

Chapter 1

Introduction: The Opportunity

How can the march of history favor the Islamist agenda if that agenda has been repeatedly frustrated for the last fourteen centuries? And why should anyone believe in the viability of Islam's economic agenda if its proponents cannot cite a single contemporary example of its successful implementation?

— Timur Kuran, *The Islamic Dead End*

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Over the past fifty years, almost every success story in the developing world has taken place under a liberal authoritarian regime. Whether in Taiwan, South Korea, Singapore, Indonesia, or China, governments that were able to make shrewd choices for the long term were rewarded with strong economic growth and rising levels of literacy, life expectancy, and education. It is difficult to think of a Third World democracy that has achieved sustained growth rates like those of the countries noted above.

— Fareed Zakaria, *The Future of Freedom*

In 1963, I was a young college graduate with a fresh degree in philosophy, setting out to look for a job. That year, average per capita income in the Arab world was higher than the per capita income of South Korea. Today, it is half that of Korea, which is now the 11th largest industrial economy in the world. What's worse, during the past twenty years, growth in per capita income for Arabs at 0.5 per cent per year has been the lowest in the world except for sub-Saharan Africa. At this rate, it will take the average Arab about 150 years to double his or her income compared to about ten years for the average Korean.

By 1963, Singapore had become an independent country after nearly 150 years of British colonial rule. Its population of 1.6 million people was growing at an alarming rate of more than four per cent a year, and housing them was a major problem for the new Prime Minister, Lee Kuan Yew. Half of Singapore's population lived in squatter huts and fewer than ten percent had flats in the government's public housing estates. Its per capita GDP was only about \$450. By 1996, Singapore had earned recognition as an "advanced developing country" from the OECD, its per capita GDP had risen to nearly \$25,000, and its standard of living was on a par with that of Switzerland.

The East Asian economic miracle of the last forty years is no longer a mystery. There is a large and growing body of literature, by and for academics as well as for the educated general reader and in the popular press, documenting this remarkable regional achievement. The development strategies, both economic and political, and the resulting empirical evidence, are now fairly well known. Japan and the four fast-growing tigers of the Far East – Korea, Taiwan, Singapore, and Hong Kong – have raised the bar and created a new standard for developing countries to meet, a standard that has become a benchmark in many ways for key multilateral institutions like the International Monetary Fund and the World Bank. More recently, China's economy has eclipsed even the tigers; it has been growing at the fastest rate in the world for the past fifteen years.

So an obvious question prompts itself: why aren't developing countries in other regions trying to emulate East Asia's successful economic transformation strategies? Instead, poor countries everywhere seem to have become critical of capitalism, skeptical of neoclassical free-market economics, and antagonistic toward Washington and Brussels, who in turn have put developing countries under increasing pressure to open their own markets to manufactured goods, value-added services, and capital from the advanced elite. The United States has become, for many, the great Satan of globalization, the target of growing resentment, jealousy, envy, anger, and rage. The more Washington evangelizes America's "one-size-fits-all" style of homegrown representative democracy, its market-driven capitalism and free trade, the

greater the resistance seems to be, not just in the current cradle of hostility called the Middle East, but increasingly in Latin America and sub-Saharan Africa as well.

There may be a message here for the Arab world: don't look West, look East. Instead of being captives of the past, and feeling victimized or humiliated by the West, Arabs should stop expecting Washington and Paris and London to provide answers to their needs. Instead, they would be better advised to turn to Tokyo and Beijing, or Singapore and Seoul, for solutions to their economic and political problems. I would argue that the high-performing economies of East Asia can supply more useful strategies for modernization *while protecting valuable historical traditions* than either the United States or Europe, given the widespread level of hostility that increasingly characterizes the Arab world's relationships with the West.

The Muslim countries of the Middle East could profit by sending teams of their best people to Asia, where the Japanese can show them how to create viable public institutions, and the Chinese how to maintain political control while turbocharging the economy. Or Singaporeans how to craft a workable political system based on "soft" authoritarianism, and Koreans how to make their educational systems more robust. Japan did something precisely like this, 150 years ago, when it emerged from three centuries of self-imposed isolation, by sending multiple missions abroad to study how the West had become so strong. The young Meiji oligarchs borrowed wisely and widely from the West by focusing on science and technology, but they stopped short of importing Western ideals and values. Once the Japanese had begun to modernize, they created a model that other Asian countries could emulate. The Middle East today desperately needs to create a viable demonstration effect of its own, to break the cycle of poverty, illiteracy, and despair.

