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# Introduction: the role of MENA business in policy-making and political transitions

## Book section

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## INTRODUCTION

THE ROLE OF MENA BUSINESS IN POLICY MAKING  
AND POLITICAL TRANSITIONS*Steffen Hertog*

This book is the result of a project on Middle East and North Africa (MENA) business politics that started in 2008. At the time, the leading topic for political scientists working on MENA was the enduring authoritarianism of the Arab world, a region bypassed by successive international waves of democratization. Some authors saw “crony capitalism”—tight, informal and exclusive networks between leading regime actors and select capitalists—as a pivotal ingredient of authoritarian stability.<sup>1</sup>

From the outset, the editors of this volume were less concerned with macro-questions like the impact of business on authoritarian survival. We instead focused on understanding the little-documented politics of MENA business in its own right: How have the increased capacities of MENA businesses shaped their negotiation stances vis-à-vis regimes? How do the resulting state-business relations affect economic policy decisions and outcomes, and through which formal and informal channels are these relations conducted? How are the social roots of different sections of business reflected in their relations with the region’s regimes?

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After the tumultuous events of 2011 and 2012, explaining Arab authoritarian survival is less topical—and it turned out that at least in several Arab republics, business cronyism was not enough to keep veteran dictators in place. At the same time, understanding capacities and motivations of MENA businesses and their relationship to the state, both individually and collectively, has become more important than ever.

As “crony capitalist” theories would predict, business appears to have been marginal in the region’s uprisings. Yet most of the regimes in the region, whether old or new, face a potential fiscal and employment crisis, unfolding against the background of heightened popular expectations and weak administrative apparatuses. MENA regimes will inevitably have to rely on local capitalists to provide public services and combat widespread un- and underemployment. The legacies of business politics analyzed in this volume will have a strong impact on the possibilities and limits of such mobilization and the attendant bargaining processes.

The countries included in the chapters of this volume are Egypt, Syria, Iran, Kuwait, the UAE, and—in the shape of a statistical survey—the other four GCC countries. The individual topics of the country case studies vary, spanning issues as diverse as economic policy-making, the role of business in civil society, and regime patronage over religious business elites. Yet there are several common themes that emerge from the book as a whole and are moreover likely to travel beyond the cases at hand to other countries not included as case studies, notably the middle-income countries Algeria, Jordan, Morocco and Tunisia.

All across the region, demographic growth and the crisis of statist development have resulted in increasing demands on the private sector to contribute to national capital formation and employment, share in the delivery of public services and welfare, and serve as interface with international business and, sometimes, international organizations and civil society. Arab business elites have also been called on to act as political intermediaries to represent wider social and political constituencies in an age of renewed social inequality and mass demobilization. At the same time, small strata of privileged businesses have been prominent recipients of regime patronage and conduits of intra-elite rent recycling—not a new phenomenon in the region’s monarchies, but a novelty in scale and scope in the formerly socialist republics.

While capacities and tasks have shifted between state and business, the relationship has remained lopsided. As formal corporatist institu-

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tions of interest representation are often empty husks, state-business negotiations have frequently remained informal and purely reactive, with the vast majority of businesses excluded from them. Modern business-supported “civil society” organizations have often done the regime’s bidding, operated primarily for an international audience, and developed limited resonance in local society. Levels of trust between state and business below the top echelon have remained low. The deep formal and informal involvement of the state in Arab economies has deformed and fragmented the capitalist class, a class which regimes have utilized for patronage, rent-seeking and façade modernization at least as much as for meaningful diversification and development.

The remainder of this chapter will spell out these cross-cutting themes in more detail, drawing on the contributions in this volume as well as available wider literature. It will elaborate how republican and monarchical business classes have remained somewhat distinct, with the latter enjoying a more accepted and secure—though not independent—social status and a relatively reduced need to operate in the shadows and engage in blatant corruption. It will then put the weak role of Arab business in the recent uprisings into international comparative perspective and conclude with some observations about the potential future role of Arab business in the post-revolutionary age against the background of its complex legacy.

