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The Arab Uprisings - What Happened, What's Next?



Konrad
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American University of Beirut Institute of Financial Economics

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¹ Summaries of presentations made at a workshop organized jointly at AUB by The Institute of Financial Economics and the Konrad Adenauer Stiftung, May 6, 2011

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Except for minor editorial changes, the lectures are circulated as presented at public lectures organized by the Institute, while working papers reflect ongoing research intended to be polished, developed and eventually published. Comments on the working papers, to be addressed directly to the authors, are welcome.

Foreword

This special issue of the IFE working paper series provides a brief summary of a workshop jointly organized by AUB's Institute of Financial Economics and the Konrad Adenauer Stiftung, Jordan. The workshop was held at the American University of Beirut on May 6, 2011 under the working theme, "The Arab Uprisings—What Happened? What's Next?".

Samir Makdisi (AUB Institute of Financial Economics) opened the workshop with a paper entitled, "On the Persistence of Authoritarianism and Prospects for Democratization." During the first panel, entitled "Perspectives on the Causes of the Uprisings" Marcus Marktanner (AUB Institute of Financial Economics) and Sari Hanafi (AUB Department of Sociology) shared their views from an economic and sociological perspective, respectively. Ghassan Dibeh (Lebanese American University, Department of Economics) and Ibrahim Saif (General Secretary, Economic and Social Council, Jordan) led the second panel entitled "What's Next? The March towards Economic and Democratic Consolidation." The panel focused on economic and political reforms for the period following the revolution. Mohammad Al Momani (Department of Political Science, Yarmouk University, Jordan) and Lahcen Achy (Carnegie Middle East Center, Beirut) discussed the revolutionary dynamics from the perspectives of Jordan and Algeria, respectively, in a third panel, "Country Case Studies."

This special issue of the IFE working paper series contains brief summaries of the presentations written by the various presenters. These summaries will not provide answers to all possible questions related to the Arab uprising, nor do they propose to do so. Instead, they are intended to provide the reader with new perspectives, background information, and ideas about the most significant political change since the collapse of the Berlin Wall in 1989.

After decades in which Arab political leaders resisted the global trend toward democratization, the Arab people have demonstrated their willingness to struggle for the shared universal values of freedom, justice and democracy. Whatever the outcome of the current transition period may be, the triggers for substantive

political transformation in the Arab world have now been set off. We look forward to continued cooperation between the AUB Institute of Financial Economics and the Konrad Adenauer Stiftung in Amman in sponsoring intellectual and policy dialogue pertaining to the politico-economic transformation currently being witnessed by the Arab world.

Dr. Martin Beck

Konrad Adenauer Stiftung, Amman

Dr. Marcus Marktanner

AUB Institute of Financial Economics

January, 2012

Introductory Remarks: On the Persistence of Arab Authoritarianism and Prospects for Democratization

by

Samir Makdisi

There are several salient questions facing the Arab region today. Will the recent uprisings and revolutions of Tunisia and Egypt usher a sustained move from autocracies to substantive democracies in the Arab world? Will solid and equitable development accompany the political movements? Will researchers in the future talk about a pre- and post-2010 Arab world? Indeed, will Tunisia's and Egypt's marches toward democracy be consolidated fully with all their developmental implications?

I do not presume to know the answers to these questions; however, I will offer brief remarks that might shed light on basic issues pertinent to any attempt to address them. My remarks pertain to (i) the interaction between economics and politics with reference to the Arab region, (ii) the reasons for the hesitant Arab democratization process and the Arab democracy deficit, and (iii) the transition from an autocracy to an open democratic society.

I. The Politico/Economic Environment: on the Interaction of Economics and Politics in the Arab Region through 2010

Most Arab countries became independent just after World War II. Examining the overall political and economic environment from that time through 2010, we arrive at two major conclusions:

First, in general Arab political institutions have not been open to a genuinely competitive political process, although the degree of competition does vary from one country to another. The obvious contrasts are Lebanon and Saudi Arabia, the former exhibiting a (constrained) consociational democracy and the latter an absolute monarchy. In essence, the Arab states' political institutions have been non-representative and non-democratic. In some instances they are monarchical,

and in others they are republics where, in most cases, power was assumed by military-turned-civilian rulers via orchestrated elections. In others words, up to and through 2010 the Arab region suffered from a democracy deficit.

Second, as part of the globalization process, Arab economies have implemented privatization measures and become more open to the outside. These measures indicate a shift from the previous strict public sector orientation toward an increased role for the private sector.

