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Abbas Kadhim

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Charles Dunbar
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Chapter 3

The Middle East political economy and the Arab Awakening

A difficult symbiosis?

Charles Dunbar

The Arab Spring has captured the world’s imagination. Three seemingly entrenched leaders have been removed from office, a fourth was captured and killed after being driven from office by an internationally supported armed insurrection, a fifth clings to power amid violence that is effectively a civil war, and a sixth has violently quelled protests with the aid of a powerful neighbour. Kings and presidents in most other Arab countries hurried to make the political concessions they hoped would defuse the protests. Autocratic governments beyond the Arab world have watched developments there with alarm and moved to keep what they regarded as the Arab world’s plague from infecting the states they rule. How the Arab Spring will turn out is an open question; that its constituent parts are already the most significant region-wide series of political events in decades is not.

Throughout the spring of 2011, the analytical focus of outside observers has been on three broad questions: who are the protesters, what caused them to rise up when they did, and will their efforts produce lasting change in the nature of politics and society in the Arab world? The role of better educated, younger generations and their imaginative use of social media in organizing their protests and publicizing their demands have been the subject of much commentary. A great deal has properly been made of the divide between the protesters on the one hand, who demand an end to authoritarianism, pervasive corruption and cronyism that is a substitute for real representative government, and on the other, the established political (often Islamist) parties that have been involved for years in what has passed for political activity in the countries where the protests have gained traction.

As spring gave way to summer, it became clear that revolutionary change was not a foregone conclusion, that other authoritarian rulers were not about to follow Tunisian President Ben Ali into exile perhaps made permanent by a 35-year in absentia prison sentence, or Egyptian President Mubarak to jail, and that the nature and role of the armies would be crucial. In Tunisia and Egypt the army remained coherent, and in Tunisia it has largely stepped aside. In Egypt it has taken the lead in running the country, and it is increasingly clear that it seeks a privileged and powerful position in the country’s political and economic life. By contrast, longstanding divisions along religious and/or tribal lines in Syria and Yemen have meant that portions at least of the armed forces have shown themselves loyal to their rulers and ready to shoot down their fellow citizens in large numbers over a period of months. Indeed, despite the North Atlantic Treaty Organization (NATO) intervention, enough of the various armed forces in Libya remained loyal to Colonel Qaddafi to keep him and his regime from their violent end.

Also, in some countries, particularly Egypt, Tunisia and Yemen, longstanding opposition political parties—Islamist in all three cases—have been playing a large role in shaping the
course of events. In the past, these parties have been involved in negotiations (largely unsuccessful) with the authoritarian regimes they now seek to replace, and thus their hostility towards ‘the devil they know’ may be more nuanced than that of the original protestors. They are drawing first and foremost on their discipline and organizational strength, and the Nahdah (Renaissance) Party in Tunisia has a comfortable lead in the legislative elections held on 23 October 2011. In Egypt and Yemen the Muslim Brotherhood and Yemeni Gathering for Reform (Islah) were late to cast their lot with the protesters, but both now seem to seek commanding political positions. Some figures bridge the gap between protestors and old-line opposition movements; a prominent example is Tawukkul Kamran, the Yemeni woman who won a share of the Nobel Peace Prize for her leading role in the demonstrations in Yemen’s capital San’a. Kamran joined the protestors early and was notable as a bridge between Islah and the Yemeni civil society organizations that have been active in the protests.

If the politics of the Arab Spring are murky at this writing, the economic and social difficulties facing the region are clear and longstanding, and the way in which these challenges are addressed will have a major influence on the outcome of the current political upheaval. While the demands of the protestors have more to do with the political bankruptcy of the governments, the fall of which they sought, their frustration also springs from the failure of the regimes to be able to hold up their end of a bargain that involved more social services and jobs in return for political acquiescence. State domination of the ‘commanding heights’ (and the foothills) of national economies stunted private sector-led economic development and fostered the spread of corruption and crony capitalism in the process. Apart from the oil industry, foreign direct investment (FDI) in the region is low. Above all, the pressing need to create more and better jobs for the region’s growing workforce must be addressed if governments, whether produced by the Arab Spring or holding on despite it, are to have any chance of building or restoring the trust of the people they are supposed to serve.