Virtually all recent discussion of the stubborn Middle East crisis has focused primarily on three issues, all having nothing whatsoever to do with economic growth or modernization: [1] political stability, and the desire to see American-style "liberal democracy" transplanted to countries in the region through "regime change"; [2] the religion of Islam, Sunni vs. Shi'ite, and problems stemming from the split of fundamentalism ["radical" or "political" Islam] from moderate, mainstream Islamic thought, which has inspired a new generation of ruthless, faith-based terrorists; and [3] foreign affairs, more specifically either subservient to or hostile to the policies of the United States as the world's sole superpower.

This tripartite preoccupation, with a ubiquitous mass media focus, has tended to ignore basic economic reality in the region, which itself has become a virtual "captive" of the resource-rich Gulf nations, the dominance of American commerce, and the industrial world's incessant thirst for oil. All but overlooked have been economic development strategies that focus on exports of value-added manufactured goods, high-level services, or even advanced technology itself. What's more, the emergence of stateless terrorism during the past decade as a major international threat, coupled with growing political instability in countries like Saudi Arabia, Afghanistan, and Iraq, suggest that a sharper focus on economic growth in the Middle East may be critical. If the underlying social conditions of poverty, illiteracy, and underdevelopment there cannot be eliminated, then the threat from the "supply side" of Islamic terrorism may continue to grow unimpeded. Put another way, either the failed Muslim economies of the Arab world learn to create more jobs for their overpopulated pool of undereducated and unemployed males, or they will continue to create more suicide martyrs, with violent and predictable consequences.

The purpose of this book is to analyze and select a few target countries in the Middle East that may have the potential to implement sustainable, high-speed economic growth *à la* East Asia and the ability to demonstrate effective democratic political leadership of an Islamic society that could serve as role models via demonstration effect for the rest of the region. Three countries in particular – Turkey, Egypt, and the kingdom of Morocco – may have the potential to play this role, provided their political and economic leaders, their public policy specialists, and their government technocrats understand and accept the fundamental principles on which the highly successful transformation strategies in East Asia have been based. One other candidate – ironically, Iran – has this potential, too, given its deep imperial past. But the Islamic republic arguably has further to go, given its diplomatic isolation, the systematic deterioration

of its educational institutions, and its role as the contemporary cradle of an Islamic revolution that has produced little but the government of God. Each of these countries can claim a past history of empire – the Ottomans, the Pharaohs, the Alawite monarchy, and Persia – that transcend the present-day, one-dimensional focus of Islam and provide at least a base for future greatness. The other countries are hardly more than collections of tribes.

It should be common knowledge that the oil-producing Arab monarchies in the Persian Gulf cannot qualify; all of them are little more than “coupon-clippers,” *rentier* states whose addiction to oil revenues has masked deep economic, social, and political problems that require urgent attention. Kuwait, Qatar, and the Emirates are too small; they lack both a global reach and a global vision. Saudi Arabia, whose deserts cover half of the world’s proven oil reserves, is another tribal monarchy, too. But it is home to a lethal strain of Islam, the Wahhabis, who actively promote a toxic blend of hatred for the West – the “Other” – and a system of *Shari’a* justice based on the strictest interpretation of the Qur’an. Washington has a simple but noxious understanding with the Saudi tribe: you be our gas station, and we’ll protect you.

Algeria misses the cut, too, for similar reasons; it’s also a member of OPEC, the Organization of Petroleum Exporting Countries, but the collapse of its ruling party led to a brutal civil war that killed an estimated 100,000 civilians after the Islamic Salvation Front won a preliminary round of elections in 1991. Savage bloodshed there has led to fractious rivalries, endemic corruption, and a lack of legitimacy, factors that hardly inspire regional leadership. In the Fertile Crescent, Syria, a Ba’athist state and junior member of Washington’s Manichean axis of evil, is ruled by Bashar al-Assad with an Alawite minority that alternates between arrogance and instability. His father, Hafez, ruthlessly repressed the Muslim Brotherhood’s uprising in Hama, in 1982, when 20,000 Shi’ites were slaughtered by his troops. Lebanon is another collection of tribes whose capital, Beirut, was once the Paris of the Middle East, a haven of Arab business and scholarship that rivaled Cairo. But the Phoenix turned to ashes in record time, destroyed by its own disastrous 20-year civil war. Jordan, kingdom of the Hashemites, is a virtually landlocked dead-end. Tunisia and Libya are ruled by their own strongmen with no pretense to greatness. Last but not least, the fate of Iraq seems more troubled than promising, its future yet to be determined by the presence of another foreign occupier, the third in less than a century [Istanbul and London having preceded Washington]. The tragedy of Iraq is simply a metaphor for control of its oil by the West; post-occupation, it seems more likely to morph into the Arab equivalent of the Balkans and become another cauldron of chaos created by failed American policies, hardly a stable environment for a bold experiment in the political or economic strategies of East Asia’s dynamic transformation.