In the context of autocratic rule and weak or lagging institutional development, this process of economic liberalization and privatization has often led to collusion between those in power and business leaders or tycoons. The degree of this collusion may vary from one country to another, but in some cases the entrenched political leadership and big businesses have become indistinguishable. This relationship almost invariably leads to high levels of corruption.

II. The Hesitant Arab Democratization Process: What Explains the Arab Democracy Deficit?

The modernization hypothesis stresses the positive correspondence between socio-economic development and democratization (Lipset, 1959; Barro, 1996). However, in contrast with the experience of other regions, the Arab world has failed to democratize significantly despite notable socio-economic development in the past fifty years or so. Various economic, historical and social variables (including religion) have been postulated by Arab and non-Arab scholars to explain this deviation (e.g. Nabli and Silva-Jauregui, 2006; Bichara, 2007; El Affendi, 2006; Platteau, 2008; Noland, 2008; Tessler, 2002).

Here I should like to refer very briefly to some of the findings of recent Arab region cross-country research (an extended modernization regression model), and Arab case studies. Ibrahim Elbadawi and I, along with a group of researchers, have conducted this research in an attempt to explain the persisting Arab democracy deficit at least through 2010 (Elbadawi and Makdisi, 2011).

The cross-country work first examines the impact of modernization factors

(income, education, female labor participation, and neighborhood effects), historical factors (effects of colonization), religion, and social variables (social fractionalization). These factors do not explain why an Arab democracy deficit has persisted. Controlling for other determinants, oil wealth and regional conflicts—which both invite foreign interventions—do seem to explain the democracy deficit while rendering the coefficient of the Arab dummy in the model non-significant. Oil wealth, along with other factors, has helped the regimes in oil rich countries to forestall any significant transition to a more open political system. In addition, regional conflicts, especially the Arab/Israeli conflict, provided pretexts to the ruling parties and families to justify their autocratic grip on power. These pretexts include the presumed threat posed by rising religious fundamentalist movements, which such conflicts have helped foster.

The individual case studies find that the impact of oil and conflict is not necessarily the same across all countries; it could differ considerably from one country to another. Equally important, the studies reveal additional country-specific factors that shed light on the persistence of the democracy deficit in each of the countries concerned. There were two common factors among the case studies. First, the exploitation of the potential threat posed by fundamentalist groups to the existing political order was often used as justification for authoritarian rule. Second, authoritarian regimes often attempted to co-opt intellectuals, civil societies, and the big business class, rendering them defenders rather than critics of the status quo.

III. Prospects for Transiting from Autocracy to Democracy

With the Tunisian and Egyptian uprisings in mind, some of the major triggers for the Arab region's democratization process include

(1) The potential for a just resolution to the Palestinian question and other conflicts in the region.

A just resolution to the Palestinian question as well as other conflicts in the region may not fuel the process of democratization on its own. The Egyptian and Tunisian experiences are perhaps cases in point. However, such resolutions

would nonetheless help create an environment that is more amenable to the cause of democratization.

(2) The overall diminishing dominance of the state. In particular, the state's direct economic role is diminishing due to privatization measures. The lack of significant economic diversification has also led to rising levels of unemployment and to the empowerment of an independent middle class and civil society organizations that press for reform.

(3) The impact of greater openness with the outside world. This openness not only weakens the authoritarian bargain, but also aids the ability of the governing classes to keep opposition parties either divided or in check by varying methods of control.

(4) The universal human thirst for freedom and justice. The Tunisian, Egyptian and other uprisings are good examples of the deep-seated ambitions not only for socio-economic advancement but also for greater freedom and political participation on the part of large segments of the population that felt disenfranchised and excluded from the benefits of economic development.

The Economic Causes of the Arab Uprising

by

Marcus Marktanner

The failure of Arab socialism towards the end of the 1980s was structurally identical to the breakdown of socialism in Central and Eastern Europe. Natural resource rents, a weak opposition, and external interventions, however, prevented political regimes from collapsing in the Arab world. It was hoped that top-down economic reforms beginning in the 1990s could maintain the political status quo and make economic development more equitable. Yet, economic liberalism as the stone to hit the two birds of political power conservation and equitable development missed. The Arab uprising beginning in December 2010 has made that clear.

What went wrong? To answer this question, a comparison with Central and Eastern Europe is useful. Because the socialist lifecycle was very different in the Arab world, contrasting the two experiences can give important insights into the economic causes of the Arab uprising. Three dissimilarities stand out.