### *A universally growing need for business capacities*

Since at least the 1980s, Arab regimes have increasingly relied on the private sector as a driver of economic growth and job creation. Outside the rich and sparsely populated GCC countries, state-provided job guarantees have been increasingly thinned out while the quality of public services such as education has increasingly declined, leading to the emergence—by default rather than by design—of private providers for the minority of consumers able to pay the requisite fees. Public industry in the region’s low- to middle-income countries turned out to be loss-making and unsustainable. Its expansion stopped and enterprises in the more economically liberal regimes were slated for privatization.<sup>2</sup> Bureaucracy in most MENA countries gets bad scores on international “governance” indicators and is often seen as a hindrance to development rather than the driver it was once supposed to be.<sup>3</sup>

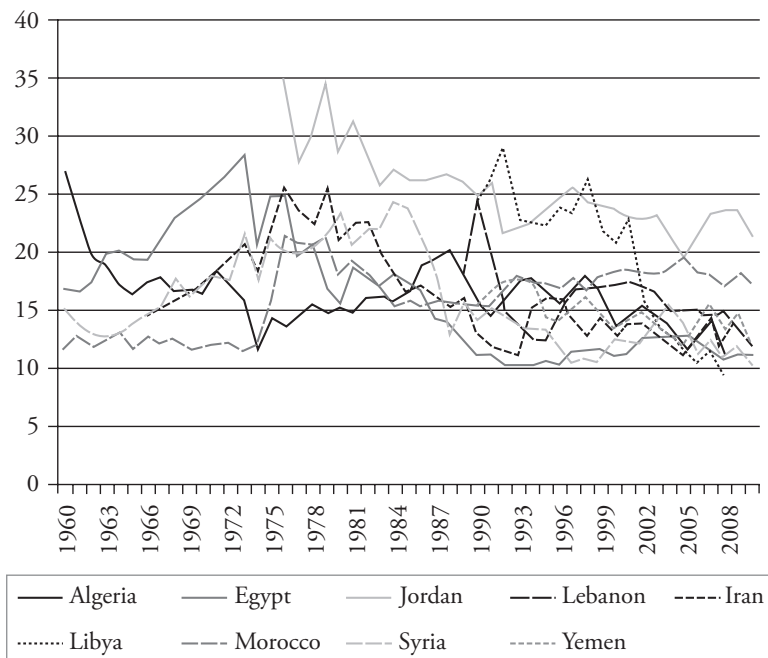
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While the direct role of the state in the economy in many cases increased into the 1970s, since then government consumption as a share of GDP has been on a downward trend across most of the region. Private enterprise has come to be present in many sectors traditionally dominated by public entities, including strategic areas like banking, heavy industry and utilities. While it remains largely focused on low-technology production, it has taken over a much larger share of the economy from the state.<sup>4</sup>

Even in the GCC, where the material pressures towards private-led development have been less acute, regimes have left increasing room for private players as part of their diversification and public service delivery strategies from the 1990s on.

The chapter by Hodson in this volume provides detailed and impressive data demonstrating the increased role of Gulf business in local capi-

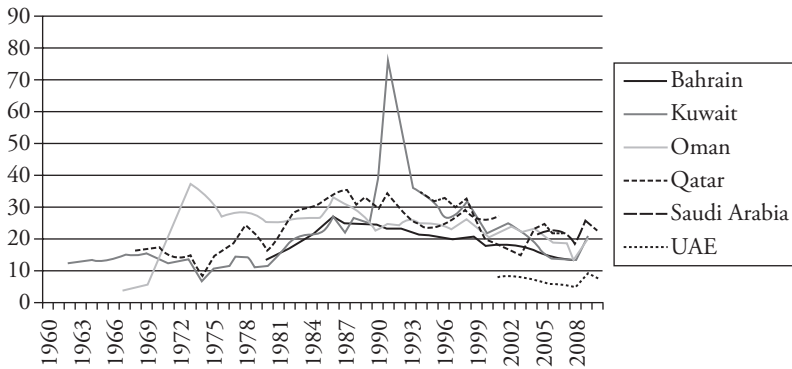
Graph 1: Share of government consumption in GDP, non-GCC MENA countries.



Source: World Bank Development Indicators.

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Graph 2: Share of government consumption in GDP, GCC.



Source: World Bank Development Indicators.

tal formation and financial market development, its reduced dependence on state spending, and its leading role in regional investment.