Since its creation as a nation-state from the remains of the Ottoman Empire in 1923, Turkey has shown that Islam and democracy can successfully co-exist: that a secular state can, at one and the same time, embrace the tenets of representative democracy while allowing free expression of religious faith by its overwhelmingly Muslim society. But Turkey’s approach to modernism has been completely orthogonal to that of Islamic states in the Arab tribal world whose national polity is based on the *Shari’a* – Islamic holy law derived from the Qur’an – which governs affairs of the state as well as those of religion, Saudi Arabia and Iran being two notable examples. Other nations in the region, like Egypt and [until 2003] Iraq, may have created secular regimes but not democratic ones; their political systems have been simultaneously autocratic, tyrannical, and repressive. Inescapable is the fact that *every* country in the Islamic Middle East, whether a religious theocracy that promotes political Islam, like Iran, or a secular but repressive regime, like Egypt, has suffered from anemic economic growth, a perilous population explosion, and rising domestic discontent.

Turkey’s official GDP today is about \$200 billion. It is less than the annual revenues of Wal-Mart alone. Egypt’s GDP is half that of Turkey’s, or about \$100 billion, less than the annual revenues of General Electric. Iran has a GDP of about \$90 billion, barely equal to the market value of Procter and Gamble at year-end 2003. Morocco has a GDP of \$30 billion; the US power boat industry alone chalks up total sales of nearly \$40 billion a year. To put these numbers into perspective, Spain, with a

GDP of about \$600 billion, has a greater industrial output than the total GDP of all 22 Arab countries combined.

There are a number of key strategies that have energized and driven successful economic growth in East Asia during the past four decades, which I analyzed in considerable detail a decade ago in a previous work titled *Asia's New Little Dragons: The Dynamic Emergence of Indonesia, Thailand, and Malaysia* [©1991]. Several years later, the World Bank followed with its own detailed account of the region's stunning economic transformation called *The East Asian Miracle*. These accounts, and others, show how the dynamic process of globalization is nothing more than the natural extension of an information revolution that has been breaking down artificial barriers for the past two generations, leading to open markets, open borders, and more open economies. Globalization is a fact, not a plot.

The key strategies implemented so successfully by the high-performing Asian economies, which are described in Chapter 2 ["Economic Growth: The Puzzle"], include an unyielding emphasis on exports, with a focus on value-added manufactured products; sectoral "targeting" via export subsidies and local currency support; the creation of rigorous education systems, extending universal primary and secondary education and virtually eliminating illiteracy via low [and sustainable] rates of demographic growth; the neutral role of religion, which poses a particular challenge for Islam in both secular and theocratic states alike throughout the Middle East; strong visions of the future articulated by political leaders; highly effective forms of business-government cooperation and collaboration; a demonstrated cultural ability to accept the principles of deferred gratification and hard work; and public policies that have traditionally favored producers over consumers. All the countries of East Asia have also had, at one time or another in their development cycles, authoritarian political systems that provided the stability necessary for their economic takeoff. Political liberalization came *after*, not before, their heralded growth.

What does this say about autocratic leadership styles in the Middle East and efforts to transplant "democracy" in the region? East Asia has produced incredibly high rates of savings and capital formation, another critical factor; Singapore's Central Provident Fund and Japan's Postal Savings System have created the highest rates of personal savings in the world. Last year, nearly two-thirds of global foreign direct investment [FDI] was in East Asia, but only three per cent in the Middle East, which bought *fifty* per cent of all arms and weapons sold in the world. If foreign multinationals – not just American but European and Japanese, too – are now the driving force of global trade, accounting for nearly half of all merchandise trade today, how can the Muslim nations of the Arab world ever hope to compete effectively without becoming an integral part of this critically important global production network and supply chain? And because Asia's particular brand of cloned capitalism has been so successful, there is no irrational anti-Western rhetoric in the Far East, which has become a corner of optimism in an increasingly pessimistic world.