This chapter has two objectives. The first is to assess the present state of the political economy in the Middle East, with particular attention to the efforts at reducing state domination of national economies and to promote private enterprise, and to the crisis created by the need to meet the employment demands of a rapidly growing and better educated workforce. The second is to consider how these problems and the demand for change represented by the Arab Spring are likely to interact and to hazard a guess as to what sorts of outcomes that interaction may produce.

The past as prologue

The political economy of the Arab world changed dramatically in the third quarter of the twentieth century. In 1945, with the exception of Saudi Arabia and what was then the Yemeni imamate (later the Yemen Arab Republic or North Yemen), the entire Arab world was under European colonial rule of one kind or another. By 1977 all present-day Arab states had gained their independence.

No fact of geopolitical life in this period is more important in explaining the development of the Arab world’s political economy than the widely held belief that some form of socialism was the wave of the future for the developing world. In economic terms, the state was expected to play a predominant role in managing the economy and in changing the structure of the colonial economies in which the colony served as a source of raw
materials and as a market for the colonizing power’s industrial production. The strategy for achieving these objectives was import-substituting industrialization in which local industries, often state-owned or parastatal, were to produce the goods that would substitute for those that had previously been imported and would be protected by state policies such as tariffs until they had developed to be able to compete in the world marketplace. Agriculture was generally not similarly favoured, and agricultural production was damaged by land reform schemes—notably in Egypt and Algeria. Heavy-handed Egyptian government intervention in purchase and sale of long-staple cotton, the export of which had long been a source of foreign exchange, disrupted the production of cotton and caused farmers to switch to other crops. In Algeria, the country’s richest farms along the Mediterranean coast were nationalized/expropriated from their colonial owners; following their subsequent collectivization, their productivity declined sharply.4

Hand-in-hand with socialist, state-directed economics came authoritarian politics and one-party rule, often by military officers. In Egypt, Iraq and Syria, the monarchs and politicians who had co-operated with the British and French colonial administrations were swept aside by a younger generation of ‘home-grown’ leaders whose worldview was epitomized by Colonel Gamal Abd al-Nasir (Nasser), Egypt’s charismatic second president, who ruled the country with an iron hand until his death in 1970. In most of the Arab republics—Lebanon being the outstanding exception—leaders created corporatist states in which increasingly sclerotic ruling parties were supposed in theory to represent the interests of the people, but for the most part were not empowered to do so. The monarchies in Morocco and Jordan and the Kuwaiti emirate permitted elections with more than one candidate and a measure of political and press freedom, but when push came to shove, as it frequently did, the rulers ruled and the political and civil society institutions, like those in the republics, obeyed and became what have been described as ‘policy-takers’.

Reinforcing the predominance of some governments in the Middle East political economy has been the wealth and consequent power that accrued to them as they began to tap and take increasing control over the hydrocarbon resources with which many of them are endowed. The economic rents5 flowed to them as they were first to gain a larger share of the revenues coming from the sale of their oil and later, in varying degrees, control over the entire industry from exploration through marketing. These increased economic power enabled governments for the better part of three decades to spend heavily on providing those they governed with a rising standard of living and to receive in return tacit acceptance for ruling as they chose, including the development of the powerful security services that have been prominent in various ways during the Arab Spring.

The economic and social achievements of many Arab governments in the 25 or so years since the end of World War II were impressive and led to an acceptance and expectation of a large role for the state in the lives of its citizens. Economies grew at rates that were respectable by world standards, government services and educational opportunities were expanded, and the creation of jobs that were an attractive alternative to subsistence farming led to an increasing flow of migrants into the cities from the countryside. Although the creation of the infrastructure to support growing urban populations tended not to keep up with demand, governments were able to put in place subsidies that kept the prices of basic commodities low. The capacity of governments in oil-producing states grew swiftly as they gained control over their oil resources and thus acquired the
wherewithal to finance large development schemes and to build the institutions needed to carry them out. Algeria, with its network of national companies, the flagship of which is the national oil company SONATRACH, is noteworthy in this respect. The expansion of the education system emphasized the creation of the higher educational institutions that had been rudimentary or non-existent under colonial rule. In political terms, there were political parties, trade union and student movements, press and other civil society groups that opposed and protested the authoritarian ways of governments in the region and that attracted a measure of popular support. Broadly speaking, however, there was a willingness to accept—even to expect—government predominance as long as living standards were rising.

