



## ‘The Open Futures of the Middle East’

A lecture publicly launching the Asia House Middle East Programme

Delivered by  
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Tuesday 10 April 2018

**A**sia House is launching a new Middle East Programme as part of its mission to support business engagement throughout Asia. We believe that Asia will be the lynchpin of the new global trading order of the twenty first century, as rapidly increasing connectivity from east to west and from north to south brings massive new opportunities but also increasing geopolitical complexity. Within this broader context, the Middle East has its own dynamics which are simultaneously both deep rooted and fast changing. Any business aiming to participate profitably and sustainably in these markets needs to take a long-term perspective and to understand the deeper influences which shape society, geopolitics and the course of economic development.

The Middle East is usually classified together with the Muslim countries of North Africa as a single region - MENA. This region includes twenty-two sovereign states and has a total population of 380 million (around 6 per cent of the global total). It has over half of the world's oil reserves and nearly half of the world's gas reserves. It includes 8 out of the 12 members of OPEC. Hydrocarbons have dominated the region's geopolitics for the last century. Those economies in MENA which are bountifully endowed with hydrocarbons have mostly seen dramatic transformation over the last half century. The others remain much poorer. And few - with or without oil - have succeeded yet in developing a modern, broad based economy capable of providing enough good employment opportunities for a rapidly growing and youthful population. Few have demonstrated real competitiveness internationally: non-oil exports from the entire region total less than the exports of Belgium. And collectively, they lag the OECD average in terms of higher education and investment in research and development.

The image of the Middle East in the Western mind is of countries caught in a politically and socially conservative time warp. The fragility of the new Iraq, the perceived failure of the Arab Spring everywhere except perhaps in Tunisia, the impenetrable obscurity of Iran's polity, the fragmentation of Libya and the seemingly unending tragedy of Syria - all this has reinforced a perception that the region remains immune to political modernisation. Meanwhile, social attitudes - perhaps especially in respect of the role of women - seem to belong to a previous era. The relative modernism and international openness of Dubai is seen as an exception which appears to prove the rule.

Yet change is afoot - even if it will take longer than the timetables of a busy world typically allow for. There is a distant echo of this in the Europe of the nineteenth century: the fact that the revolutions of 1848 failed did not mean that nothing was changing. The truth then was that the social structure was being transformed - slowly but surely - by urbanisation and industrialisation; this would sooner or later force open the way societies were governed. The fundamentals of the twentieth century world were being laid - whether or not the elites of the time recognised this. Urbanisation and connectivity will just as surely change the Middle East in the coming decades. The urbanisation story is as dramatic as anywhere in the world. The percentage of the population living in cities has risen from 35 per cent in 1960 to 65 per cent today, and is still rising rapidly - at a rate faster than any other region in the world except Sub Saharan Africa. It will certainly reach the OECD norm of 80 per cent within the next two or three decades.

Connectivity is the other side of the coin. It too is increasing fast, as evidenced on many dimensions: telecommunications, transport and trade flows all tell the same story. The speed of change has been slower in some important respects than elsewhere: thus, for example, mobile connectivity may have grown significantly from a standing start in the last three decades, but the pace of expansion has been slower and penetration rates - outside of the prosperous Gulf societies - remain lower than the world average. But as important to the growth of connectivity as any such external measures is the intellectual transformation brought about by urbanisation. There remain enormous challenges - the weakness of the literary culture in Arabic, for example

(five percent of the world's population produces only one percent of the world's books). But slowly, urbanisation is spreading education, which is bringing about change. All children - but especially girls - are much more likely to get at least some education if they live in urban societies than in those their grandparents knew. And education creates connections with the wider world. Literacy rates have doubled from around 40 per cent in 1990 to over 80 per cent now. Primary schooling for both boys and girls is now all but universal, and secondary schooling has been substantially extended. This achievement is all the more significant given the rapid expansion in the numbers of children - at a rate faster than anywhere else in the world except Sub Saharan Africa.

However, there is a long journey ahead: World Bank data show that there are substantial quality deficiencies (evidenced for example by weak performance against international benchmarks in mathematics): hence, intellectual capital in the Middle East remains well behind other parts of Asia. The six Arab Human Development Reports produced by the United Nations between 2002 and 2016 - reports produced by Arabs looking critically at their own societies - are a comprehensive analysis of the complex and interrelated challenges on the road ahead, covering everything from education, through the status of women to the problem of youth unemployment. But the change is nonetheless real and its impact over the next generation will be profound. The individual creative energy this generates will be gradually felt in the burgeoning of human lives in ways which their grandparents could barely have dreamed of and which will challenge the constraints of tradition. In all these ways the direction of travel is clear, and is impossible to reverse.