In the Middle East, religion [Chapter 3, "Religion: The Problem"] is a particularly sensitive topic, and one that deserves an entire chapter devoted to its complexity. I will argue that Islam, by the very nature of its core beliefs, principles, and practices, puts a number of unnecessary constraints on economic growth. Some important academic studies confirm this view, as well. Also at issue is Islam's historical reputation for tolerance and moderation, two qualities that are demonstrably absent from Muslim societies today, having been crowded out by the more visible manifestations of Islamic terror. At the very least, as a monotheistic religion, Islam is rarely role-neutral when it comes to public policy; its central tenets seem to be orthogonal to those of Buddhism or Confucianism, which *are* role-neutral in Asia. And what of radical Islam, disguised as terror in the name of God? If millions of moderate Muslims in the Middle East continue to allow their religion to be hijacked by political extremists, how can political Islam be defused? It is no mystery that East Asia, unhampered by constraints of a rigid, monotheistic religion, prefers peaceful production to hateful destruction.

At issue in the Arab world are certain limitations inherent under Islamic law, specifically the *waqf*, a popular form of Islamic public foundation that has financed a wide range of social activities in the past, and the rules of inheritance, which severely constrain the ability of Muslims to create private, arms-

length corporate entities or to bequeath shares held in such corporations to family members or relatives when the shareholder passes away. What's critical here is that Islamic partnerships were poorly suited to large and long-lasting business ventures requiring the active participation of numerous people. The typical Islamic partnership may have suited the needs of the caravan trade quite well a thousand years ago. But today, their commercial partnerships have become a source of serious economic disadvantage.

The Islamic model, I will argue, is an intellectual bust, a lethal combination of Holy Law, repressive government, tragic overpopulation, and anesthetizing unemployment, from Iran to Morocco. Government-sponsored attempts to "Islamize" Arab economies have all ended in failure, despite the occasional academic study suggesting that Islam does not penalize, or is not inimical to, economic growth. The rare successes often cited happen to be non-Arab Muslim economies like Malaysia and Indonesia, each of which benefits from the powerful presence of a market-dominant ethnic minority – the overseas Chinese. Islam has contributed little but explosive population growth, the destruction of the middle class, and growing numbers of illiterate masses, poorly educated. This model is clearly ripe for reform.

Without an Islamic Reformation, then multiple [and conflicting] interpretations of the Qur'an will remain the order of the day. With no "church" hierarchy and no overriding clerical authority, Muslim religious identity will always trump national or ethnic identity. Islamic tradition has a tendency to ignore this-worldly issues and over-focus on the afterlife. Muslims look wistfully *back* to the era of the Prophet as the source of everything good, rather than looking *forward* to continual improvement and betterment of this life – in a word, modernization. They suffer from what I call *la vision du retroviseur*: gazing into a rearview mirror, they think they are looking ahead when all they can see is what's behind them.

It is no secret that Muslim demographics has helped give birth to the political resurgence of Islam. From 1965 to 1990, the earth's population increased at an annual rate of less than two per cent, but during the same period Muslim population growth was nearly always over two per cent and often, in the cases of Iran and Saudi Arabia, more than three per cent. In the Maghreb – the North African countries of Morocco, Algeria, and Tunisia – the population grew at 2.65 per cent, over three per cent in Algeria alone. In Egypt, 2.3 per cent. In 1980, Muslims comprised about 18 per cent of the world's population, but at these rates of growth they may be close to 30 per cent of the total in another twenty years.