The sharp drop in the price of oil in the mid-1980s marked the beginning of a prolonged decline in the economic fortunes of much of the Arab world. Following the second major oil price increase, brought on by the Iranian revolution in 1979, the price of oil peaked at over US$35 per barrel in 1980, fell to $27 in 1986 and plunged to less than $10 in the 1990s. The glut that followed the second price shock was particularly dramatic for the Organization of Petroleum Exporting Countries (OPEC), with the annual income from oil of members falling from $572 billion to just over $100 billion between 1980 and 1986 (in constant 2005 dollars).

The impact of the price decline and subsequent geopolitical events was most direct on the oil-producing states, but others suffered as well. Among the major non-Gulf producers, Algeria and Iraq found themselves unable to fund major national projects, the state-led development effort in the case of the former and a debilitating war with Iran for the latter. For labour-exporting countries like Egypt, Jordan, Yemen and Palestine, the downturn combined with the wars in the Gulf meant the repatriation of large numbers of workers, loss of remittances, and a surge in domestic unemployment.

Faced with insolvency, a number of Arab governments turned to the World Bank and the International Monetary Fund (IMF), which offered short-term financial relief to governments in return for ‘structural adjustment’ of their state-dominated economies. The IMF’s structural adjustment programmes (SAPs), which were proposed to a number of Arab governments, were based on what came to be called the ‘Washington consensus’ as to how best to reorient and thus revive failing state-managed economies. The consensus, so called because three of its main proponents—the World Bank, the IMF and the US Treasury Department—are based in Washington, DC, has been described as ending the era in which state-led import substituting industrialization policies were widely seen and followed as the basis for economic development. The original Washington consensus, by contrast, had three main bases: market-based economics, openness to the world and macro-economic discipline. In one way or another, SAPs required governments to: 1 open their economies to trade and investment by reducing impediments such as tariffs and conditions on foreign direct investment; 2 reduce and eventually eliminate subsidies on basic commodities; 3 devalue their currencies so as to discourage imports and favour exports; 4 hold government spending to a fixed percentage of gross domestic product (GDP); 5 encourage privatization of state-owned companies; 6 make such enterprises more efficient, often through personnel or wage reductions; and 7 favour domestic agriculture both as a source of supply for local needs and of export income.

SAPs have proved to be bitter medicine for the governments that have sought to carry them out. Efforts to reduce government subsidies on basic commodities hit those living in urban market economies particularly hard and have continued to spark riots until the present time. In Algeria, for example, the struggle between the government and urban
populations over the former’s periodic efforts to roll back subsidies has become a kind of political institution in which the two sides discuss a subsidy-reducing proposal, those opposed to them riot, and then a deal is struck. Privatization and reduction of government jobs and spending have also been unpopular not just with ordinary workers but with state company managers, who have an intellectual as well as a material stake in the worth and thus the survival of the enterprises and the import-substituting industrialization strategy that led to their creation. Although some governments fared better than others, 20 years of structural adjustment efforts in the Arab world have not led to the kind of transformation of economies envisaged by the Washington consensus and in some cases have arguably done more harm than good.

A case supporting the last point is that of Yemen, which after resisting a SAP in the late 1980s, put one into effect beginning in 1995. The programme achieved a number of Washington consensus objectives, but a report from the US embassy in San’a midway through the programme noted that economic stabilization came at a cost in reduction of real incomes and particular distress to the urban poor because of a reduction in subsidies. A paper presented in Washington in 2002 made it clear that the rationalization of the Yemeni economy came at the price of imposing a severe economic recession, from which the country has arguably never recovered.

The Washington consensus has come in for heavy criticism on the ground that its policy prescriptions failed to produce sustained development. Economists point out that the successful ‘East Asian tigers’ in the late 1980s, and later China and India, did not open their economies to the world market but protected their developing industries until they could compete effectively. Looking particularly at Latin America, critics contended that Washington consensus policies tended to benefit the few while impoverishing the middle and working classes. Also, the Barcelona Development Agenda, established as part of the European-Mediterranean Dialogue begun in 1995, introduces the principle of balance between state and market in economic development and income distribution, poverty and the environment. The response of Washington consensus proponents was to blame the governments for the failure of the policies they advocated and to add to their agenda such policies as better corporate governance and curbing corruption, as well as social safety nets, poverty reduction and female education, producing what has been called a ‘post-Washington consensus’. This broadening of the consensus agenda has been dismissed as ‘the Washington Consensus-plus’.