All across the region, policy reforms have led to a superficial convergence of economic strategies and regulatory regimes on global capitalist standards, which has meant a significant turnaround particularly in the republics with a heavy statist legacy. Most economic sectors are now open to private local and foreign investment, trade has been liberalized, the share of the public sector in total employment has declined, and populist social and political institutions supporting workers and peasants have been progressively hollowed out.<sup>5</sup>

Even for formerly socialist Syria, Selvik in this volume documents the local “private sector’s newfound status as ‘development partner’ for the Syrian state”, reflecting a grudging but fundamental ideological reorientation, and a secular shift in capacities between state and business. Among the region’s authoritarian systems, Iran’s alone remains ensconced in the old populist, statist and “third worldist” paradigm, even if, as Harris shows in this volume, much of the Iranian system is a product of historical exigency rather than ideology.

A new role for business does not mean new business players: barriers against entry to MENA markets are traditionally high,<sup>6</sup> and as several of the chapters in this volume show, private networks and family conglomerates have dominated high-level state-business interaction in both monarchies and republics. Many leading capitalists across the MENA

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region have their origins as rentiers or fixers for senior regime actors.<sup>7</sup> Yet, as Luciani's concluding chapter argues, an important proportion of them have come to operate more serious and sometimes internationalized businesses over time.<sup>8</sup>

### *Continuing co-optation and top-down orchestration of business politics*

Do a larger capacity and a more visible role amount to a more serious role for business in economic policy-making? On the formal level, the evidence for this is weak. Business is mostly organized through corporatist, state-licensed mechanisms of interest representation, including both traditional chambers of commerce and new elite business clubs and groups, all of which are usually dominated by large players close to power (see the chapters of Zintl and Selvik on Syria, Springborg on Egypt, and Valeri on Bahrain and Oman). As Zovighian's chapter shows, even an SME interest group organized with aid from foreign donors in Egypt quickly became part of the state-controlled corporatist system in which it was granted a monopoly position but came under increasing administrative control.

The influence of formal business organizations on policy outcomes appears to remain limited. As Almezaini's chapter on the UAE and Valeri's chapter on Bahrain and Oman show, lobbying tends to focus on defending existing privileges rather than engaging with policy problems in a proactive way. Across the region, there are few exceptions to this rule.<sup>9</sup> More broadly, deep and unaccountable state intervention tends to lead to individual deals between business and regime players instead of collective action, a process that has also been documented for Latin American cases.<sup>10</sup>

On the informal level too, co-optation rather than an even-handed relationship seems to characterize state-business relations. As Azoulay's chapter demonstrates, this is the case even in semi-democratic countries like Kuwait that enjoy a deep tradition of merchant politics. The only partial exception to this lopsided relationship appears to be Oman, documented in Valeri's chapter, where a limited number of merchant families around the Sultan have gained control over strategic parts of government—a unique situation in which neither an omnipresent security apparatus nor an extensive ruling family has been able to control the levers of power and distribution.

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### *Façade civil society and the role of business elite in it*

The vast majority of Arab businesses are de facto excluded from sectoral interest group politics. The same is true of “civil society” activities more broadly, important parts of which have been under direct or indirect regime control. In the activities where businesses have played a role—such as the “corporate social responsibility” agenda in Syria, documented by Selvik’s chapter—this has often served to project an image of liberal modernity to international donors and organizations. It is part of “authoritarian upgrading”<sup>11</sup> rather than genuine interest group politics, and again follows a corporatist logic in which the regime grants monopoly functions to specific charities or groups. Differing from the old authoritarian-populist corporatism of unions and syndicates, however, this camouflaged corporatism is elitist and exclusionary, as it has no real social reach or commitment to large-scale redistribution. As with the SME group in Egypt, the resonance of Syria’s new, regime-endorsed charities among the wider business class or local society at large is strictly limited. And as in the Gulf, important parts of Syria’s charitable sector supported by business have close personal links to the ruling family, in particular the President’s wife.

Zintl in this volume shows how Western-educated Syrian entrepreneurs with close regime connections have helped to “blue-wash” or “white-wash” the repressive local regime in the international arena by creating a façade civil society. Ironically, the “modern” elements of the Syrian bourgeoisie who hold Western degrees and have adopted the Western phraseology of civil society and corporate social responsibility appear altogether more likely to be cronies. Selvik shows that it is more traditional businessmen focusing on Islamic, *zakat*-based charities who are relatively independent of the regime and who enjoy real social legitimacy—and thereby could play a more prominent role in a post-Asad future.