First, Arab socialism was an endogenous reaction to Western colonialism, while in Central and Eastern Europe socialism was externally imposed. It was the then Soviet Union after World War II that eliminated commercial elites in Central and Eastern Europe. The expansion of Soviet hegemony was deeply resented and brutally suppressed. The fall of the Berlin Wall in 1989 allowed Central and Eastern Europe to return to its political and economic roots, which it shared with Western Europe. This collective memory made the reform movement strong and focused. In the Arab world, on the other hand, the dynamics of the colonial dialectic led to the ousting of commercial elites. Liberal economic ideas in the Arab world were often equated with colonial rule and exploitation. As Arab socialism began to reveal its shortcomings toward the end of the 1980s, the alternatives to economic liberalism were more controversial than in Central and Eastern Europe. As a result, a reform movement emerged in Central and Eastern Europe that could

oust political elites and push for economic and political reforms in parallel. In Arab states, however, no reform movement was strong enough to force governments to step down and reforms were initiated from the top.

Second, the expected peace dividend from the end of the Cold War mobilized international stakeholders, boosting the reform movement in Central and Eastern Europe. The revolution dividend is much less certain in the Arab world, especially due to concerns regarding the future role of Islamists.

Third, Central and Eastern Europe's revolution occurred in a political and economic gravity field that was highly democratic. From the very beginning of the reforms, Central and Eastern Europe had a very favorable outlook for economic and political integration with Western Europe. The Arab region does not have such a gravity field. A development similar to the political and economic integration witnessed in Europe after World War II seems extremely distant.

The decay of Arab socialism and rising economic problems in the Arab world at the end of the 1980s left the Arab region with no choice but to liberalize. However, the absence of political regime change undermined the economic reform potential by opening the door to cronyism.

Social costs often occur in societies transitioning from strong central command over the economy and artificial prices to economic systems based on private initiative and markets. The costs are particularly high for employees in the public sector and workers in non-competitive state-owned enterprises. Because the old political regimes are not separated from the new economic direction, those who benefit from liberalization the most are those most loyal to the regime. Top-down economic reforms, therefore, lead to the political co-option of economic elites and vice versa. At the same time, truly painful economic reforms that would jeopardize the perks of state employees are not implemented.

The result is that economic reforms in the Arab world benefitted only a few while the majority of people felt excluded. Between the 1980s and 1990s, inequality increased accordingly in the Middle East and North Africa. Table 1 shows the average of the available data of the Estimated Household Inequality Indicator (EHII) from the University of Texas Household Inequality Data project for

the 1980s and 1990s. The table shows that the Middle East and North Africa experienced a deterioration of income equality that is only second to the reform countries of Central and Eastern Europe. Yet, this deterioration occurred already on a much higher initial inequality level.

Table

Estimated Household Income Inequality 1980s vs. 1990s

| Country | EHII80s | EHII90s | Difference |
|--|---------|---------|------------|
| <i>Algeria</i> | 34.2 | 38.6 | 4.4 |
| <i>Egypt Arab Republic</i> | 40.9 | 44.1 | 3.2 |
| <i>Iran Islamic Republic</i> | 34.7 | 41.5 | 6.8 |
| <i>Iraq</i> | 40.7 | 44.8 | 4.2 |
| <i>Jordan</i> | 45.5 | 44.6 | -0.9 |
| <i>Kuwait</i> | 50.9 | 54.8 | 3.9 |
| <i>Morocco</i> | 45.9 | 46.2 | 0.3 |
| <i>Qatar</i> | 53.2 | 55.5 | 2.2 |
| <i>Syrian Arab Republic</i> | 39.9 | 46.8 | 7.0 |
| <i>Tunisia</i> | 38.4 | 49.2 | 10.9 |
| <i>MENA</i> | 41.5 | 45.3 | 3.8 |
| <i>East Asia and Pacific</i> | 39.1 | 40.2 | 1.1 |
| <i>Central and Eastern Europe</i> | 31.6 | 38.3 | 6.7 |
| <i>Latin America and the Caribbean</i> | 43.8 | 46.1 | 2.3 |
| <i>South Asia</i> | 43.9 | 44.2 | 0.3 |
| <i>Sub-Sahara Africa</i> | 46.1 | 47.5 | 1.4 |
| <i>Western Europe</i> | 34.0 | 35.5 | 1.5 |
| <i>World</i> | 40.1 | 42.5 | 2.4 |

Source: Calculated from University of Texas Income Inequality Data Project
(<http://utip.gov.utexas.edu/data/EHII2008.xls>)

Note: The dataset contains missing values. Some of the averages suffer from a small sample bias.

The increase in inequality has worsened since 2007 in the wake of the so-called Triple F crisis (fuel, food, and financial). Rising fuel and food prices rendered universal subsidy systems unable to function. Due to the price inelasticity of fuel and food consumption and the fact that poor households spend greater proportions of their income on food and fuel, real income inequality has accelerated in recent years far beyond the nominal inequality. The global financial crisis has moreover reduced receipts of remittances, affecting many vulnerable households.