There are two unavoidable political consequences of these demographic trends. First, it is primarily young people who are the protagonists of protest, instability, and revolution. When the baby boom generation reached its early twenties, in the late 1960s, political protests exploded on university campuses throughout the United States, Europe, and Japan. It is young Muslims who have been cannon fodder for the Islamic revolution of the past two decades: they are the ones willing to sacrifice themselves as recruits for suicide bombings today. And second, in many countries of the Middle East – Egypt, Morocco, Saudi Arabia, Iran, and Syria – the number of young people in their early twenties looking for jobs will continue to expand for another decade. Population pressures combined with economic stagnation stemming from misguided public policies by corrupt and inefficient government institutions will inevitably generate rising immigration to countries with stronger economies. This is a trend already well underway in Europe, where France, Spain, and Italy have birthrates well below two per cent and have seen a major influx of both legal and illegal immigration from the Maghreb.

Further, since a disproportionate share of the youth bulge in Muslim demographics is male, there is a deadly testosterone imbalance in society, which leads to unrest, impatience, and ultimately violence. When the masses of poor anywhere become infuriated, they seek an outlet for their rage. In any underdeveloped urban society of extreme machismo, the combination of poverty and anger can be explosive. Hence the quick recourse to deadly violence, as David Landes sees it, "for violence is the quintessential, testosterone expression of male entitlement."

So religion clearly poses an enormous problem in the Middle East. Other forms of organization, such as the family, may be the bricks [Chapter 4, "Institutions"], and certainly Arab culture the mortar [Chapter 5, "Culture"], that shape the foundations of society. Families, schools, corporate businesses, government institutions, private-public partnerships and associations – all are critical to the process of

modernization. The historical roots of Japan's economy run deep, well into its past, to the succession of *shoguns* in the Tokugawa era who brought domestic peace to the country in 1603 and continued their dominance from Kyoto for nearly three hundred years until the Emperor was restored, in Tokyo, in 1868. East Asia's public institutions, its so-called "power ministries," have comparable roots, from Japan's Ministry of International Trade and Industry to Singapore's Economic Development Board to Taiwan's Council on International Cooperation and Development. Stable, two-parent families, high-performing schools, powerful business corporations, a lean and productive civil service: the Middle East needs a comparable success story of effective institutions. But as T. E. Lawrence, that astute observer of Arab culture, noted almost a century ago, Arabs believe in persons, not in institutions.

Arabs cultures have a tendency toward acquiescence and obedience reinforced by centuries of autocratic rule. Not a single country in the Middle East – neither Egypt nor Turkey, not the kingdom of Morocco, not Iran, and certainly not Iraq – has taken advantage of the authoritarian political systems they have created. Look at what Japan, Korea, Taiwan, and Singapore accomplished under authoritarian political regimes and compare their achievements with the wasted opportunities in the Arab world. From Turkey's creation as a modern state by Atatürk in 1923 until the fourth and final coup by the Army in 1997, the country was governed by a de facto authoritarian system, despite an overlay of democracy. Japan and Singapore have had similar systems, called "soft" authoritarianism, during the last fifty years. The Liberal Democratic Party has dominated politics in Japan, and still does today; Singapore politics has been dominated by the People's Action Party since Singapore's independence more than forty years ago. The irony today is that Turkey's political economy more closely resembles that of the Philippines, with all its dysfunction and chaos, than it does any of the robust Asian tigers.

Korea and Taiwan lived under severe martial law regimes until 1989, when economic growth finally enabled liberal democratic change to occur. These were Asia's "hard" authoritarian systems. Egypt has had three rulers for the past half-century, all military strongmen: Gamal Abdul Nasser, Anwar Sadat, and Hosni Mubarak, each rising from the senior ranks of the Egyptian military, each totally dominating Egyptian politics, none able to tolerate dissent. Egypt, like every other Muslim state in the Middle East, has been an abject failure, too, a victim of the region's spiderless cobweb of conflict – a rubber-stamp Parliament, pervasive secret police, and abysmal economic results.

The autocratic and repressive regimes that characterize Arab political systems stem from what the medieval philosopher of history ibn Khaldun called *asabiyya*, a corporate spirit that is driven to consolidating and keeping power. Khaldun predated Machiavelli by nearly two centuries; the theoretical ideas he expounded in his classical work, the *Muqaddimah*, laid the critical groundwork for understanding how tribal societies are traditionally ruled, and how power is created when the ruling group links its interests to powerful elements in the society, based on ties of kinship and group cohesion. And ibn Khaldun saw 600 years ago what we continue to see today: that all the Arab dynasties contain within themselves the seeds of their own decline, as rulers degenerate into tyrants.