The last word on the consensus can perhaps be left to Columbia University’s economics Nobel Laureate Joseph Stiglitz. He argues that there is now a ‘Post-Washington Consensus Consensus’ that stresses equity, employment, and a balance between government and the market in which the former provides regulation, institutional and physical infrastructure, and promotes innovation, technology and educational development. He also stresses the importance of economic theory and learning from historical experience rather than relying on ‘one-size-fits-all’ prescriptions for broad-based development.

From the middle of the past decade until the start of the 2008 recession, the rising price of oil and natural gas has fuelled the return of economic growth in much of the Arab world, but has not led to structural transformation. The price increase has led to a redoubling of efforts at economic diversification, particularly in the Gulf states, which brought the state of Dubai to the front page and to the brink of bankruptcy. Saudi Arabia continued to build its industrial base and made some commitment to develop its capacity to produce solar power as an alternative to petroleum. Still, by the time of the
outbreak of the protests that have become the Arab Spring, there was little evidence that fundamental realities of state-dominated economics and authoritarian politics in the Arab world were changing in ways that would pave the way for the sort of change the protesters were seeking to come about.

**Wanted: jobs, jobs, jobs**

In the quarter century since the collapse of oil prices in the mid-1980s, there has been a shift in the emphasis of the international financial institutions as to what is needed to improve the region’s economic performance. In the late 1990s the IMF was emphasizing the lack of investment as the key impediment to growth. An IMF working paper published in November 1996 reported that over the course of the 15 years between 1980 and 1995, real per capita income in the Fund’s Middle East and North Africa region fell by 25 per cent, while that of all developing countries and of Asia rose by 50 per cent and 150 per cent, respectively. By contrast, during the 1970s the region’s GDP grew at an average of just under 5 per cent per year. The authors of the paper noted that the poor 1980–95 performance was brought on by the collapse of the price of oil, but attributed the 15-year slump to the predominance of public- versus private-sector investment, a low rate of FDI and inefficient use of capital. They called for greater attention to Washington consensus concerns with greater macroeconomic stability, privatization, deregulation, trade liberalization, more attention to education, and the creation and development of the institutions needed to oversee these reforms effectively.16

By 2007 the focus had shifted to job creation as the greatest challenge facing the Middle East and North Africa. In that year, Mustapha Kamel Nabli, then the World Bank’s Chief Economist for the Middle East and North Africa and now Governor of the Central Bank of Tunisia, wrote, ‘perhaps there is no more pressing economic challenge for the Arab world today than that of employment’.17 He went on to note that official figures put unemployment in the region at 15 per cent of the workforce, but added that the actual rate was probably higher. With two-thirds of the Arab world’s population under the age of 30, he observed, the burden of unemployment is borne disproportionately by the region’s youth and pointed out that 90 per cent of the unemployed were first-time job applicants. Prospects are particularly bleak for women, for whom the unemployment rate is 30 per cent higher than that of men on average, and two-to-three times higher in Bahrain, Egypt, Saudi Arabia and Syria. Further, the rate of growth of the female workforce, after rising to a high of 5 per cent annually in the 1990s, fell to 3 per cent by the start of the present decade, the same as it was in the 1950s. Finally, labour productivity in the region stagnated in the 10 years between 1995 and 2005, and is lower than in any region other than sub-Saharan Africa.18

There are two broad points to be made about population and labour in the Arab world. The first is that, according to the United Nations (UN), the rate of population increase in the region is now significantly lower than the 3.2 per cent reported by Nabli for 1985.19

The UN census taken in 2010, which estimated the region’s population growth rate to have peaked at about 2.8 per cent between 1980 and 1985, found that the rate had fallen to something in the neighbourhood of 1.7 per cent. National rates of growth range from lows for Lebanon (0.73 per cent), Morocco (0.99 per cent), and Tunisia (1.01 per cent), to highs of 3.1 per cent and 3.0 per cent in Iraq and Yemen, respectively. By way of comparison, the rates for China, India and the USA are 0.42 per cent, 1.32 per cent and 0.85 per cent, respectively. Most countries in the Arab world are expected to see their populations begin to
shrink in the second half of this century, and for a few (Lebanon, Morocco and Tunisia), the
decline will begin sooner. Two eye-popping exceptions to this rule are Sudan and Yemen,
whose present populations of 24 million and 44 million, will reach 99 million and 128 million,
respectively, by the end of the century, and are expected still to be growing even then.\textsuperscript{20}