The above analysis does not claim to predict the Arab uprising. However, it can be argued that a common theme in the uprisings was economic liberalism without safeguards against unequal economic development. The series of economic crises since 2007 have revealed this shortcoming.

The Arab Revolutions: Who are the Actors?

by

Sari Hanafi

Over the last four months, political earthquakes have shaken the Arab world. These revolutions have toppled the presidents of Tunisia and Egypt and are making their way to Yemen, Bahrain, Libya, Jordan, and Syria. No matter how one defines the success of these uprisings, it is clear that they are forcing dictatorial regimes toward political reform.

The importance of these revolutions resides in the meeting of social and democratic demands. We should remember, for example, that the Tunisian uprising had its beginnings in Gafsa, three years ago, in a protest over bread and unemployment. Dissident bloggers and Facebook users in the Tunisian city of Jarjis demanded the release of political prisoners and free speech and the working class sparked the revolutions. Autonomous unions organized the initial revolt, which again was marked by the call for both social and democratic reform.

The protestors' sensitivity to unemployment and their hostility to the neoliberal and neo-patrimonial regimes are linked to their sense of justice, dignity, and freedom: freedom to join political groups and parties, freedom of expression, freedom of religious practice, and freedom to write about corrupt people in the government. We should not forget that the so-called "Tunisian economic miracle" affected the capital and northern coastal cities but not the interior of Tunisia or the south. When the presidents of Syria, Tunisia and Egypt became sovereigns making the ultimate decision over whether to enact a law or suspend it, whether to "take life or let live," they violated their people's rights. They arrested, tortured, murdered and economically ruined their countries. The state of emergency has been particularly felt in the peripheries, often outside the capital, in spaces of exception, where the state has been present only as a security apparatus and sometimes for distributing foreign aid. It is there that local identities emerged

and revolutions began as in the case of Daraa, Banias and Homs in Syria.

The Arab youth felt that they had become a *homo sacer*, in the sense of the Italian philosopher Giorgio Agamben. In other words, this was the revolt of “bare lives,” of defenseless hungry bodies that the regime had stripped of political identity and the right to belong to such groups as the Islamic Renaissance Movement “al-Nahda,” the Tunisian Communist Labor Party, and the Muslim Brotherhood.

In a book that I edited last year called *The State of Exception and Resistance in the Arab World*, the Tunisian sociologist Mohsen Bouazizi wrote about the silent expressions of opposition among the Tunisian youth and how they deploy indifference and carelessness against the regime. What Mohsen Bouazizi did not see then is how Mohamed Bouazizi, who is from the same city as Mohsen—Sidi Bouzid—was alienated from the social structures to become, in Touraine’s words, a subject: the driving force of a social movement.

Mohamed’s body, like that of other young Tunisians, was a target for the oppressive regime and its disciplinary authority, which aimed to strip the body of its political identity. Thus by committing protest-suicide, Mohamed created a pattern of resistance whose effectiveness was achieved at the moment of his self-immolation. There was a time when the Palestinian resistance in the occupied territories challenged the sovereign authority that sought to turn them into humiliated subjects who could be killed without recognition. We are at a similar moment now in which there may be death without value. In deliberately sacrificing themselves, Mohamed Bouazizi and the others who committed suicide acted to invert the relationship with the sovereign authority.

However, despite all the oppression of Ben Ali’s regime and the use of a permanent state of exception, this regime was not a total institution, controlling everything. After all, it is often the case that oppression is a sign of weakness rather than strength. This trend was seen when the “mighty” regime of Ben Ali could not get the army to follow the oppressive rule of the police. The system also failed to silence the opposition, especially in the diaspora. These weaknesses in the regimes offer a ray of hope to all those struggling for democratization—they may learn to use the weaknesses to produce change in the order.

Indeed, the symbolic dimension of these Arab revolutions is remarkable. In Egypt, the revolutionary youth are educated individuals—men and women, Muslim and Christian—who use mobile phones and laptops to communicate about their revolution while carrying handmade signs. This revolution is fully indigenous, including in Syria. There are no USAID or other international agencies funding glossy placards and brochures or workshops in five-star hotels. In complete contrast, the supporters of the calcified regime came with their horses and their camels, bricks, knives and sticks.