Education [Chapter 6, "Education: The Missing Link"] is a strong thread, perhaps the strongest, in the durable fabric of the Far East. Everywhere you travel in that region, you see people reading: on the street, in subways and on trains and buses, or while waiting in line at government offices. Stand on any street corner in Tokyo, Taipei, or Seoul, and you can find a bookstore within a city block. High rates of literacy have created the human capital that has been critical for Asia's modern economic success. Societies that have strong oral traditions, as in the Middle East, tend not to read. One refrain frequently heard throughout the region is this: why should we read, when everything we need to know is in the Qur'an?

The tiny country of Belgium, with a population of barely 10 million people, publishes more books every year than all 22 countries of the Arab world combined, which has more than 200 million inhabitants. The Arab world translates scarcely 300 books a year into Arabic, only a fifth as many translated by the single country of Greece in a year. The cumulative total of translated books since the time of the caliph Mam'oun, who ruled the Islamic world in the 9th century, is about 100,000 volumes – the average number

translated by Spain in a single year.

What do these statistics tell us about the prospects for economic modernization in the Middle East? Utilization of Arab women's talents through political and economic participation also remains the lowest in the world in quantitative terms. Women occupy only 3.5 per cent of all seats in parliaments of Arab countries, compared to 11 per cent in sub-Saharan Africa and 12.9 per cent in Latin America. And one in every two Arab women still can neither read nor write. Muslim societies suffer when fully half of their productive potential is stifled.

Rigorous curricula, long school years, competitive examinations, and a focus on rote memorization in schools throughout East Asia produce consistently high scores on internationally administered achievement tests. But we never see Middle Eastern countries on these lists. Why? Again, the answer is reading: *everybody* in Far East reads, everywhere. Blindfolded, you can throw a stone from a crowded intersection in any major Asian city and hit a bookstore packed with readers. On the streets of the Middle East, there is a remarkable dearth of readers. How ironic, since the very first word in the Qur'an, after the traditional "praise Allah" preamble, is *ekra!* – read!

Throughout East Asia, the dominant form of cultural recognition has been the nation-state. While the historical roots of the Middle East are deep, too, the dominant form of cultural recognition has been much different: pan-Arabism and pan-Islam have taken precedence over individual countries' specific identities as nation-states. And what of their long period of subjugation as part of the Ottoman Empire? Are there legacies from the Ottoman era that impede Middle East economic growth today? Foreign affairs [Chapter 7, "The Other"] analyzes this conundrum and raises some fundamental questions about relationships between the Arab world and the West – the Other.

Much depends on whether the United States will lead the world or simply try to dominate it. The collapse of Communism and the end of the Cold War has left one superpower in control, the 800-pound gorilla everybody has to dance with. A half-century ago, American leadership created a viable network of international institutions, like the UN, NATO, and the Bretton Woods monetary system. Today, American dominance and unilateral action have eroded the credibility of those institutions; the arrogance of its neoconservative leaders combined with their narrow, inflexible, and theologically-driven policies has launched a tidal wave of anti-Americanism throughout the world, particularly in the Middle East. Leadership inspires trust and confidence. Domination drives hatred and vengeance.

Still, if Turkey were to break out of the pack and create a kind of East Asian demonstration effect, would the Arab world be willing to accept it as an economic leader, given Istanbul's imperial past and long years of regional domination by the Ottoman Empire? Turkey is on track to begin accession negotiations with the European Union in December, 2004 – if the EU concurs that Turkey has made sufficient progress in revising its body of laws to harmonize with Europe's own standards of politics and human rights. Turkey's preoccupation with Europe is the obverse of the Arab world's growing hatred of the West. Arabs view themselves as humiliated victims, and lay responsibility for their inferiority complex to their long history as colonies of the West. But the West colonized Asia, too. Britain "owned" Singapore, Malaysia, and Hong Kong. The Dutch colonized Indonesia. France occupied Indochina. The Philippines was an American colony, and both Korea and Taiwan were longtime colonies of modern Japan. Yet the attitudes of victimhood, inferiority, and humiliation are strikingly absent in East Asia. The West dropped two atomic bombs on Japan, and the Japanese could be arguably forgiven for hating the United States. But the Asian countries put the past behind them. They focus on the future.