The foregoing relatively good news of declining rates of population increase is often
overlooked in the West, where it is widely assumed that Arab world population growth
rates are much higher than they are, and that the Muslim clerical establishment, like
important segments of the Christian church, is opposed to birth control as a matter of
religious doctrine. This view is at odds with the reality both of social development in the
Arab world and of the nuanced attitudes of Muslim religious leaders and scholars to
family planning and birth control. In 1986 the clerical regime in Iran, alarmed by the country’s
rapidly increasing population growth, reversed its earlier decision to suspend birth control
measures developed by the Shah’s government and embarked on a comprehensive family
planning effort. This undertaking was welcomed by Iranians and gave Iran one of the
lowest rates of population growth in the world in the middle of the last decade.\textsuperscript{21} Since
then, the rate of Iran’s population has increased by most measures.\textsuperscript{22}

The second major point is that the good news of the slowing of population growth
rates in most of the Middle East is more than offset by the daunting present and future
challenges that past high rates of population increase have created. Those born in the
Arab world’s baby boom in the 1970s and 1980s are coming onto the job market in their
millions; the US Census Bureau reports an increase in the number of young men
entering the labour force in the Middle East and North Africa from just under 20 million
in 1995, to 30 million in 2005, and projects an increase to 33 million by 2020.\textsuperscript{23} The
World Bank estimated in 2003 that 100 million new jobs, more than double the number
then in existence, would need to be created between 2000 and 2020 in order for new
job market entrants and those then unemployed to find jobs.\textsuperscript{24}

Although the picture varies between states and sub-regions of the Arab world, most
Arab economies have failed to produce sufficient jobs for their ‘baby boomers’, and the
obstacles governments and societies face in trying to do so show no sign of going away.
Why this is so needs to be examined in greater detail.

**Impediments to increasing employment**

The failure of job creation in the Arab world is well documented. The World Bank
estimated the unemployment rate at around 14 per cent in 2004.\textsuperscript{25} More recent data on
unemployment rates available on 20 of the 22 Arab League member states suggest that the
overall rate at or near the end of the last decade is nearly 15 per cent. These data make it
clear that in the 12 states for which information is available, the rate is far higher for
workers between the ages of 15 and 22, and the rate for women in this category is
higher than that for men.\textsuperscript{26} There is some good news behind the foregoing numbers in
that, taken as a whole, economies in the Arab world have grown enough to offset for the
most part the region’s slowing but still significant population growth. For example, between
2000 and 2008, among the oil-poor countries of the region, Jordan and Tunisia main-
tained an average annual rate of per capita growth of nearly 4 per cent and 5 per cent,
respectively, while Egypt and Morocco averaged something close to 3 per cent. The oil-
rich countries did substantially better.\textsuperscript{27} That said, addressing the region’s 15 per cent rate of
unemployment, the world’s second highest after sub-Saharan Africa, and absorbing the
new workers, who were increasing its labour force at a world-leading 3 per cent annual rate in the middle of the last decade,\textsuperscript{28} are enormous challenges.

A good way to begin understanding the difficulties Arab governments and societies have encountered in creating jobs and filling them with qualified workers, is to consider the growth of worker productivity, that is to say the increase in output per worker created by the labour force over time. The World Bank reports that the productivity of the region’s labour force grew at an annual rate of just 0.5 per cent between 1990 and 2004. This rate was lower than that of any region of the world other than Europe and Central Asia;\textsuperscript{29} the comparable rates in Asia were 8 per cent in East Asia (2.5 per cent, excluding China) and 4.5 per cent in South Asia. In other words, the large number of new entrants into the Arab world’s employed labour force in the 14-year period produced only a small increase in the region’s total output per employed worker, and thus did not produce the growth needed to reduce unemployment rates significantly.

The low worker productivity metric helps explain, and is explained by, a number of ills that beset economies and societies in the Arab world. In the first place, the employment that is being produced does not translate into the same sort of growth as the private sector of the economy found in East and South Asia. The World Bank notes that much of the new employment created in the Arab world in recent years has been in the public sector, particularly in state companies, which have failed to produce growth. In this connection, the Bank points out that over 50 per cent of the Middle East and North Africa’s GDP comes from the public sector.

