

The Middle East:

The Next Decade

Sep 15, 2000



In-Depth Reports

It is a pleasure for me to deliver the keynote address to The Washington Institute. During the last several years, many of us in the Central Intelligence Agency (CIA) have found the Institute's publications and policy fora highly useful, if for no other reason than they give us the chance to engage in the kind of give-and-take that is so useful in sharpening all of the work that we are asked to do. I hope that you will view my appearance here both as a sign of gratitude and as a token of repayment for the Institute's intellectual hospitality to the Directorate of Intelligence.

The keynote speaker inevitably bears the responsibility for setting the tone for a conference such as this one. On the program for the retreat I see that you have panels on a host of topics-the risk of nuclear breakout for a region, unfinished business in the peace process, and so on. These are obviously critical issues for U.S. policy in the Middle East and will loom large for whatever administration takes office in January. It should come as no surprise, of course, that these issues also figure prominently in the CIA's coverage of the Middle East.

I am not going to focus my remarks on what we already know is important to U.S. interests in the Middle East, though. Rather, I will look down the road, say some ten years, and pick out what we think will be new and different about the Middle East over that period. Of course, it is not easy to make predictions about the Middle East, especially if far in the future. But with this caution in mind, let me speak to you from the perspective of an intelligence officer about some of the issues those of us in the Directorate of Intelligence think are becoming important in Middle Eastern politics.

In particular, I will argue that economic performance and domestic governance are increasing in importance in the political life of the Arab states and Iran. The increasing importance of domestic issues is, in part, an outgrowth of the Middle East peace process. While there is a good deal of unfinished business in the peace process, it seems to me that one consequence of the process so far-indeed, one of its principal justifications-has been to reduce the risk in the region of another large-scale Arab-Israeli war. If this succeeds, the domestic issues that have historically taken a backseat to the Arab-Israeli conflict are bound to become more important. It is this prospect that I want to discuss tonight. During my remarks, I will try to describe the trends that are driving domestic issues to the forefront, and identify the key variables that will determine the ultimate impact of those trends. I would also like to consider briefly the implications of domestic developments in these countries for the longstanding U.S. concerns in the region, and close with a few comments about the work that we are doing in the intelligence business.

As we begin to think about the prospective condition of the Middle East in ten years, it seems to me that it would be hard to overestimate the extent to which some of the basic parameters of Middle Eastern politics are changing. For as long as I have been watching the region and before, the Middle East has commonly been characterized as a region in turmoil. During this period, Western perceptions of the region were shaped by dramatic events: the Arab-Israeli wars, staggering fluctuations in the price of oil, the Iranian revolution, and the wars in the Persian Gulf.

Despite the tumultuous nature of these events, it appears, in retrospect, that in many ways an effective stability has

prevailed in the region for much of the past thirty years. At the end of the day, the same rulers are ruling families and groups pursuing essentially the same policies that were in place in most countries, confronting a relatively constant set of economic, political, and social problems. By contrast, as we look ahead to the next five to ten years, we anticipate that a new cast of national leaders will take the regional stage, replacing personalities who, in many cases, have ruled for a generation or more.

The process of leadership succession and change already has begun, with the passing last year of King Hussein of Jordan, the Emir of Bahrain, King Hassan of Morocco, and this year, President Hafiz al-Asad of Syria. During the next five to ten years, leadership turnovers in other Arab countries, along with the electoral outcomes in Iran and Israel, will produce a cast of national leaders very different from the one that has dominated the region over the past twenty to thirty years. In some countries, new leaders are likely to be drawn from the current ruling generation. In others, younger leaders will be surrounded by older officials and advisers. Nevertheless, the accession of new leaders will mark a major step toward generational change in regional leadership.

As new national leaders come to prominence during the next decades, my colleagues and I believe that they will confront a set of economic, political, and social problems that are qualitatively different from the issues of security, regional relations, and regime consolidation that consumed their predecessors. The traditional issues of high politics will not disappear. But ongoing economic and social trends in the region will put issues of economic performance and governance much higher on the agenda of most Middle East regimes than has been the case in the past thirty years.