### *‘Coerced charity’ and other means of delegating some public service and welfare provision*

Stephen King has described civil society activities of business in the MENA’s authoritarian republics as “coerced charity”,<sup>12</sup> a sort of stealth tax: as the regime’s capacity to provide welfare for the wider population has declined, charitable giving by capitalists is expected in return for continued political support, or limited interference, in their business



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operations. In the words of one industrial manager cited by Selvik: “the government wants to rid itself of all kinds of responsibilities and push it on the private sector ... it will apply the new rules of the social market economy to force the private sector to pay even more”.<sup>13</sup>

Donations to charities patronized by regime members are especially encouraged. “Coerced charity” as a de facto means of privatizing public services is less of a concern in the rich GCC. Nonetheless, there can be considerable pressure on businesses to contribute to princely charities after a ruling family member has provided—often modest—seed money for an institution in his or her own name.<sup>14</sup> Regime-endorsed charity usually reflects a hierarchical view of society: it is a top-down gesture rather than a result of social solidarity, and hence plays to business elites’ interest in underlining their privileged status.<sup>15</sup>

### *Successful and failed attempts to set up elite business players as social elites*

While regime-endorsed civil society activity among businessmen is not necessarily meant to strike societal roots, there have also been some attempts to set up politically connected capitalists as a new social elite with wider power. In the colonial and early post-colonial era predating mass politics, much of MENA politics was conducted by elite clans representing and speaking on behalf of wider social communities.<sup>16</sup> It seems that with their attempts to empower select businessmen as a new political elite, some regimes in the region have attempted to resuscitate such a stratum of “notables”.

These attempts have met with very mixed success. Gamal Mubarak in Egypt tried to position businessmen clients of his as new power brokers in Parliament and the National Democratic Party, gambling on their (relatively) autonomous material resources and local power as landlords or factory owners. In fact, many businessmen candidates failed in the elections and the NDP had to reintegrate into its parliamentary group old party strongmen or non-NDP businessmen who had run as independents with better entrenched (if also often declining) networks of local patronage.

As Zintl shows, even in previously anti-bourgeois Syria, a considerable number of businessmen were allowed to enter Parliament under Bashar. But here too, their performance has been lacklustre and has focused on their individual agendas more than representing a cohesive group with autonomous political resources.

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As Springborg describes, the supposedly powerful Egyptian crony business elite was sidelined and in several cases publicly sacrificed by the military apparatus early on in the revolution. Crony capitalists in Syria and Tunisia have been even more closely linked to the ruling circles, and have played no independent role in a domestic struggle where the presidents and security agencies have determined regime strategy.

During the uprisings, the crony bourgeoisies have proved weaker and more fragmented than many analysts of the new “neo-liberal” MENA authoritarianism had thought. Economically liberalizing republics like Egypt, Syria and Tunisia had come to rely on small coteries of business clients that were not representative of the capitalist class at large, maintained a small social basis and remained at the whim of the presidential family or the security sector.

While most other businesspeople did not engage in opposition, neither were they loyal supporters of the regime—instead, many tried to remain as independent as possible by staying clear of politics like Syria’s conservative, *zakat*-paying entrepreneurs. The fragmentation of the business class—discussed in more detail in Luciani’s concluding chapter—has been accentuated by the “missing middle”,<sup>17</sup> that is, the weak presence of middle-sized companies that could have either given the regimes a broader basis or served as an organized pillar of opposition.

MENA monarchies have a longer history of economic openness and deeper traditions of integrating business elites into their ruling coalitions,<sup>18</sup> sometimes going back centuries as in Kuwait or Morocco. While republican cronies often appeared out of nowhere after the anti-bourgeois policies of the populist era were reversed, there is more of a tradition of “politics of notables” in the region’s monarchies. Of course their origins, albeit going further back in time, are sometimes as “crony” as those of their younger republican peers. Monarchical regimes moreover remain perfectly capable of creating new business elites ex nihilo, as individual examples from Kuwait and Bahrain in this volume demonstrate. But many of the large business clans have deeper social roots and status in the monarchies.

While business and especially state-business transactions remain personalized across the whole region, the whiff of corruption is worse in the republics.<sup>19</sup> Ironically, the more egalitarian and statist legacy of an earlier age seems to have brought out the very worst of capitalism in the age of liberalization, having undermined legitimate business and pushed trans-

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actions into the shadows, dependent on omnipresent state networks. Springborg's chapter shows how even in Egypt, a country with a long pre-Nasserist history of capitalist development, the historical legitimacy of Egyptian business remains limited. In populist Iran, as shown in Harris' chapter, business is particularly marginalized; corrupt deals are not even transacted through private sector lackeys, but remain largely within the fragmented state apparatus.