Particularly in the energy-rich states, the ties between governments and the state-owned companies once seen as leading links to rapid economic development have proved to be enduring. State-owned oil companies, often built on operations formerly owned and run by foreign firms, were the centrepiece in these efforts, but ‘diversification’ into other industries that relied on petroleum, sometimes as a feedstock, sometimes simply as a source of energy, became another watchword for development in the oil-rich countries. Two early examples, both in Qatar, are petrochemicals, for which oil was the feedstock, and iron and steel reprocessing, for which oil was the energy source. In the 1960s and 1970s Algeria also invested massively in state companies that produced a wide range of goods such as automobile assembly to electrical and electronic goods. Tariffs and other policy instruments protected these enterprises against foreign competition, and managers and workers have been part of a culture that emphasizes employment security at the expense of efficiency. Meanwhile, private entrepreneurs in the region has tended to seek opportunities to find and fill needs in the public and parastatal sector instead of creating the independent enterprises considered best able to produce higher rates of growth.\textsuperscript{30}

Many governments paid strong lip-service to the idea of privatizing parastatal enterprises, but their deeds have not matched their words. As a result, privatization, regarded as crucial for attracting foreign investment, has stalled in many countries, and measures aimed at opening economies to free trade have been half-hearted. Further, supposedly privatized companies continued to be favoured by governments, and state-owned banks loaned money to local businessmen with little regard to the viability of their project. At the same time, the private sector in the region has tended to continue its practice of finding needs that it can fill in the public sector instead of establishing the truly independent enterprises considered best able to produce higher rates of growth. Finally, the addiction of some governments to subsidizing basic commodities as a means of coping with urban discontent also works against the reform agenda.\textsuperscript{31}
Looking to the future, the energy-rich states of the Arab world are likely to continue benefiting, as they have in the first years of the twenty-first century, from strong growth in the world’s demand for oil and natural gas. The US Energy Information Administration estimates that the annual value of oil production in the Arab world will rise by something over 30 per cent, from a level of over $900 billion in 2008 to something in the order of $1.3 trillion by 2020. It remains to be seen whether this expected benefit will be translated into sustained higher levels of economic growth, and hence an increase in labour productivity and wages.

For the energy-poor states, the picture is mixed. In terms of per capita GDP growth, the energy-poor outperformed the energy-rich between 1989 and 2007. In 1989–99—a decade of very low growth for the energy-rich—the energy-poor economies grew at an annual rate of 1.9 per cent compared to just 0.9 per cent for the rich; in 1999–2007 the annual rates of growth were 3.0 per cent and 2.9 per cent, respectively. Some energy-poor governments have benefited from more liberal trade policies and have shown some willingness to remove barriers to investment and the establishment of new businesses, and to privatize state-owned enterprises. Also, budgetary pressure has forced energy-poor governments to bear the political costs associated with reducing subsidies. At the same time, however, subsidies both for consumer goods and for favoured domestic producers continue to dot the policy landscape in the energy-poor countries, and the culture of supporting state companies and maintaining the state as the employer of first resort has proven hard to change. The bloated bureaucracies that have resulted create inefficiencies as well as the petty and larger-scale corruption that restrain economic growth and stifle entrepreneurship.

Two points should be made about corruption in the Arab world, a subject much discussed and a focus of the Arab Spring protestors’ wrath. The first is that, at least by one widely quoted measure, the level of corruption in the Arab region is on a rough par with that prevalent in the rest of the world, other than in the large majority of OECD (Organisation for Economic Co-operation and Development) member states. According to Transparency International’s 2010 Corruption Perceptions Index, which ranks 178 states, three of the seven most corrupt are Arab League members. However, of the three, Somalia, ranked 178th, has been the archetype of a failed state for 20 years; Iraq (175th) only now may be emerging from the bitter civil war that consumed it following the overthrow of Saddam Hussain in 2003; and Sudan (172nd) has been at war with itself for most of the last half century. If one excludes these three states, corruption in the Arab region is in the same order of magnitude as that found in Africa, Eastern Europe and Central Asia, South and East Asia, and Latin America.