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the world ”

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These newly urbanised and better educated societies are now engaging more broadly with the wider world. And indeed, a profoundly important shift is now taking place in the pattern of that engagement. For two centuries - from Napoleon's expedition to Egypt in 1798 onwards - the region increasingly caught the attention of Europeans who were animated by a mixture of commercial, cultural, strategic and military motives. European poets and artists became fascinated by the culture of Islam; their archaeologists explored the ancient sites of Egypt, Persia and Mesopotamia; and they discovered the oil beneath the sand. The politics of oil and the strategic rivalries of the European powers bedeviled the region until well into the post war period: the history of British, French, American and Russian activity gives ample cause for shame. Tensions continue: but the relationship is no longer a one-sided affair.

For the region has found that others - not just its old colonial bullies - have an interest in what it can offer. So its connections with the rest of Asia are now growing fast: its geopolitical relationships are becoming more diverse, more balanced. The visible presence of Japanese, Koreans, and now the Chinese, is a clear sign of the change. So is the changing pattern of Middle Eastern trade: oil exports to the rest of Asia have of course risen rapidly as East Asian economies have developed over the last generation. But it is also striking that non-oil exports from MENA have diversified sharply in the direction of Asia too: twenty years ago, almost 60 per cent of those exports went to the EU; ten years later that had dropped to 40 per cent, whilst the Asian share had risen from 20 per cent to 35 per cent. That trend continues - away from over reliance on traditional markets towards newer relationships that do not carry historical baggage.



For history matters - and not just the collective memory of subservience to Europeans. For the Middle East is not just a collection of countries with a common geography. This is a region which has a profound sense of common identity, defined by its history. It is in no way diminished by the impact of urbanisation and increasing connectivity. And just as the ocean deep remains unmoved by the storms which boil the surface, so this common consciousness underlies and is undisturbed by all the rivalries and even internecine strife which the world sees as tearing the region apart.

The vast majority of the population of the region are Muslim, and part of the bedrock of their consciousness is membership of the ummah, the commonwealth of believers. Their shared folk memory is of an empire which stretched across the whole of the present day MENA region and well beyond - into Spain and into Central Asia all the way to the gates of China. At the height of its power, it controlled the trade routes between east and west. It presided over a fertile exchange of ideas between China, Europe, Persia and India which resulted in astonishing advances in such fields as philosophy, mathematics, astronomy, medicine, and architecture. And it produced some of the greatest poetic literature the world has ever known. It was, in fact, one of the most glorious periods in the whole of human history.

Sharing that same deep Muslim cultural heritage, though not normally included in MENA, are two other large countries in the region: Turkey and Pakistan. Their peoples are part of the ummah too. As a result, the history of each - albeit in very different ways - has tied them closely to the region. And those ties are now becoming stronger - which means that the Middle East needs to be viewed strategically from this broader perspective. With these two countries included, the population of the region is around 740 million, or 10 per cent of the global total. The religious bonds of the ummah give the region a unifying culture whose power is underpinned by the spread of the Arabic language. As the language of the Quran, Arabic has a sacred significance that is hard for those with a cultural hinterland in, say, Christendom or in Confucianism to appreciate.

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“ At a global level, Arabic is the fifth most widely spoken mother tongue: but its influence is much more pervasive than that ”

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For Muslims, no education is complete without study of the Quran in its original Arabic. The role of Latin in European culture up till the eighteenth century is a misleading parallel: it comes no way near to conveying the depth of the emotional and spiritual commitment throughout the ummah to Arabic. For no Muslim is Arabic just another language. It is an inalienable part of the fabric of their consciousness. Avicenna, the great Muslim philosopher of the eleventh century (whose impact on the whole of European medieval thought is impossible to overstate) was an Iranian and wrote mostly in Persian: but he, like all the other great writers of that extraordinary era, spoke Arabic as a second mother tongue. He could recite the entire Quran in Arabic. To this day, Arabic in one form or other is spoken across most of MENA - with the significant exception of Iran, which we will return to. At a global level, it is the fifth most widely spoken mother tongue: but its influence is much more pervasive than that. Nevertheless, language highlights differences as well as commonalities. There are three major countries of the wider region which do not have Arabic as their mother tongue: Iran, Turkey and Pakistan. It is no coincidence that all these three have distinctive personas, histories and strategic priorities. So, arguably, does Egypt - even though its own native language succumbed long ago to the invasive Arabic of its conquerors (and is now used only in the liturgy of its Coptic Christian minority).