One of the most powerful forces elevating the importance of economic issues for Middle Eastern regimes is demographics. The Middle East has long been a region characterized by comparatively high rates of population growth. Consider that the populations of Middle Eastern countries grew more rapidly between the end of World War II and the mid-1990s than did any other region of the world except sub-Saharan Africa. And since the mid-1990s, the Middle East has experienced faster rates of population growth than any region, even surpassing sub-Saharan Africa. In part, this development reflects the impact of HIV infection and AIDS on the mortality rates of sub-Saharan Africa, but it also reflects the cumulative impact of sustained demographic expansion in the Middle East.

The Middle East regional population, which is currently around 314 million and is projected to grow about 2.3 percent per year during the next decade, will continue to grow at a robust rate for the foreseeable future. To be sure, rates of population growth have declined over the past decade in a number of Middle Eastern countries. In Egypt, for example, the population growth rate is now under 2 percent. Nevertheless, at least nine countries in the region—Iraq, Jordan, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Syria, and Yemen, as well as the Gaza Strip and West Bank under the Palestinian Authority (PA)—still have population growth rates exceeding 3 percent per year.

While population pressures are not new in the Middle East, the impact of demographics on the region's politics is intensified. In particular, population growth is now intercepting the structural economic problems in most countries of the Middle East in ways that are generating unprecedented socioeconomic pressures on regional regimes. One strain of pressure is an employment crisis, the huge struggle to provide jobs for disproportionately young populations. According to the World Bank, more than half the population in nearly all Middle Eastern countries is under 20 years of age. This trend obviously has significant implications for expanding the labor force in these countries.

The Middle East rate for growth of labor force is currently about 3.2 percent per year, greater than that in any other region in the world. Data from the U.S. Census Bureau indicates that at least eleven countries in the region—Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Saudi Arabia, Syria, the United Arab Emirates (UAE), and Yemen, as well as the PA—are experiencing what demographers call a youth bulge, a situation in which the 15 to 29 age cohort in a national population exceeds the 30 to 54 age cohort by a specific ratio.

Iran is a classic example of the youth bulge and the consequences that countries have to face as this issue works itself through. Youth bulges and the comparatively rapid growth of Middle Eastern labor forces will place local job markets at an increasing strain during the next several years. In at least five of the region's countries-Iraq, Oman, Saudi Arabia, the UAE, and Yemen-youth bulges will persist beyond 2010. In Iran and Syria, youth bulges will persist beyond 2005.

Job markets in these countries are already severely challenged to create openings for the large mass of young people entering the labor force each year. In Tehran, for example, government officials say that Iran needs to create around 300,000 jobs each year to accommodate labor force growth, but they acknowledge that the country's economy generates only about half that number. The Iranian government's published jobless rate of 17 percent masks an actual incidence of unemployment that is probably double the official figure.

Even in the Middle Eastern countries not experiencing a youth bulge, or where current youth bulges will moderate by 2005, disproportionately young populations are still outpacing the capacity of local labor markets to absorb them. Unemployment is currently 25 percent or more in Algeria, Jordan, and the PA. The World Bank estimates that Egypt must generate 600,000 new jobs annually in the next decade to meet the needs of its swelling labor force. The social impact of the emerging employment crisis may be magnified because the populations of most Middle Eastern countries are not just younger, but also more educated, and thus more likely to resent poor economic prospects.

Another emerging strain of socioeconomic pressure is an income crisis, as Middle Eastern regimes see at least a slow and ongoing deterioration in standards of living for much of their population. Although the statistical deficiencies in the data make categorical statements difficult, many economists, both inside and outside the U.S. government, conclude that per capita incomes in the Middle East stagnated during the 1990s. Real wages and productivity in the region today are about the same as they were in 1970. Nowhere is this truer than in Iran, where real per capita income remains lower than before the revolution, and even the rate of growth in per capita gross national product (GNP) in the 1990s slowed.

The particular way in which this regional trend plays out varies across countries. A handful of countries-Egypt, Morocco, and Tunisia-have managed to attain some level of growth in per capita income. Other countries-Jordan, Saudi Arabia, and Syria-are emblematic, but by no means alone, in experiencing negative growth in per capita GNP. In this context, it is important to note that no increase in energy prices is likely, in and of itself, to remedy the situation. Real per capita income in the region's oil-producing states today, with oil at only \$35 a barrel, is only about 35 percent to 40 percent of what it was during the oil boom of the early 1980s.