Most capitalists' levels of trust vis-à-vis the state have been correspondingly low in the republics, as is vividly illustrated in the chapters on Syria and Iran in this volume. In the monarchies, links and cooperation between the state and "old money" are closer, as both the UAE and Kuwaiti case studies show. The state acts more predictably towards a larger stratum of established businesses. While there are serious corruption problems in the monarchies as well, and no large business player can thrive if he (or, rarely, she) draws the ire of the rulers, many of the senior players are less dependent on individual patrons in the regime.

While business elites have a more solid social standing in the monarchies, their political status is less clear. Their function as "notables" representing larger social strata has also eroded as a larger and more educated middle class has started to get politically organized. While landowning notables remain powerful in the Moroccan countryside,<sup>20</sup> the propertied urban elites' clout has been eroding, and business cronies around the King have drawn the ire of protestors.<sup>21</sup>

Azoulay's chapter describes how members of Kuwait's ruling family have managed to create a number of Shi'i business notables almost from scratch in the 2000s. The then Prime Minister successfully deployed these new intermediaries to defuse political conflicts on behalf of the wider Shi'i community in Kuwait, drawing on both deep pockets and a long tradition of elite clans that allowed the regime to dress up an essentially modern, neo-patrimonial strategy in traditional garb. Even in Kuwait, however, this strategy has been contingent on the minority status of the Shi'i and seems to have run into trouble in the wake of middle class protests against regime corruption. Big Sunni merchant families in Kuwait continue to be socially respected, but have little political clout and have been marginalized in parliament since the 1970s.

The role of large business clans in the even quieter UAE, analyzed in Almezaini's chapter, is closer to that of true notables, as they are both business and social elites, well represented in government and respected

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in local communities. The UAE however is a regional outlier in terms of extremely high per capita rents, low levels of political mobilization and an atomized civil society. Even in traditionally quiescent but less rich Oman, the Sultan had to get rid of a number of ministers from established business families when young protestors called for an end to high-level corruption in the Sultanate in 2011. Only Qatar—not represented in this volume—has comparable social and economic structures to the UAE; but there, the ruling family is more dominant in business.

Aside from the small and rich GCC autocracies—and to a lesser extent Morocco—the age of notables is over and attempts to reinsert businessmen into politics as a substitute for an eroding working and middle class constituency have not worked out. The Arab uprisings have shown that the age of mass politics is not congenial to indirect rule by propertied elites, not even in traditional political systems. And even when business elites have social influence, this often remains tied up with sectarian or ethnic identities—both in monarchies like Bahrain and Kuwait and in republics like Syria and Lebanon—undermining the private sector’s political role as national bourgeoisie.

Both in business and in their relations with regime elites, Arab capitalists have gained much strength on an individual level. But this has not translated into capacity for independent collective action.<sup>22</sup> The largest and most visible business organizations often serve no purpose and/or do the regime’s bidding, and other forms of business-financed civil society activity have either been subdued and kept on a small level, or become part of a regime-orchestrated strategy of façade liberalization. Attempts to integrate business clients into the political elite seem to have weakened rather than strengthened the latter, particularly in the Arab republics.

### *Why was business absent in Arab political transitions?*

It is not surprising that business seems to have played no organized role in the political revolts and transitions across the region.<sup>23</sup> While some brave individual businessmen signed political petitions or joined illegal parties in Arab countries even before the uprisings, they did so on an individual basis, not as the representatives of a broader class constituency. Similarly, the young Egyptian entrepreneurs—often active in the IT sector—who joined the movements in Tahrir Square are perhaps

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better understood as members of the educated middle class than as capitalists.<sup>24</sup> In Libya, though individual entrepreneurs helped finance the rebellion, its political leadership was in the hands of professionals.<sup>25</sup> To the extent that business was visible, it was so rather as supporters of the ancien régime—most clearly in Bahrain, where large parts of the Sunni business elite allied with the more repressive parts of the Al Khalifa family, as Valeri's chapter shows.