Second, Transparency International’s Index is probably not capable of measuring the sort of political corruption that is a major cause of the Arab world’s woes and of protestor rage. Like the reaction it provoked, the effort by four Arab potentates to create hereditary presidencies is without precedent since the end of the European colonial project following World War II. The effect of co-optation and/or systematic repression of political parties and movements that sought to challenge the power of the region’s monarchies and to compete against failed corporatist parties in its republics cannot be measured, and the cost to countries in the region of the nepotism that enriched the few at the expense of the many can only be estimated. The point is simply that, first, the Arab world is a much more ‘corrupt’ place, in a larger sense of the word, than Transparency International’s Index makes it appear; and second, both the realities of this corruption and the way it is perceived in the region have had a large, if immeasurable, impact on the protests that have become the Arab Spring.
Education and the knowledge society

Before turning to a concluding estimation of the relationship between the nature of the region’s political economy and the likely future course of the Arab Spring, a word should be said about education in the Arab world. As noted at the start of this chapter, Arab governments have consistently sought to overcome the knowledge deficit their societies faced as a result of the sometimes wilful neglect of the problem by their former colonial masters, or of very low levels of human development. The result of a rate of spending on education in the Arab world which the UN Development Programme (UNDP) puts at 5 per cent of its GDP and 20 per cent of its government budgets of 40 years, both respectable amounts by world standards,37 has been: substantial rises in the rate of literacy and school enrolment; rapid growth in the number of primary and secondary schools; and the building, for all intents and purposes from scratch, of a system of higher education and a proliferation of universities throughout the region.

Beginning in the 1990s, the number of universities—primarily in the Gulf and with a strong Western orientation—increased dramatically. As of early 2009, 70 universities, roughly two-thirds of the total opened in the region since 1993, were private and around 50 were branches of Western (largely US) institutions. How these very Western and US institutions will be received in the region over the long term, and how they will come to terms with the more or less authoritarian political environments in which they find themselves, remains to be seen. For the moment, it is reasonable to say that their impact on Arab education, particularly in the natural and technical sciences, and on the effort to build knowledge societies, could be both large and positive.38

Still, very large problems remain to be overcome. Despite the decrease in the region’s rate of illiteracy, the number of illiterate people is still growing because of the population increase, and progress in overcoming adult illiteracy has been slow. Although the gaps are narrowing, the level of education being attained by women is substantially lower than that of men, and educational opportunities and consequent attainment in rural areas are much less than they are in cities and towns. With respect to tertiary education, Arab families have proven reluctant to have their children pursue vocational training and, as is the case elsewhere in the world, prefer the more prestigious route of a university education followed by a job in the public sector, even if that job does not require the knowledge acquired at the university. There is also a perception both of shortcomings in the quality of engineering, science and computer education being offered at Arab universities, and of a shortage of graduates in those disciplines to fill jobs in and related to the petroleum and other industries in the region.

The UNDP also notes ‘reasonable progress’ in the implantation of information and communications technology in the region, and greater Arab interest and investment in scientific research and publication, but says that thanks in part to lack of an ‘enabling environment’, the gap between the Arab world and ‘other advanced regions’ of the world remains wide. The $2 billion being invested annually in research is small given the size of the region’s gross national product (GNP), and the ‘development returns’ on this investment are meagre, with only slightly more than 38 patents being sought each year. Furthermore, research institutions are not adequately linked with the economy. By ‘enabling environment’, the UNDP means freedom of thought and expression, areas in which it asserts ‘the Arab states have made no tangible progress’.39

It is hard to assess the affect of deficiencies in education systems and slowness in building knowledge societies on the region’s ability to cope with its economic and...
social difficulties. The most that can be said is that the region’s educational systems, the societies they serve, and the economic environment in which education and societies must live and seek to prosper may not be interacting in a way that transforms the Arab world to being a producer of knowledge, rather than simply a receiver.40

The Arab political economy and the Arab Spring: a symbiotic relationship?

As noted at the start of this chapter, the sum of the events that make up the Arab Spring is easily the most significant political development to have occurred in the Arab world since its present political landscape took shape following the European colonization. The disappearance in particular of the Mubarak regime—the epitome of the repressive and deeply entrenched political systems and failed state-directed economies that had become the norm in the Arab world—may turn out to be an enduring historical landmark. For their part, the Tunisian legislative elections may have provided a basis for building a new political order in that country and an example for others to follow. Whatever emerges in Egypt and Tunisia out of the fog of armed conflict in Libya and Yemen, and from brute repression in Syria, it is unlikely that the pre-17 December 2011 political and economic order will not be restored in the five states just mentioned, and that there will be significant change elsewhere in the Arab world.