A major consequence of stagnating per capita incomes is the rising incidence of poverty in Middle Eastern countries. Once again, good data are hard to obtain for many countries. But to summarize our judgment, it appears that poverty increased during the 1990s in every non-OPEC country in the region except Morocco and Tunisia. Even in Egypt, which has managed to sustain positive economic growth for almost a decade, the uneven distribution of economic gains has meant that growth in per capita income has failed to halt the rising incidence of poverty. In the region's oil-producing countries, which generally had significantly higher income levels than in non-oil states, stagnant or declining per capita incomes are resulting in declining living standards for much of the population.

A third strain of socioeconomic pressure on Middle Eastern countries is an infrastructure crisis, as states struggle to provide basic services to burgeoning populations, especially in cities. As Middle Eastern populations have grown, they have also become more urban. Roughly half of the regional population now lives in cities, and the number of urban dwellers continues to grow more rapidly than the population as a whole. Already, expanding populations are outstretching the capacity of most Middle Eastern states to provide housing, water, electricity, and other basic services. The problem of providing services to burgeoning populations is also felt increasingly at the higher end of the infrastructure spectrum. The Middle East lags behind all regions of the world, except sub-Saharan Africa, in the

availability of the most basic tools of the new economy.

Taken together, the emerging crises in employment, incomes, and infrastructure will demand sustained attention from regional leaders in coming years. A team of analysts in the Directorate of Intelligence has been working for some time to correlate historical cases of political instability in a wide range of developing countries with a variety of demographic and social indicators. Their analysis suggests that countries with disproportionately young populations are more prone to internal instability, especially if the local economy is weak and the government is unable to meet expectations for employment, housing, and other needs. This is precisely the situation that will confront most Middle Eastern regimes during the next decade.

Regional leaders are certainly aware of these problems and understand the imperatives for economic reform. During the 1990s, liberalization initiatives of various types were introduced in most countries in the region, and reform is proceeding with varying measures of intensity across the region. Still, regional regimes have been reluctant to pursue anything approaching the shock-therapy model that has guided economic reform in other parts of the world.

No Middle Eastern regime is undertaking reform of the scope or at the pace pursued by the first and second generation "Asian Tigers," some other emerging economies in Latin America, or the more successful post-Communist systems. The Middle Eastern governments had hesitated, primarily out of concern that more rapid reform would prompt an internal backlash because of the cost of restructuring. Comparatively speaking, four non-oil countries-Egypt, Jordan, Morocco, and Tunisia-have done the most to diversify their economies and lower barriers to investment.

Even in these countries, however, political considerations have slowed the reform process. Egypt, Morocco, and Tunisia have managed to attain positive levels of per capita income growth as a result of reform. Morocco and Tunisia, in particular, have growing exports, declining external debt, and small budget deficits. Nonetheless, economic growth has not been sufficient to absorb labor force growth, and unemployment remains a problem in the three countries, even if not as severely as elsewhere in the region. Jordan has been less successful at raising growth rates and increasing per capita investment. All four countries have been reluctant to privatize large, state-owned enterprises in key economic sectors-a critical step for attracting greater investment and boosting economic growth to the levels needed to accommodate labor force growth.

In other Middle Eastern countries, political factors have largely precluded significant reform initiatives. Saudi Arabia, the most important Arab oil producer, has begun to grapple with issues of structural reform in the context of World Trade Organization accession. The reform process in Saudi Arabia and the Gulf monarchies, however, has been retarded by an emphasis on consensus decisionmaking, including family, religion, and business factions. In Iran, the revolutionary tradition of Islamic collectivism has impeded serious structural reform. There is no consensus among either hardliners or reformers about economic policy, precluding the emergence of a significant reform constituency. In three countries-Iraq, Libya, and Syria-there has been little effort to reform, largely because strongman regimes have been deeply resistant to surrendering even small amounts of control over their economies.

Some of the region's new leaders-King Abdullah in Jordan, King Mohammed in Morocco, and to a lesser degree, President Bashar al-Asad in Syria-have signaled that they would like to go further down the path of economic reform. Their ability to pursue such course may well increase as generational succession brings change not just at the top, but also throughout the regime's inner circles of power. Given the extent of the region's economic problems, however, whether leadership succession and change eventually brings a more ambitious approach to economic reform will be a key issue for Middle East watchers during the next decade.

