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OP-ED COLUMNIST

New Signs on the Arab Street

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From Baghdad to Beirut, the Middle East has seen a series of unprecedented popular demonstrations for democracy. There were, however, two street protests in December that got virtually no coverage, but were just as important, if not more. One took place in the Egyptian Nile Delta town of Mahalla and the other in the Suez Canal city of Ismailiya. Both of these raucous Egyptian demonstrations, which involved marches, strikes, denunciations of the government and appeals to Parliament, were triggered by President Hosni Mubarak's decision to sign the first substantial trade agreement with Israel since Camp David. That decision brought Egyptian workers from both areas into the streets. They were furious. They were enraged. Why?

They were not included in the new trade deal with Israel.

Now, that's a new Middle East. On Dec. 14, Egypt, Israel and the U.S. signed an accord setting up three Qualified Industrial Zones (Q.I.Z.'s) in Egypt. The deal stipulated the following: Any Egyptian company operating in one of these Q.I.Z.'s that imports from an Israeli company at least 11.7 percent of the parts, materials or services that go into the Egyptian company's final product can then export that finished product to the U.S. duty free. This is a big deal for Egypt, which, unlike Jordan and Israel, does not have a free-trade treaty with the U.S. As part of the accord, the U.S. named Greater Cairo, Alexandria and Port Said the three Q.I.Z.'s. It had to be limited to only three municipalities so that the U.S. would not be swamped with Egyptian exports - hence the protests from the two big Egyptian manufacturing centers that were left out.

According to Rashid Mohamed Rashid, Egypt's impressive new minister of foreign trade, 397 Egyptian companies have already signed up to participate in the Q.I.Z. program, most of them small and medium-size firms. Many of these Egyptian companies have already gone to Israel to forge deals with Israeli suppliers or started work with Israeli partners to identify export markets in the U.S. Some Israeli companies are setting up shop in the Egyptian Q.I.Z.'s to provide services right on the spot.

There are a lot of messages in this bottle. One is that if you create a real opportunity for Israeli and Egyptian businesses to interact profitably, not only will Egyptians ignore the protests of the old Nasserites who want to boycott Israel, they will seize the opportunity and protest mightily if they are kept out.

Another message: This "Baghdad spring" will not blossom into sustainable democracy in any of these Arab states without a broader middle class and civil society institutions to support it. For too long, U.S. foreign policy was based on buying stability in the Arab world by supporting dictators, who destroyed all the independent press, political parties, unions, real private sector and civil society in their countries - everything except the mosque. Iraq is the starkest example of this, which is why democratization there will take time.

Looking at Eastern Europe on the eve of the fall of the Berlin Wall, said Emanuele Ottolenghi, a lecturer on the Middle East at Oxford, "we could have predicted which countries would have an easy transition to democracy and which ones not." Countries like Poland, Hungary, the Czech Republic and the Baltic states, which had a history of liberal institutions and free markets that had been suppressed by communism, quickly flourished. Others farther east, which did not have such institutions in their past and were starting from scratch - Bulgaria, Romania and the former Soviet republics - have struggled since the fall of the wall.

The same will be true in the Middle East, where democracy will not just spring up because autocrats fall down. It will arise only if these countries develop, among other things, export-oriented private sectors, which can be the foundation for a vibrant middle class that is not dependent upon the state for contracts and has a vital interest in an open economy, a free press and its own political parties. The development of such a private sector was crucial in democratizing Taiwan and South Korea.

That is why, beyond Iraq, America's priorities should be to sign a free-trade agreement with Egypt - which would help foster an export-oriented private sector there just when President Mubarak has signaled an end to 50 years of military rule - and get Syria out of Lebanon, which would free the dynamic private sector that already exists there, but has been stifled by Syria. Free Lebanon and free Egypt's economy and they will change the rest of the Middle East for us - for free.

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