Actors of in the Social Movements

Two groups of actors played a crucial role in these revolutions. First, the educated non-affiliated youth deftly combined with political parties and unions that traditionally give such movements needed momentum and mobilization. Second, there was the working class, whether members of unions or not. Many analysts, intentionally or not, miss the importance of the latter group and mythically present the youth as classless and non-ideological. In reality, these revolutions in Tunisia and Egypt represent emerging social movements that combine the classical form based on social class with a new form in which the struggle for civil rights prevails. In addition to working class identity, the individuals construct themselves in the space between social integration and disintegration, what Alain Touraine calls commitment and non-commitment armed with the power of reflexivity. For instance, some activists from the April 6 Youth Movement are members of the Muslim Brotherhood, but they also criticized its actions and how quickly it entered into dialogue with the old regime.

In Tunisia, Mohamed Bouazizi's act sparked an uprising that began as an unorganized and spontaneous event but which was soon taken over by labor unions. The General Union of Tunisian Workers (UGTT) was masterful in dealing with the regime; in northern Tunisia, especially in the capital, the leaders of the union were negotiating with the regime while their counterparts in the south were opposing it. The Bar Association also played an important role in expanding the protestors from youth to all ages, and from the regions to the capital, Tunis. One

might note the prominent place of lawyers, and even judges, in social movements across the Arab and Islamic world, most obviously, in Egypt and Pakistan.

As for Egypt, the revolution was started by the April 6 Youth Movement, a social movement that originated with Egyptian youth showing support for the labor strikes in Al-Mahalla al-Kubra. The movement used blogs, Facebook, Twitter, and Short Message Service (SMS) messages to mobilize thousands of demonstrators on January 25, 2011. With the help of political opposition, the movement was able to reach millions of protestors in locations around Egypt, including Cairo's al Tahrir Square, Alexandria, Mansoura, Zagazig, and other locations where worker demonstrations led by autonomous unions were prominent. Each demonstrator became a "journalist" carrying a mobile phone and filming acts of state repression, effectively bypassing the official media. The success the protestors had in launching the revolution can be attributed to their use of a governmentality with practices unknown to the state governmentality. For instance, the state's security apparatus had control over the national mass media, the telephone systems, and the internet, yet it was not able to control social media which made use of different proxies bypassing the state filtering. While the state apparatus continued to control the rest of the public sphere, social media emerged as an important tool for mobilizing activists, with the help of the Arab TV channels.

Post-Islamism?

We are in a period of revolutions where politics and civil rights supersede ideology. Arab regimes as well as some Arab and Western scholars and journalists used to think that the Arab street could only be mobilized by political Islam. The Yemeni, Syrian, Libyan, Tunisian and Egyptian cases show that although Islamic movements are important, they cannot succeed alone, but rather need to ally with other oppositional groups. The strength of Islamic movements resides in going beyond the simplistic slogan "Islam is the solution," and toward freedom and democracy in alliance with other oppositional parties. We are in an era of post-Islamism not only because of the diminishing importance of political Islam and the absence of Islam as a language in the political symbols and political protestation, but also because of the internal transformation of the Islamist movement.

Here, those who argue for the cultural specificity of the region no longer have a valid argument. One question that I have been discussing with my students for the past two years in my course on transitional justice is whether freedom and democracy are universal aspirations or whether Western values are transferable as such to other societies. My students have always brought up the case of the Arab world as an example that not all people of various cultures and religions aspire to be free, and choose instead, to live under the rule of law. To them, people who live in Muslim countries with their autocratic or theocratic regimes are content to live under the stick of dictatorship or sharia. What we have witnessed in Tunisian and Egypt suggests otherwise.

NGOs?

What about human rights associations and civil and non-governmental organizations (NGOs)? Many donors and international organizations limit their view of civil society to these “depoliticized” associations, and believe that they are the ones who promote change. These associations play an auxiliary role to the syndicates and opposition parties, disseminating information about casualties and death tolls and urging international powers at both official and unofficial levels to take firm positions against the regime. However, there is a lack of synergy between the three pillars of civil society: syndicates, parties, and NGOs. It is time for donors who focus only on NGOs to extend their support to all institutions of civil society, not only to avoid the inflation of NGOs, but also to strengthen the syndicates and parties which will, in turn, feed the NGOs with fresh talent.

Mass media, although in a less important role, did play their part in the revolution by informing the public of what was going on, especially when the national Tunisian and Egyptian television stations were providing misinformation. On January 26th, Egyptian television aired a cooking program, as if nothing of significance was happening in the streets. Meanwhile, television stations such as Al-Jazeera, BBC Arabic, and France 24 transmitted images sent to them on activists’ mobile devices, providing information and analysis. I should stress that Al-Jazeera turned from its “principal of non-interference” in internal Arab affairs to a stance of “solidarity” with the Arab public and their grievances.