The rising importance of economic issues in Middle Eastern countries is matched by a corresponding rise in the importance of domestic governance issues. This development is driven largely by social trends that are working to

increase the salience of public opinion in much of the region. For many years, it has been commonplace in Western commentary on Middle Eastern politics to downplay the importance of public opinion on national decisionmakers in the Arab states and Iran. This commonplace has, no doubt, always been an oversimplification. In the last few years, however, it has become clear that Middle Eastern regimes must now pay attention to public opinion in ways that they did not, even ten years ago.

One social trend bolstering the salience of public opinion in the region is a rise in the number and relative independence of media outlets serving Middle Eastern populations. As former Institute Soref fellow Jon Alterman and other scholars have argued, until the early 1990s, the flow of information in almost every Middle Eastern country was shaped by a mass media infrastructure closely linked to the country's regime. Over the last decade, though, regimes' traditional monopolies over what their publics hear, read, and see have been eroded by competitor sources. Arabic language newspapers published in Europe, such as the well-known London-based dailies, have taken advantage of satellite technology to beam their content to printing plants throughout the Middle East-in the process, expanding information available through print media.

Arabic language satellite broadcasting networks, like London-based MBC or al-Jazeera in Qatar, have become popular sources of news, information, and entertainment for significant segments of the public in a number of Arab countries. The arrival of the Internet has bolstered the trend to some degree. The Middle East lags behind most of the rest of the world in terms of Internet penetration, if numbers of hosts and users are any indication. Nevertheless, there has been considerable diffusion of the Internet in the region in absolute terms over the last few years, as evidenced by the increasing Internet hosts regionally from roughly 10,000 in 1994 to 271,000 in January 2000.

While the Internet remains, in large measure, an elite phenomenon in the Middle East, its spread nonetheless reinforces the trend toward greater and more varied flows of information in the region. The erosion of regimes' monopoly control over the information going to their publics has fundamentally changed the environment in which Middle Eastern states operate. As Dr. Alterman points out, in August 1990 the Saudi government waited three days before informing its people through the state-controlled media about Iraq's invasion of Kuwait. No Middle Eastern regime could behave similarly during a future crisis.

The second trend boosting the salience of public opinion is the emergence of a more demanding civil society in many Middle Eastern countries. Although the outcome of the battle between reformers and hardliners is uncertain, Iran remains the leading example of a Middle Eastern country in which significant parts of society are seeking meaningful political change, using regular presidential and parliamentary elections that are technically fair, if ideologically constrained, to press their cause.

No Arab country displays the same degree of societal activism as Iran. Nevertheless, in many parts of the Arab world, societal actors are asserting themselves more vigorously, from women's groups seeking changes in family and personal status law in Egypt, to businessmen in Saudi Arabia calling for the rule of law in greater administrative transparency.

Accommodating social pressures for political reforms is an increasingly profound challenge for Middle Eastern regimes. Just as Iran is the leading example of a Middle Eastern country in which social forces are pushing for expanded political participation, it is also the paradigm of a regime whose powerbrokers are seeking to forestall significant changes. During the past decade, a number of Arab regimes tried to accommodate pressures for greater political participation to some degree, without generating as much drama as in Iran.

In the 1990s, all four of the more forward-leaning states in terms of economic reform-Egypt, Jordan, Morocco, and Tunisia-launched carefully managed political liberalization initiatives in conjunction with economic restructuring. Over time, however, all of these liberalization initiatives were, at least partially, reversed. As is the case with

economic reform, Iraq, Libya, and Syria have done little or nothing to open their political systems. In this context, I would mention that, even if Saddam Husayn left the scene in Baghdad, his successor would most likely come from the Sunni military establishment, a development that would probably not augur well for political liberalization in Iraq.