There are, in effect, five major entities within the region which - though all part of the ummah - differentially impact regional geopolitics and economic developments. There is, firstly, the world of the Arabian peninsula - largely Sunni, historically very conservative in the Wahhabi heartlands in the centre, more connected and more open on the Red Sea and Gulf coasts. This is the heartland of Islam, at the centre of which lies Mecca. It is not for nothing that the King of Saudi Arabia is described as the Custodian of the Two Holy Mosques. Yet oil has transformed these communities irrevocably. And the reforms of the present Saudi government appear to represent - for the first time - an effort to break loose from the Wahhabi straitjacket and to allow society to accept some of the implications of modernity, as well as to pursue a regional strategy of dominance as befits its economic weight. Meanwhile, an ambitious strategy of economic reform envisages a partial listing of the country's most important economic asset - Aramco - and economic liberalisation across a wide range of sectors. It is too early to tell how much of all this will be successfully implemented: but even partial success would amount to radical change. It would result in Saudi Arabia becoming a more modern society and a more normal geopolitical actor.

Then there is Saudi Arabia's great rival for spiritual authority in the region: Iran. This is a country which never forgets its glorious past; whether it is the legacy of Darius or of Shah Abbas, that past is alive in the present - this non-Arabic speaking Shiite citadel was never just another Muslim country, either before or after 1979. Iranians produced more of the great glories of the Islamic golden era from the ninth century onwards than any other parts of the ummah. The two greatest thinkers of medieval Islam - Avicenna and Al-Ghazali - were both Persian. The Iranian national epic, the Shahnameh, was composed by an Islamic scholar to celebrate the colourful myths of the Persian past, and is taught in all schools. In fact, the imprint of the Zoroastrian past is everywhere: the most important festival in the Iranian calendar is Nowruz, a celebration of the vernal equinox which goes all the way back to Zoroastrian times. The taxi drivers of Tehran can recite verses from Rumi and Hafez - two of the greatest poets of any culture in the world.

Iran's relations with all its neighbours, as well as with the West and with Russia, are fraught with tensions and misunderstandings. Sanctions have cramped the performance of an economy which remains bedevilled by vested interests and massive corruption. It should be richer than Turkey - but its economy is in fact only half as large. An opaque interplay between theology and financial interests lies behind the struggle between modernisers and conservatives, which is not over yet. So Iran's future on the Eurasian stage remains unclear. Iran remains resource rich and is possibly the best educated country in the region; it also has much of the capability needed to nuclearise itself. Iran and Saudi Arabia watch each other warily.

Egypt is the largest Arab country. Like Iran, but for quite different reasons, it too feels that it has a special heritage. Though its pharaonic past is now a matter of museums and tourism, it is not forgotten; and it leaves Egyptians with a residual sense of ancient dignity. They may have surrendered their language, unlike Iran: and for centuries, Egypt was ruled by outsiders. But from a very early stage, those Egyptian rulers have asserted a high degree of autonomy within the ummah. It was the mamluk rulers of Egypt who finally stopped the Mongols from overwhelming the whole of the Muslim world, at the battle of Ain Jalut in 1260; it was Cairo which became the intellectual and theological centre of Sunni Islam (and retained this mantle even under the Ottomans from the sixteenth century onwards); Egypt wrested control of its own affairs from the Ottomans long before the peninsular Arabians did; and it was Egypt which finally humiliated the British and the French during the Suez crisis. But it has never managed to establish a stable and functioning democracy. Nowhere else were the hopes for the Arab Spring fresher; nowhere else were they strangled so completely - first by the breathtakingly blinkered leadership of a newly elected Islamist government and then by the return of a military that proceeded to govern in the only way it knew and as it had done for much of the postwar period. So the lid is now firmly on the kettle again;

and the question is whether economic growth can give enough people a stake in stability quickly enough to prevent the next explosion. Meanwhile, the economic signals are mixed: reforms strengthened the country's precarious financial position and somewhat liberalised an economy stultified by nationalisation, bureaucracy and corruption. Economic growth is currently one of the highest in the region. But it is in the middle of the pack internationally, and the combination of high demographic growth, high poverty and high unemployment - especially among the young - make for a dangerous cocktail.

Turkey faces both into and outwards from the region. It is the only Muslim country in the world with a large, diversified, sophisticated and open economy. It is the largest economy in the region. Apart from the oil based economies of the Gulf it is much the most prosperous Muslim state and appeared in the last century to be on a journey of secularisation which was taking it towards membership of the European Union. Its imperial links to the region had been cut both politically and psychologically. Some of this is now being reversed under Erdogan: the cultural bonds are being re-emphasised, whilst the journey to Europe seems to have hit the buffers. Its orientation is shifting. But the outcome remains unclear: Erdogan talks up the country's Sunni Muslim commitment, and no Turk will ever forget the caliphate which was the centrepiece of the Ottoman Empire until the early twentieth century. The outcome of the struggle between secularism and assertive religiosity is not yet clear: not even Erdogan has yet felt able to remove the image of Atatürk from public life. But one thing is clear: assertive Turkish nationalism together with regular references to past Ottoman glories make for uncomfortable relationships in a region which has not forgotten the Ottomans either. Turkey, because it was once the imperial power, will not be able to exercise a leadership role in the region.