Economic Policies in the Post-revolutionary Arab World

by

Ghassan Dibeh

The Arab world has entered a new revolutionary era unseen since the mid-20th century when Gamal Abdel Nasser ushered in an era of Arab revolts that swept the Middle East and North Africa from Iraq to Algeria. While the earlier revolts were largely nationalist uprisings with underpinnings of equality and freedom, the current revolutionary wave is typified by the Arab people's aspirations for political freedom, social justice, and equality. This new struggle for political freedom and democracy in the Arab world has the potential to reverse decades of democracy deficits in the region (El Badawi and Makdisi, 2007). On this note, I will concentrate on the economic policies and reforms needed to achieve economic development, social justice, and equality in the post-revolutionary era. These social and economic objectives will form the main challenges for the new regimes and the revolutionary movements themselves in the coming years. This paper argues that the Arab world needs a development and egalitarian agenda, not a market and growth one, in contrast with the experience of Eastern Europe during its transition period.

Despite its endowment in natural resources, the Arab world has been a laggard region in terms of economic development when compared with other regions in the world (Kuran, 2004). The Arab world experienced economic stagnation in the 1980s and 1990s with per capita income on the eve of the twenty-first century almost the same as it was in 1980 (Noland and Pack, 2007). In the following decade, economic growth rates improved but remained below what was needed to raise the standard of living for the vast majority of the population. The main economic challenges that remain are high and persistent unemployment, stagnating productivity, low gross domestic product (GDP) per capita growth, high population growth rates, high income inequalities and poverty rates, unequal distribution of wealth among

nations, and low capital accumulation and technological development.

In an interesting article in the New York Times on the Arab revolutions, historian Simon Sebag Montefiore reminded us that every revolution is unique and that the rising political order in the aftermath of revolution is uncertain. He also reminded us that “Lenin understood that the ultimate question in each revolution is always the unfathomable alchemy of power: who controls whom. Or as he put it so succinctly: ‘Who whom?’” In this respect, the economic policies and reforms in the post-revolutionary Arab world will determine the answers to such questions. The uncertainty of the dominant political order will be mainly resolved by who gains and who loses on the economic front. Such a contest has already begun. In the last days of the Egyptian revolution, the trade unions and workers were instrumental in dealing the final blow to the Mubarak regime. But in the first days after Mubarak left, the new governing military council drove a wedge between political reforms and economic reforms in the face of growing demands for wage hikes and progressive economic policies. The military council framed these strikes as a security threat and the new prime minister declared that the free market economy would not be abandoned.

At the international level, there have been calls for free market reforms and the advancement of propositions that the uprising was against ossified statist economies. Many observers in their calls for free market reforms have posited the “economic problem” of the Arab world as that of one or many corrupt rulers who amassed large sums of wealth through crony capitalism or remnants of the old Arab socialist regimes. While this is true, the economic problem runs deeper.

The new post-revolutionary governments in the Arab world should heed the lessons of the social and economic causes of the uprisings and also the lessons of the international financial crisis that shook the foundations of the neoliberal era and its theoretical underpinnings. What the Arab world needs is a development and egalitarian agenda, rather than a market and growth one. An agenda focused on markets and growth was the hallmark of the reforms implemented during the transition period in Eastern Europe; however, the initial conditions in Eastern Europe were quite different from those of the Arab world today. In Eastern Europe,

countries were developed, highly egalitarian and industrialized. The economic crisis that beset the state socialist economies at the time was the cessation of growth and the inflexibility of their economies. Hence, reforms were geared toward the launching of growth and the unleashing of markets. However, in the Arab world conditions differ. Market economies exist and many of the countries in question have already gone through stabilization episodes with the International Monetary Fund (IMF) and structural reforms with the World Bank. The East European countries benefited from entry into the European Union (EU), EU-subsidies and markets, and labor exports to European countries. These opportunities are not available to Arab countries.

Moreover, the Arab world's transition will happen in a period of global economic crisis. Given the huge political uncertainties, the unleashing of distributive demands within the parameters of free markets would engender political destabilization and could eventually lead to right-wing dictatorships. Economic reforms should aim at establishing a new developmental model and giving the Arab world a position in the international economy similar to what is enjoyed today by the economies of Brazil, Russia, India, and China (BRICs). The reforms should include a shift in macroeconomic policy from the traditional approaches to a policy designed along the lines advocated by Sachs (2009), an increase in the level of public investments that increase productivity and employment, a policy of reduction in both horizontal and vertical inequities, and a policy of poverty eradication that benefits from the success of recent programs in Venezuela and Brazil and the fact that the resource transfer needed to cover the poverty gap is non-prohibitive in many developing economies (Ravallion, 2009).