Regimes' options for accommodating social pressures for political reform have been complicated in recent years by the progressive and ongoing Islamization of Muslim societies. While the immediate threat of organized Islamic political movements to established regimes has declined in recent years, there have been some widespread increases in various manifestations of Islamic observance and piety in many Arab countries. Islamization appears to be affecting popular attitudes in these countries about an array of social issues, including education, family law, public health, and the status of women. Islamization also has prompted tension between Islamized sectors of society and non-Muslims, as well as between Islamic activists and the more secular elite. This is one of the factors behind the ongoing de-Christianization of the Middle East, as growing numbers of Orthodox, Eastern, and Latin-rite Catholics in the Levant, and to a lesser degree Copts in Egypt, emigrate from the region.

The potential impact of the Islamization of Arab societies can be seen in the blocking of a regime-sponsored women's suffrage initiative by Islamic activist members of the Kuwaiti legislature. It can also be seen in the ability of moderate Islamic activists in Egypt, including the shaykhs traditionally supportive of the regime, to compel Hosni Mubarak's government to reduce the scope of recently proposed changes in family and personal status law. Islamization also appears to be positively correlated with heightened popular concerns about the issues of domestic governance. Perhaps the most widespread manifestation of such concern is the rising popular dissatisfaction with official corruption and lack of transparency and decisionmaking in a number of Arab countries.

All of these trends together—greater information flows, a more demanding civil society, and the Islamization of society—will make relations between regimes and their populations an increasingly dynamic area in Middle Eastern politics. Negotiating new modalities for state-society relations will be a significant policy challenge for the new leaders coming to power and setting their agendas over the next five to ten years. In turn, the relative success of new leaders in negotiating these modalities will be critical to establishing a regime's long-term prospects.

In terms of U.S. policy implications, the increasing importance of economic performance and domestic governance issues in the Middle East is potentially significant. Domestic concerns, for example, have already encouraged a certain measure of solidarity in Arab states' rhetoric on regional issues of interest to the United States. Since the mid-1990s, for example, some regimes have sought to assuage popular concerns about the suffering of the Iraqi people under United Nations (UN) sanctions and periodic U.S. military action by distancing themselves in various ways from U.S. diplomatic and military initiatives. Linked to this has been the public criticism of the so-called double standard in the U.S. policy that insists on strict Iraqi compliance with UN Security Council resolutions, advocating the use of force to compel that compliance, but takes a more tolerant stance toward Israel. The growing number of Arab states pursuing rapprochement with Iran further illustrates this trend. Rapprochement has a strategic dimension, to be sure, but it is also intended to appeal to domestic constituencies on Islamic grounds as evidence that the Arab regimes can chart a foreign policy course independent of the United States. During the next decade, domestic issues in Middle Eastern countries are likely to affect other high-profile U.S. policy interests in the region, including the proliferation of weapons of mass destruction (WMD), the Middle East peace process, and Israel's future role in the region.

With regard to proliferation, it is important to note that the Middle East currently has the greatest rate of WMD proliferation of any region in the world, measured both in terms of how many states are acquiring WMD and ballistic missiles and how quickly states are obtaining the expertise and infrastructure to develop these items indigenously. While there are many factors that drive proliferation in the region, I would argue that the increasing importance of

economic performance and domestic governance issues in most Middle Eastern regimes will make it harder, and not easier, to stem the spread of WMD in coming years. In essence, an insufficiency of resources for bolstering conventional military capabilities will make WMD seem more attractive to a number of regional regimes as a way of balancing against an expanding array of perceived threats. This calculus becomes apparent if we examine the recent trends in military spending in the region.

Overall, the military spending of Middle Eastern states declined in the 1990s, a period in which WMD proliferation accelerated. This suggests that, as regimes are pressed to devote more resources to domestic issues, they will increasingly be drawn to WMD and the greater "bang for the buck" that they offer for maintaining and modernizing force postures. Domestic issues clearly affect the Middle East peace process as well, as everyone who has followed the process of Israeli-Palestinian negotiations in recent months understands.

These issues are also likely to play a key role in shaping Arab-Israeli relations following the conclusion of a Middle East peace process. Whatever the timing and conclusions of the peace process, these agreements will not automatically create a fundamentally more cooperative environment between Israel and the rest of the Middle East. Completion of the circle of peace between Israel and its Arab neighbors will, to be sure, bring formal diplomatic recognition for Israel from the broader Arab world. Nevertheless, apart from regular economic and social interaction between Israel and the prospective Palestinian state, and possibly between Israel and Jordan, it remains an open question whether peace will lead to extensive political, commercial, or social relations between Israel and the rest of the Middle East.

