials have been banned from travelling outside the country. The former ministers of Tourism, Housing and Interior, together with the industrialist Ahmed Ezz, chairman of Ezz Steel and a key member of the former ruling party, have been arrested and their personal assets frozen, as well as the assets of former minister Rashid. The former minister of Finance Boutros Ghali managed to leave the country the very day in which Mubarak resigned.

For a new government in dire need to build credibility with a disenchanted population, the most prominent former ministers and businessmen close to the old government are an attractive political target. In these circumstances, the right balance between due process and a witch hunt will be strictly necessary to avoid having the new political climate take a populist turn, which would discourage private investments and promote domestic capital flight. This would destroy the large economic opportunities built up during past reforms and grounded on the large supply of a highly skilled work force.

For long-term prosperity, economic reforms must be re-designed rather than discarded. Domestic political evolution will be crucial, but some positive influence may come from abroad. Specifically, it will be essential that, while focusing on building democracy and reforming the security system reform, key donors like the US and the EU should not forget the support of economic reforms, lest populism end up drastically reducing economic prospects and finally destroying democratic efforts.

Opportunities for political and economic development are numerous, but their realization is far from being assured in the current political context. The support of external partners may play a significant role in helping Egyptians people to seize these opportunities.

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ANNUAL EGYPTIAN GDP GROWTH AND CONTRIBUTION OF EXPENDITURE ITEMS IN REAL GDP GROWTH