Some thoughts about the future will comprise Chapter 8 ["Hard Edges"]. The future could well be increasingly characterized by extreme faith, the hard-edged ideology of religion that drives politics in much of the world today, including the Middle East. The fastest-growing component of Christianity now is conservative fundamentalism, the Pentecostals, born-again evangelicals in the United States as on the continent of Africa. In Palestine, expansionist-driven Zionists contribute to the growing tendency toward anti-Semitism in the world. The violent results of radical Islam are painfully visible everywhere; they dominate the front pages every day and lead the evening news broadcasts. As economic growth in

the Middle East is in danger of being crowded out by a dysfunctional monotheistic theology, reason and empirical analysis are in danger of being trumped by irrational ideas and theologically-held beliefs.

So the challenge for the Muslim countries of the Middle East is daunting. Can East Asia's successful strategies be transplanted to other cultures, in another region of the world, with comparable results? Turkey is at a critical crossroads in its short modern history: can it make a credible case for high-speed economic growth as being consistent with the tenets of Islam, while continuing to demonstrate that political democracy and Islam can co-exist peacefully in a secular state? If so, Turkey might be able to create the kind of robust regional leadership that once enabled Japan to pave the way for East Asia's economic takeoff. Egypt, with its Pharaonic roots, has a proud history as the "mother" of civilization more than 5,000 years ago. But any resemblance between modern Egypt today and its Phoenician antecedents can be seen only in its stone-dead pyramids. Can Egypt recapture the regional leadership role it once had as recently as two short generations ago? The kingdom of Morocco is a small country, and isolated, on the far western shoulder of North Africa, with devastating pockets of illiteracy and poverty. But it has a legacy of close relations with France and is already a member of the European Customs Union. Could it emerge as a possible playmaker for the region, much as Singapore did for southeast Asia? Or will the 1.5 million Moroccans who live in Europe provide a base of support – and recruits – for terrorist cells such as those that struck Spain in March 2004? Iran, perhaps, if it could get serious about building on its rich cultural past instead of lurching irrationally between its clerically-contrived government of God and its support for Islamic terrorism. Certainly not the schizophrenic Saudis, who remain torn between a reform-minded royalty and the fundamentalist, hate-mongering Wahhabis. The Saudis also have a nasty habit of putting former American government officials, regardless of party affiliation, on their payroll. By taking care of friends when they leave office, Prince Bandar, longtime Saudi ambassador in Washington recently remarked, you'd be surprised how much better friends you have when they come into office.

Violent conflict between Israel and Palestine, the cornerstone of chaos in the Middle East, has been raging for more than half a century, since well before the end of World War II. In that same timeframe, East Asia has rewritten economic history while the Arab world has been stuck in reverse. And despite the long-simmering hatred between Muslims and Jews stemming from their historical territorial disputes, the world has enjoyed an unprecedented period of economic growth and prosperity during the past fifty years. The conventional wisdom has been that until an effective agreement is hammered out between Israel and Palestine, nothing else in the region will change. But this single issue has preoccupied every occupant of the White House since the death of FDR and there is still no resolution in sight. It's time to start thinking outside the box. If Arab leaders could put this issue aside for a change and take the strategic initiative to jump-start their own economies as every nation in East Asia with the single exception of the Philippines has done, their people would be the direct beneficiaries to start with and their leaders might find themselves in a more advantageous position as a result.

The narrative, analysis, and anecdotal observations that form the heart of this book are the product of more than 200 extensive background interviews conducted during multiple visits to the Middle East during calendar year 2003. Detailed discussions with senior government officials, politicians, leading intellectuals, business executives, and scholars provide numerous informed perspectives attributable to specific sources. But this effort is also the beneficiary of the opinions and insights of countless ordinary people on the street – taxi drivers, retail merchants, cops, soldiers, Muslim women [both modern and traditional], shoeshine boys, illegal immigrants, café proprietors, and students – critics, skeptics, and supporters of conventional wisdom alike. They have contributed a wide spectrum of colorful views and have added a strong texture to the rich mosaic of opinions expressed throughout this book. These first-hand accounts have been buttressed by citations from published primary and secondary sources, a list of which appears in the bibliography.

