



DIVINE REWARDS

The word "Islamic" is not synonymous with "traditional," and nowhere is that more true than in the banking industry. Since the inception of the Islamic banking industry thirty five years ago, Islamic banks have emerged as some of the most innovative in the Middle East. The First Gulf Bank of Abu Dhabi now offers a "Makkah" credit card that allows its customers to accumulate points toward a free flight to Mecca (black-out dates apply during pilgrimage season).

Many interpretations of Islamic law, or *shariah*, ban interest. Still, credit is becoming widely available thanks to Islamic banks. In most cases, Islamic credit products manipulate understandings of ownership so that buyers do not pay interest, but instead defer accepting title until they complete installment payments.

While some might argue that the step represents a convenient fiction, the industry is booming. There are now over 300 Islamic banks, and assets worldwide now stand at more than \$250 billion in 75 countries. A 2005 Chicago Fed report recognized nine Islamic financial institutions in the United States, prominent among them HSBC New York. Thirty percent of all Saudi banking assets are shariah-compliant, and the industry is growing throughout the Middle East and Asia. Not only is Islamic banking integrating into the global financial system, but the sheer amount of capital in the Gulf has incentivized banks to pursue this lucrative market. The Dubai International Finance Center predicted earlier this year that within a decade, half of all Muslims' savings around the world could be held in Islamic banks and insurance companies. ■ -JW

THE NEXT IRAQ PROBLEM

By Jon B. Alterman

Iraq's refugees tell heartbreaking accounts of suffering, displacement, and shattered dreams, but these refugees represent more than mere human interest stories. Collectively, the outpouring of millions of Iraqi refugees into a very small number of neighboring countries poses a dramatic security threat to the Middle East, and there is no sign that threat is going away.

In the lead up to the Iraq war, most of the U.S. government discussion about refugees assumed that refugee flows would be sudden, massive and brief. When more than a million Kurds fled Iraq into Turkey and Iran in 1991 to avoid Saddam's wrath, camps were set up within days. The U.S. military dropped food and supplies, and provided protection for those trapped within Iraq's borders. A few months later, the crisis was over, and refugees returned to their homes.

Iraq's refugees now are not like the refugees then. They have fled slowly, not suddenly. They live in capital cities such as Damascus and Amman, not in open fields or encampments. And they are not peasants or craftsmen who can eke out a living on meager resources; they are white-collar workers with education and training but little future in their homeland.

Iraq's refugees give little sign of returning home, and it is no wonder why. Iraq continues to unravel, and life is especially dangerous for the cosmopolitan *petit bourgeoisie* whom many assumed would inherit post-Saddam Iraq. Today's Iraq is no place for a doctor or a professor, especially one with a young family. Sectarianism plays in as well. Perhaps half of the refugees are Sunni Arabs, a group that represents about a fifth of the Iraqi population but had been the backbone of Saddam's regime. They see their country sliding not only into Shi'a control, but to rule by a Shi'a mob that is bent on revenge.

In many ways, however, fleeing the country provides only a brief respite. Few refugees are allowed to work in their new homes, and savings are running out. Children are sometimes barred from school, and others go to schools bursting at the seams. Health care, when it is available, is often expensive. The refugee flow has dramatically boosted housing prices, not only raising costs for the new émigrés, but also squeezing the young and working class in countries such as Syria and Jordan who see affordable housing sliding beyond their grasp.

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THE WAY FORWARD IN IRAQ

The CSIS Middle East Program hosted Ambassador David M. Satterfield, the Senior Adviser to the Secretary of State and Coordinator for Iraq, for a talk on the options ahead in Iraq. Satterfield served previously as the Deputy Chief of Mission at the U.S. Embassy in Baghdad and was earlier the U.S. Ambassador to Lebanon. Ambassador Satterfield argued that the central challenge in Iraq today is building a coherent national vision shared by all Iraqis. He pointed to successes at the grass-roots levels, particularly in Anbar, as evidence that there is positive movement in Iraq. For more information on the event, please click [HERE](#). ■

The refugee flows are massive, and they are squeezed into a very small number of countries. Syria alone claims to have more than 1.5 million Iraqi refugees—representing about eight percent of Syria's population—mostly concentrated in the Damascus area. The economy is far from booming: foreign subsidies have dried up, the country's small oil reserves are fast depleting, and foreign investors balk at penetrating a government bureaucracy that is slowly reforming but remains profoundly opaque. While some Iraqis maintain businesses back home while living in the safety of Damascus, desperation forces many more into prostitution and other crimes. Syria periodically raises the possibility of cutting off the refugee flow or pushing Iraqis out, but doing so would require a dramatic shift in the ruling party's pan-Arab ideology. The government seems caught, yet determined to muddle through.

Difficult as Syria's problems are, Jordan's are even more dire. Jordan has accepted 750,000 Iraqis, who now constitute more than ten percent of Jordan's population. When combined with the 60 percent of Jordanians of Palestinian origin, the ruling Hashemites and their East Bank Jordanian allies have become an even smaller minority in their own country. Jordan has always been more homogeneous than Syria, but the influx of hundreds of thousands of Shi'a Arabs has put an end to that.

Jordan's refugee problem is compounded by a crisis brewing on its western border. With Hamas' rise in the Palestinian territories, and the Fatah-led government's determination to squelch it, instability there leaches into Jordan's majority Palestinian community. The peril increases as U.S. policymakers and others push Jordan to deepen connections to the West Bank as a way of improving conditions in Palestine and supporting President Mahmoud Abbas. It may all work out well, but the danger is that Jordan falls prey to the crises on its eastern and western borders.

Other countries have taken smaller numbers of refugees but many have taken few or none. It is here, perhaps, that the United States is leading by example. The United States accepts 70,000 refugees per year worldwide, and only a small fraction have been from Iraq. Post-September 11 security concerns are partly in play, but more important is a reluctance to admit the magnitude of problems in Iraq and the likely permanence of the refugees' displacement.

For too long, the Iraqi refugee problem has been seen merely as a humanitarian problem. It is that, but it is also a strategic one. Hundreds of thousands of increasingly desperate, unassimilated refugees can do dramatic things, and among them is threatening the stability of their new home. Assimilating these populations has its own challenges, especially in essentially authoritarian systems with limited resources and existing patronage networks.

For the United States, the strategic implications of Jordanian instability are clear, so deep is the military, intelligence, and diplomatic cooperation with that country, and so important is the Jordanian role in Arab-Israeli peacemaking. Instability in Syria is feared less, although it could make the country even more hostile to U.S. interests. In addition, few have contemplated the long-term impact of violent extremists mixed into these refugee populations, networked throughout the region and representing a new and virulent threat to their host societies.

No amount of money or time will make this problem go away. It is an international problem, and it will require international cooperation. More refugees will need to be absorbed outside of the Middle East, and lives will need to be put back together. There will need to be extensive screening of migrants, and robust intelligence cooperation. Making all of this work will require leadership, and the United States has not led nearly as much as it needs to. ■ 9/17/07

Links of Interest

[The Independent Commission on the Security Forces of Iraq](#), chaired by General James Jones, released its report.

Jon Alterman spoke on [NPR's Morning Edition](#) and was quoted by the [New York Times](#).

Anthony Cordesman released a report on Iraq entitled "[The Tenuous Case for Strategic Patience in Iraq: A Trip Report.](#)"

The CSIS Post-Conflict Reconstruction Project released a report entitled "[Strengthening Capacity Building and Public-Sector Management in Iraq.](#)"

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