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Meanwhile, at the eastern end of the region, Pakistan has from the first been on a journey away from its Indian heritage (despite, ironically, the presence there of famous archeological sites which were the centre of the oldest Indian civilisation). The loss of its Bengali east when Bangladesh was born in 1971 left it with an orientation which is predominantly focussed westwards and northwards, and which taps into a long history of Islamic power in the region extending back - through ups and downs - to the Umayyads in the eighth century.

Mohammad Ali Jinnah envisaged a state for Muslim Indians which would be liberalising, democratic and modern. He died too soon to see its descent into a tussle between political venality and military domination, and a plague of religious extremism. The standoff in Kashmir and the obsession with the Indian enemy has poisoned public life. And yet the economy did quite well in its first decades - better in fact, than India - as a result of its relatively liberal, unregimented economic policies. But in the last two decades it has fallen well behind, as India has opened up and as security has deteriorated in Pakistan. It remains a country where a well educated and fractious elite battles with a well entrenched military for leadership of a poor and very badly educated majority. However, though Pakistan is not blessed with hydrocarbons, its geographic position also means that it finds itself on the route of one of the most strategically important spurs of China's great Belt and Road Initiative. Thus it has become the beneficiary of Chinese investment in the China Pakistan Economic Corridor that links up Central Asia to the Persian Gulf at the port of

Gwadar. Huge investments in energy and transport systems will connect the country internally and with Central Asia and China itself. The geopolitical significance of this is not lost on any of Pakistan's neighbours.

Over the coming decades, the new Chinese policy orientation, of which the Belt and Road Initiative is the most significant manifestation, will transform the future for the whole Middle East, not only Pakistan. The dramatic increase in physical connectivity across the whole of Eurasia will unleash economic development, investment and trade on a historic scale - at least equal in significance to the great opening which the railways, steamships and an international capital market brought about in the nineteenth century. All this will draw the Middle East further into Eurasian trade and investment. And the evolution of stable societies and polities in the region will be of ever greater concern - not just to the West but to Asians as well. The future - or futures - of the Middle East are now matters of vital interest to all the great powers of Eurasia. China's new military base in Djibouti is the latest illustration both of its new geopolitical role and of the geopolitical significance it attaches to the Middle East.

Those futures remain open. The geopolitical risks are obvious: Iran, Turkey and Saudi Arabia all have problematic relationships within the region. All have found it impossible to establish normal relations with Israel. Pakistan lives with its endless hostility towards India; Turkey has its ambivalence about Europe. So the tensions are ramified. But the underlying trend is one of rising education and awareness, which will over time bring about a slow-burning revolution of modernity. That revolution will have to contend with other impulses: some will listen to Islamist claims to represent the authentic voice of Islam; others will succumb to nationalist fervour. All those voices will seek to use the connectivity of social media; but for all the dangerous byways they may have opened up, the social media will largely be a great highway of modernisation - the virtual accompaniment to the roads, railways, shipping lanes and air routes that are connecting the region to the rest of the continent.

The implications for business strategy are clear. Engagement is the order of the day. There will be plenty of bumps and wrong turnings on the road. But the prize is there for those with the sort of long term perspective the Chinese (and the Japanese and Koreans) bring to the region. And successful engagement is a sensitive engagement which recognises the rich glory of the Islamic heritage and achievement in human history; which recognises the sins of the imperial past; and which sees the importance of the role of business in contributing to the open society - as well, of course, as being realistic about the commercial risks and rewards of investment.



'The Open Futures of the Middle East' was delivered at Asia House on 10 April 2018





# The Asia House Middle East Programme



**The aim of the Asia House Middle East Programme is to drive European and Asian engagement with the region.**

The Asia House Middle East Programme, launched on 1 March 2018 by Alistair Burt MP, Minister for the Middle East at the Foreign and Commonwealth Office, consists of a series of events and research activity aimed at exploring the region's role in the global economy and its relationships with Asia and the West.

## **Briefings**

Asia House regularly invites senior policy makers and business leaders to address an audience of corporate representatives.

## **Conferences**

The Asia House Middle East Programme includes at least one major conference held in the region each year.

## **Research**

Asia House, as the Centre of Expertise on Asia, conducts research to provide new insights and analysis to inform business and policy decisions.

## **Public events**

The Asia House Middle East Programme also features public events to engage a wider audience in this important dialogue.

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