Such change is possible, but by no means certain. This chapter has sought to explain how deeply the culture of the state-centred political economy is imbedded in the psyche of the Arab world. During the third quarter of the twentieth century, when the system was delivering economic and social benefits, all-powerful states grew deep roots, and despite their manifest failure/unwillingness over the course of the past 30 years to mend their ways, there remains an expectation on the part of policy-makers, as well as policy-takers, that the states should somehow direct rather than simply encourage a structural transformation process. As noted above, the pressures that will be created by the need to absorb an expanding labour force will be intense. In these circumstances, the temptation on the part of policy-makers to continue relying on governments and decrepit, protected, state-owned enterprises as sources of the employment the policy-takers are demanding may prove overwhelming. Should such policies be continued, the much-needed structural transformation is likely to be slowed or stalled.

Further, in four of the ‘big five’ states, the re-emergence of military strongmen is a possibility that cannot be dismissed. In Libya, Syria and Yemen there is ample precedent for military coups, and in Yemen, General Ali Muhsin al-Ahmar is a ‘man-on-horseback’ whose forces let the fight against President Saleh and whose tribal credentials are impeccable. A similar development in Libya appears possible should the political process outlined by the transitional authorities falter, and a military figure could perhaps ease President al-Assad from power in Syria. As far as Egypt is concerned, it seems clear that the army is bent on restoring as much of the old order as it can; how successful it is in doing so will have a major influence on the degree of structural transformation that occurs in Egypt. Only in Tunisia does it seem unlikely that an army officer may try to replicate former President Ben Ali’s 1987 coup.

In other words, a symbiosis between meeting the demands of the Arab Spring protesters and addressing the need for economic, social and political transformation in the
Arab world will be hard to achieve. Progress must be made on both fronts if the Arab Spring is to produce bounty in the fall and beyond.

Notes

1 The Yemeni Gathering for Reform, or Islah which means Reform in Arabic, is the largest party in a grouping that is called the Joint Meeting Parties (JMP). The JMP includes the Yemen Socialist Party, the former South Yemen’s Marxist regime.


3 The states of the Arab world are defined here as the 22 members of the League of Arab States (Arab League).


5 ‘Economic rent is the difference between the market price of a good or a factor of production and its opportunity cost (the price needed to produce the good or to keep the factor of production in its current use) … ’ Richards and Waterbury, 2008, 15.

6 SONATRACH: La Société Nationale pour la Recherche, la Production, le Transport, la Transformation, et la Commercialisation des Hydrocarbures.


9 Richards and Waterbury, 2008, 228.


12 Cable numbered 349, dated 25 January 1997 and captioned UNCLASSIFIED, from the US Embassy in San’a to the Secretary of State, entitled ‘1996: the Year of Reform’.


19 Nabli, 2007, 8.

20 The 2010 census taken by the Population Division of the UN Department of Economic and Social Affairs puts the annual rate of growth in North Africa at 1.6 per cent and for Western Asia at 1.88 per cent, based on populations for each region as 209 million (including Sudan but excluding Mauritania and Western Sahara), and 232 million (including Iran, Armenia, Azerbaijan and Georgia), respectively. Data for 1980–5 on the Population Division’s website put Northern African and Western Asian growth at peaks of 2.83 per cent and 2.78 per cent, respectively, esa.un.org/unpd/wpp/index.htm (accessed 10 September 2011).

21 esa.un.org/unpd/wpp/unpp/Panel_profiles.htm.

22 www.indexmundi.com/g/g.aspx?c=ir&v=24.


25 Nabli, 2007, 172. As noted above, World Bank data on the Middle East and North Africa do not include Sudan and several smaller Arab League states.


27 Crane et al., 2011, chapters 3 and 4.


29 The World Bank makes a distinction between ‘High Income/OECD’ countries and those in ‘Europe and Central Asia’, and says the ‘Europe’ in the latter is ‘heavily influenced by Russia’, Nabli, 2007, 172.


31 Nabli, 2007, 184. Examples of the mixed record of privatization in the Arab world are found in Richards and Waterbury, 2008, chapter 7.

32 Cited in Crane et al., 2011, 32. The projected increase is measured in 2007 dollars.

33 Crane et al., 2011, 55.


35 The four are the al-Assads in Syria, Mubarak in Egypt, Qaddafi in Libya, and Saleh in Yemen. Hafiz al-Assad in Syria was the only ruler who set a precedent by having his son succeed him, but Bashar al-Assad will likely be unable to continue it.


39 Romani, 2011, 22.

40 Romani, 2011, 4.