Looking at a variety of developing world case studies including Saudi Arabia and Egypt, Eva Bellin has argued that a tradition of state sponsorship and state dependence of business accounts for the absence of democratizing bourgeoisies in late developers worldwide.<sup>26</sup> There have indeed been "dependent" bourgeoisies in many regions, but in the Middle East the phenomenon is particularly pronounced.

We have seen that MENA business classes are fragmented, lack autonomous organizational space, continue to depend on bureaucratic if not fiscal patronage of an arbitrary state apparatus, and have in important parts been created by the state, the result being closed and collusive networks with regime elites. At least at the higher levels, MENA political economies are a classical case of neo-patrimonialism, a system in which political power determines access to economic resources, not the other way around,<sup>27</sup> be it through state patronage over business, as in most Arab states, or direct control of means of production by different factions of the state elite, as in Iran. While business traditions are deeper in the monarchies and capitalists have more autonomous social standing, the difference is one of degree: true independence from the state is unthinkable.

Research on Latin American cases has shown that business tends to function fine within any political system as long as it has access to decision-making.<sup>28</sup> This is in line with the observations from several cases in this book, where individualized access to the administration of interventionist states has sustained the allegiance of large businesses to local regimes. Smaller players have usually lacked such access, but had no organizational means to protest.

The Arab uprisings might point to a more fundamental reason why business in MENA has not acted as a force for political relaxation: perhaps the whole notion of a democratizing bourgeoisie is problematic in an age of mass politics. Where European bourgeoisies pushed for more political participation in the eighteenth and nineteenth centuries,

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they did so in the context of a limited franchise and politically demobilized societies.

In the MENA countries, by contrast, important parts of the business classes—including non-cronies—are concerned about the economic policies that mass electoral democracy might bring. In Kuwait, the Sunni merchant elite was the main driver of electoral politics and constitutionalism between the 1920s and the 1960s.<sup>29</sup> But as in most of the Arab world, notables and business elites lost their status as nationalist leaders when middle class political movements became organized and directly mobilized a mass constituency. Nowadays, most Kuwaiti merchants abhor the populist economic politics of the National Assembly, in which they lost most of their seats since the 1970s, and many wish their forebears had never let the democratic genie out of the bottle.<sup>30</sup>

All over the region, business has much to lose from the democratic game of numbers. Given the anti-crony sentiment of the Arab Spring, post-revolutionary populism could lead to a halt to (or reversal of) privatization, increased labour protectionism, and a diversion of state resources away from infrastructure and towards consumer subsidies. These concerns are particularly acute in poor and unequal countries like Egypt or Syria, where a class compromise is harder to reach.

Of course, business in the developing world has not been anti-democratic everywhere. Capitalists in the modern world do not start rebellions, but in several mid-income countries in Asia and Latin America, well organized business elites have tipped the balance, once a regime crisis has set in, by collectively defecting from the regime and providing organized backing for the opposition.<sup>31</sup> Capitalists in these cases have tended to be more coherent, autonomous, socially legitimate, and often export-oriented than MENA business has been to date.

MENA opposition forces seem to have received little organized backing from business in either the quick or the slow transitions that started in 2011. As this chapter is written, the conservative bourgeoisie in Syria still straddles the fence of the protracted domestic conflict, although many old families detest the regime and seem to think in private that Assad's days are numbered.<sup>32</sup> In June 2012, Syrian businessmen set up a Doha-based fund to support the opposition, but this happened more than a year after the start of the uprising and represents capital in exile rather than local business.<sup>33</sup> The most daring collective act inside the country seems to have involved Damascus shopkeepers in some areas closing their shutters to protest against the regime's violence in the summer of 2012.<sup>34</sup>

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While the contribution to regime change appears to have been modest, prominent businessmen in Egypt and Tunisia started to back a variety of parties once it became obvious that free elections were under way. New parties created by businessmen have however not fared well in either country, indicating limited social legitimacy.<sup>35</sup> Important members of the business elite appear to hope for a counter-revolution: the presidential candidate of the ancien regime, Ahmed Shafik, was applauded enthusiastically at the elite, regime-sponsored American Chamber of Commerce in Egypt in May 2012 when calling Mubarak a role model.<sup>36</sup>

The middle-sized “Islamic bourgeoisie” that is perceived to back the Muslim Brotherhood in Egypt might be the closest to an autonomous, organized and pro-democratic group of capitalists with wider social backing. In the 2010 edition of *Globalization and the Politics of Development in the Middle East*, Henry and Springborg place much hope on the region’s Islamic bourgeoisie as the potential backbone of a conservative, but economically open and politically plural Middle East.<sup>37</sup>

Yet, much of this bourgeoisie still operates on a small scale and often on an informal basis, and the Muslim Brothers in Egypt and elsewhere are led by professionals rather than businessmen. Small scale and informality have often been a stratagem to avoid predation by MENA state elites; under a new political dispensation, there might be more scope for growth in scale, modern corporate structures and political visibility.