Introduction to the Case of Jordan—Challenges, Alternatives and the Road Ahead

by

Ibrahim Saif

Over the past two decades in Jordan, the role of the state within society has been changing. There has been a shift in the pattern of the relationship between the state and society on the one hand, and between different societal groups on the other hand. The biggest change can be seen in the reduction of the state's capacity to influence society through traditional means such as buying loyalty through public spending. Moreover, there has been deterioration in the "legitimacy of achievement." Some public utilities such as electricity and water have suffered from a decline in quality. The same is true for education and health systems, each of which has evolved into two polarized systems, one for the privileged and one for the poor and limited income groups.

The state suffers from a large budget deficit, heavy external public debt, and the absence of a clear vision for the future of the economy. At the same time, the state has experienced a rise in poverty and unemployment rates, especially among young people, which has caused the need for policy reform that can generate quick results. The question is whether the state has the capacity to develop these policies and whether it has the tools to calm the street. Will the people and political activists give the state the benefit of the doubt and exercise some restraint until some of the desired results can be achieved? Or will they resort to escalation as in other countries in the region? What specific answers Jordan will give still remain to be seen.

Jordan Reform and Democratization Process in Light of the Arab Spring

by

Mohammad Al Momani

Demands for reform started in Jordan long before the Arab Spring, yet questions of reform are now receiving increased attention. Will Jordan be able to contain peacefully and react positively to demands for reform as it has in the past, or will Jordan experience escalations similar to what other Arab countries have experienced? What makes Jordan different from other Arab countries that have witnessed waves of demands for reform?

Jordan restarted its parliamentary process in 1989 when emergency law was lifted and the elections of the eleventh House of Representatives were held. In 1992, the Political Parties Law legalized the creation of political parties in Jordan. In 1993, Jordan's democratic status was the highlight of that year as Jordan began to emerge as a well-developed democracy with a score of three on a scale of one to seven (one being the most democratic). Yet, in that same year, the one-man, one-vote article of the election law was enacted, reducing the ability of opposition political parties to win elections, further tribalizing elections. In 1997, the biggest opposition party, the Islamic Action Front (IAF), boycotted elections. Then in 2001, a new and improved election law was enacted; however, it maintained the controversial one-man, one-vote article. In 2010, another controversial law was introduced, known as the virtual districting law, compelling the IAF to again boycott elections. In summary, the Jordanian political reform process after 1993 was viewed as progressing too slowly and non-linearly. As a result, the democratization process as a whole lost its credibility in the eyes of Jordanians.

Because of this history, Jordanians' confidence in the voting and political reform process dwindled. This lack of confidence combined with the deteriorating economic situation marked by high unemployment and poverty rates sparked the evolution

of new and “spontaneous” reform movements. These movements stemmed mainly from the impoverished rural segments of society including such occupations as teachers, day laborers, and public sector doctors. The priorities of these newly emerging movements were oriented toward economic well-being, but the more organized political forces, such as the Islamist and leftist parties, remained focused on political reform demands. These organized political groups felt that demands for political reform would act as the main catalyst to overall comprehensive reform, which should, they contended, bring about economic development and well-being to society. Jordanian citizens and movements demanding reform were indeed emboldened by the regional events, but their main motives remain domestic.

The way in which the Jordanian state reacted to demands for reform has been key to the calm that has prevailed thus far. In attempting to address the growing demands of economic and political reform in Jordanian society, and in light of the growing regional tension toward this issue, the Jordanian state has responded in two ways:

- **Reacting positively and swiftly to specific demands**

For example, the state has dismissed the unpopular government, approved the long-awaited Teachers Syndicate, eased the pressure on the freedom of assembly by amending the public gathering law, and cracked down on corruption.

- **Forming the National Dialogue and Constitutional Amendment Committees**

The first committee is responsible for creating proposals to improve the two key laws governing political life in Jordan: the Elections Law and the Political Parties Law. The second committee is responsible for addressing the issue of constitutional amendments needed to pave the way for political reform, something that until recently was considered a political red line. The state has declared that the intended outcome of these two responses is to improve Jordan’s democratic status through serious and genuine reform and to help promote stronger parliaments.

In addition to the state's responses, the king has also responded by holding meetings with the Jordanian elite and various representatives in order to discuss openly the political situation in the country. The described state responses coupled with the king's meetings have indeed eased the tension in the street. At this point, however, the public is waiting for the outcome of the National Dialogue and Constitutional Amendment Committees, to see how far the state is going to go in implementing genuine reform. Regardless of the outcome of the committees, Jordan is unlikely to witness scenarios paralleling those we have seen in Tunisia, Egypt, or other countries, as the Jordanian political authority has shown the ability to read the political situation carefully and react appropriately to the Jordanian public. Instability is also unlikely in Jordan's case, as the country has historically maintained a decent reputation with respect to human rights, was never believed to be a "police state," and has influential segments of its society which seem to accept the monarch's legitimacy to rule.