In late 1963, as I was headed for graduate school, Egypt and South Korea had roughly comparable GDPs, their per capita incomes nearly identical. Today, Korea's per capita income is ten times higher than Egypt's, its powerful industrial growth long ago having left behind its historical legacy as a poor

agrarian economy in northeast Asia. During the past 40 years, I have lived, studied, traveled, and worked extensively in Asia, observing and chronicling first-hand much of the growth and dynamism that have totally transformed that region. This positive experience has left me an indefatigable optimist regarding the future. I have seen the results of these “can-do” efforts, how hard work and innovative public policies and a cultural commitment to constant improvement consistently deliver the goods to people whose political leaders create the vision.

There is no reason the Islamic countries of the Middle East cannot learn the lessons of these successful stories from the Far East. But the Muslim economies had better get serious about doing this, and soon, before they run out of time. Otherwise, the Middle East’s #1 export – stateless terrorism – could force the industrial world to quarantine the Arab world through cultural isolation and political containment. Based on the empirical evidence of the past two generations, the outlook is not hopeful. It bears repeating, but the combined GDP of all 22 Arab countries is less than that of Spain. They publish fewer books in an average year than the tiny country of Belgium. And their carefully controlled radio and TV broadcasts seem to devote as much time to soap operas as to religion. All the more reason to give East Asia’s winning strategies and tactics a chance to succeed in this pessimistic part of the world.

Irrational warfare is a constant in the Middle East and has spawned a number of recent works with daunting titles like *Terror in the Name of God*, or *God has Ninety-nine Names*, or *Radical Islam*. These countries need more jobs, not more suicide bombers. Unemployment rates hover around 33 per cent throughout the region. Job creation has to be a huge priority, and can come only from faster economic growth, which means greater levels of foreign direct investment, higher value-added exports, a greater outward focus. Which in turn suggest smarter industrial policies, targeted sectors, infant-industry protection, and a move away from the politics of victimhood to the principles of growth economics. And, not least, separation of church and state for Islam, and an unyielding focus on rigorous secular education, to build human capital.

“Japan’s success was proof that you didn’t have to be white in order to be successful,” Henry Rowen writes in *Behind East Asian Growth*. “Not long after its modernizing began, it defeated one of the great powers of the era – Russia – an event that sent shock waves through Asia. Japan’s success broke a psychological barrier for the East Asians. It led to the question, ‘If they can do it, why can’t we?’ ”

When I stepped onto the hot tarmac at Haneda Airport for the first time in August 1967, Tokyo was insufferably hot and humid, in the midst of a heat wave. But what left a lasting impression on me then, something I will never forget, was not the torrid heat but the incredible *pulse* of the place as I took the terminal bus downtown to Frank Lloyd Wright’s architectural masterpiece, the Imperial Hotel, where a single room then [before service charges and taxes] cost the equivalent of about \$9.00. Bell hops *ran* to greet incoming taxis. Delivery trucks *raced* from stoplight to stoplight in the heavy Tokyo traffic. Drivers *hustled* their loads from van to loading dock and back. This was clearly a country with a purpose, driven and on a mission – but not from God. Japan was in a race to change, to modernize, to grow, as if to separate itself from its wartime failure just as fast as it possibly could.

I felt something eerily similar in Istanbul in the summer of 2003. Could Turkey be the one country in the Muslim world of the Middle East to create a breakout model for this region, as Japan was able to do so successfully for Asia? Or will chaos continue to crowd out optimism? Can East Asia’s economic dynamism provide a useful roadmap for the Arab world?

It is inescapably apparent that the Muslim world has missed every one of mankind’s great revolutions: the Reformation, which “privatized” religious thinking and enabled the eventual separation of church and state; the Renaissance, which gave birth to the Enlightenment and laid a solid foundation both for the empirical rules of science that know no theology and for new forms of government based on individual rather than divine rights; the Industrial Revolution, which launched an era of economic growth that was [and still is] unprecedented in human history; and the Information Revolution, which is fueling growth and exploration in challenging new areas of human endeavor today.

Graham Greene once observed that there had been nothing but war, terror, and bloodshed in Italy

for nearly half a century under the Borgias. Yet they managed to produce Michelangelo, Leonardo da Vinci, and the Renaissance. In Switzerland, by comparison, they had democracy and brotherly love, and what did they give the world? Swiss cheese and the cuckoo clock. Since conflict in the Arab world today seems eerily similar to life in medieval Italy five centuries ago, perhaps there is some cause for hope that, despite the violence and the cruelty and the political repression and the economic dysfunction, maybe the seeds of an Arab Renaissance can be sown.

On verra.