The democratic commitment of the Islamic bourgeoisie, however, still has to be put to the test. Hopeful commentators draw analogies with the Turkish AKP and the backing it receives from a conservative Anatolian business class, but Turkey has a much longer history of democratic competition into which its Islamists have been gradually socialized. Khairat al-Shater, a businessman and the Egyptian Muslim Brotherhood’s would-be presidential candidate in the spring of 2012, has publicly taken pro-market and pro-free trade positions, but seems to have a distinctly authoritarian take on the Brotherhood’s internal politics.<sup>38</sup>

The future direction of MENA business as an organized political player cannot be predicted with any precision. What we do know with more certainty after the first wave of Arab uprisings is that organized business backing was not a major factor in regime change—which is different from what some of the international transitology literature might have made us expect.<sup>39</sup> In line with this, Kurzman and Leahey have argued in their international study of early and late twentieth cen-

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tury democratizations that the role of the educated middle class appears to have been more important.<sup>40</sup>

### *Future roles*

Looking at the non-MENA literature about the developmental and political roles played by bourgeoisies in the developing world, MENA capitalists tend to stand out in terms of what they do not do: with some notable exceptions, they are not export-oriented, do not engage in close policy coordination with the state, along the lines of Peter Evans' "embedded autonomy",<sup>41</sup> generally have limited collective lobbying and self-regulation capacities,<sup>42</sup> and have lacked a coherent political, let alone democratic agenda. Instead, they have been engaged in low-tech production, have been cronyist at the top and marginalized below, and much of their formal politics and civil society involvement has been orchestrated by local regimes.

We now know that in the republics in particular, this orchestration has not been very effective: the more outward-looking business cronies have given regimes in Egypt, Syria, and Tunisia some sheen of modernization, especially vis-à-vis international audiences. But by building crony capitalism, regimes had also thrown in their lot with allies that were small in number and socially discredited. In the face of visible top-level corruption, rising inequality, and the erosion of old lower and middle class constituencies, this seems to have rendered the regimes fragile. While large capitalists are more of an "organic" elite in the monarchies, high-level cronies have come under fire there, too.

The private sector's larger share in the economy and its gradual assumption of previously public functions tell us little about the quality of business activities either economically or politically. Yet, all problematic historical baggage notwithstanding, the need for business capacities is only set to grow across the region and has become all the more acute with civil unrest, which has further strained public resources in old and new regimes.

The new regimes might open a chance for a more even-handed accommodation between state and business, and a more level playing field among businesses themselves. There is much potential for growth of small and particularly middle-sized companies in a less predatory environment, from which a more coherent bourgeois politics could



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emerge—not only among Islamists, but also among young secular entrepreneurs.

Reporting from the region has raised hopes for startup funding and SME growth, open competition, and social and political pressure for cleaner business, even in the non-revolutionary states. Some MENA capitalists already report less fear of political interference.<sup>43</sup>

A new generation of businesspeople could set up new or increase their influence in existing “independent” business associations, filling them with political life. As Luciani points out in his chapter, it is more useful to speak of several bourgeoisies rather than one. While this is likely to hold true in the foreseeable future, the more independent and dynamic segments might become more prominent after the Arab uprisings.

This is far from a foregone conclusion, however: international experience shows that business conditions and practices do not necessarily improve in poor countries that experience democratic transitions. Cronyism was reconfigured, but did not disappear in low-income democratizers like Mexico, Indonesia and the Philippines, where state-business transactions have remained personalized. In fact, the temporary fragmentation of state power and the temptations of populist politics might make things worse for MENA capitalists in the coming years. Owing to the relationship-based nature of business even among non-cronies in MENA countries, it is unlikely that modern capital markets and corporate governance will qualitatively change regional capitalism any time soon. The shift from cronies to entrepreneurs might be under way, but it still has a long way to go.