The principal barrier to more extensive interaction is likely to be the growing disparity between Israel and the rest of the region in economic development and technological sophistication. As some of you know, many of Israel's high-technology enterprises have established themselves as leaders on the frontlines of international competition. There are today more companies from Israel represented on the NASDAQ than from any other foreign country except Canada. Driven largely by the explosive growth of its high-technology sectors in recent years, Israel is forging an ever tighter and more extensive international economic alliance with the European Union, North America, and Asia.

As The Washington Institute's Patrick Clawson and others have pointed out, the widening technological gulf between Israel and the rest of the Middle East suggests that there may not be a good fit for significant and increased trading investment among them. If this is the case, peace between Israel and the Arab world will not alter this economic reality. A great irony of the Middle East during the coming decade may be that, at a time when Israel's political, military, and diplomatic place in the region becomes more assured, its economic and commercial energies will be directed more and more toward other parts of the world.

Let me conclude with a few thoughts about what this means for my fellow intelligence analysts and me. Monitoring and assessing the status of peace agreements and making sure that we are in a position to warn of potential conflict will remain at the top of our agenda. Notwithstanding, or even because of, the internal issues I discussed earlier, issues of security, war, and peace cannot-and will not-be getting short shrift.

The proliferation issues that I mentioned will be of particular concern. We will need to know as much as we can about the efforts to acquire WMD, and we need to learn what we can about the planning and thinking about their potential uses, from deterrents to employment doctrine. We will need to continue to monitor terrorist organizations in the Middle East closely. At least some of these groups, including Hizballah, are going through an internal debate about their future. We will monitor whether these groups will move away from terrorist violence and become more normal actors, or whether they will continue to threaten U.S. and Israeli interests.

Our ability to monitor issues of economic performance and domestic governance will also be an enormous challenge. Many of the insights on these issues will come not from traditional intelligence channels, but from open

sources and from work done in academic and journalistic communities. The link between these issues and political stability, both internally and regionally, is what we would be particularly interested in. Here too, open sources and academic specialists have much to offer. But so does the work we have been doing over the last several years aimed at better understanding the predictive links between these issues.

Another challenge that we are looking at very seriously is analyzing the rapidly multiplying turnovers in national leadership in the region. In any leadership transition, the most immediate issues are those of succession and the degree of regime consolidation. Inevitably, the first question that the policymakers propose to us when a leader of long standing-or even short standing-passes from the scene is, "Who is the new leader? Who will the key powerbrokers in the regime be? Will they support it?" We work hard to be in the position to answer these questions as fully and as accurately as possible.

All these challenges will benefit from some of the initiatives we have put in place in the last several years at the CIA. Our hiring in recent years has focused even more on regional and linguistic expertise and has brought us some of the best minds out of school and at mid-career. New intelligence trade-craft training aimed at helping us to better understand how to provide the critical insights to our policymakers that they demand is another important initiative. We have also developed incentives for analysts to deepen expertise on critical accounts through extra training, travel, more language training, integration with collectors and policymakers, and retention initiatives to have them stay in analytic fields rather than move into management.

Finally, we encourage vigorous professional relationships with experts outside the intelligence community, such as those represented in this room-which allows me to wrap up by thanking you all for inviting me to speak tonight, and for our continued association. ❖

RECOMMENDED



ARTICLES & TESTIMONY

[The Ukraine Crisis Isn't Over: Russia Has Lied About Troop Withdrawals Before](#)

Feb 16, 2022

◆
Anna Borshchevskaya

(/policy-analysis/ukraine-crisis-isnt-over-russia-has-lied-about-troop-withdrawals)



ARTICLES & TESTIMONY

[As China Thrives in the Post-9/11 Middle East, the US Must Counter](#)

Feb 16, 2022



Jay Solomon

(/policy-analysis/china-thrives-post-911-middle-east-us-must-counter)



BRIEF ANALYSIS

[Unpacking the UAE F-35 Negotiations](#)

Feb 15, 2022



Grant Rumley

(/policy-analysis/unpacking-uae-f-35-negotiations)