Algeria: Postponing Economic Therapy is Playing with Fire

by

Lahcen Achy

In the aftermath of the Arab spring, Algeria's government has taken a series of steps to improve the economy and reduce public anger over its poor political and economic performance. The government amended the 2011 budget law, approving a 25% increase in public spending. The country also launched a new round of negotiations with the European Union aimed at postponing Algeria's obligation to lift customs barriers on European imports. Policymakers also took various measures to improve the country's business environment and stimulate private investment.

Although these moves may suppress the potential risk of short-term popular unrest, they fail to address the structural flaws in Algeria's economy. Its excessive dependence on global oil and gas prices, along with the absence of any credible strategy for economic diversification, present clear mid- to long-term challenges. This failure to use available resources today to develop competitive economic activities outside the fuel sector is exposing Algeria to serious dangers in the future. If the price of oil suddenly drops below \$100—which is plausible—it will be impossible to maintain the current pace of government spending without tapping the country's sovereign wealth fund, known as the Revenue Regulation Fund, and then resorting to foreign loans. On the other hand, sharply reducing government spending to limit the budget deficit could fuel popular anger and throw the country into a cycle of social unrest. However, even if fuel prices stay high, Algeria's oil and gas reserves could be depleted within twenty years. Algeria's leaders must therefore start now to plan seriously for a post-fuel economy. At the end of last year, the fuel sector accounted for a third of the country's \$160 billion gross domestic product (GDP), 98% of its \$64 billion exports, and more than 70% of its

public budget revenues. This trend is likely to persist in the coming years.

In the meantime, government spending is excessively increasing; with the amended budget law, total government expenditure has increased from \$95 billion to approximately \$120 billion. The additional spending focuses on subsidizing basic consumer commodities such as wheat, sugar, and milk; funding public housing projects for the middle class and poor; increasing civil servants' wages; and creating 60,000 new public jobs. Meanwhile, public spending to train job seekers and support small and medium-size enterprises saw much smaller increases. This allocation of public money reveals the dominance of the quick-fix approach in policymaking and the absence of a strategic vision to build a strong, diversified, and private sector-led economy.

Along with this public spending injection, Algerian authorities have launched a round of negotiations with the European Union (EU) to delay the implementation of the previously agreed-upon free-trade compact from 2017 to 2020. The authorities expressed their fear of trade openness and the threat posed to local companies, which require more time to build their capabilities in order to face free-trade challenges from European competitors. In the most recent rounds of talks on this issue, the EU did not approve this request. The next rounds are scheduled for early September.

If Algeria suffers from competition with the EU countries' industrial products, structural flaws in Algeria's economy would be at fault. Public enterprises are characterized by poor productivity and a reliance on state aid to offset deficits. The majority of small and medium-size private enterprises suffer from entry barriers, limited access to bank funding, and a legal environment unfriendly to competition. Although Algeria is a market of 35 million consumers, its poor business environment and the instability of its laws and regulations on investment weaken the country's attractiveness to foreign investors. As a result, these investors are deterred from launching industrial and services projects that could strengthen Algeria's economy and improve its competitiveness.

Furthermore, Algerian products fail to benefit from the free access offered by the country's trade agreement with the EU, as they do not generally comply with the quality specifications and standards applied to EU imports. Recent data released by

the minister of industry and small and medium-size enterprises reveal that in 2010 fewer than 50 exporting firms existed in Algeria, compared with 280 firms in the early 1980s. According to the World Bank's most recent "Doing Business" annual report, Algeria ranks 136th of 183 states and has made no tangible improvement over the last five years. Government measures such as reducing interest rates for investment loans, simplifying international trade transactions and rescheduling debt for companies suffering from financial difficulties have had only limited effect. Widespread corruption, complex administrative procedures and weak oversight of public projects turned out to be detrimental to private-sector development.

To date, Algeria's oil and gas export revenues have enabled its government to buy social peace by allowing it to subsidize basic commodities, increase employee wages and drive the economy by pumping huge sums of money into infrastructure and housing projects. However, consecutive governments have failed to break the economy's excessive dependence on global market prices for oil and gas, and they have failed to create a suitable legal environment that encourages entrepreneurship, private investment and economic diversification, all of which are necessary for Algeria's long-term economic growth.

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