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## The Political Economy of Arab Uprisings

Nadine Sika

# IEMed.

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*Nadine Sika\**

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## Introduction

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“Food, Freedom and Human Dignity” is a major slogan of the Egyptian uprising and exemplifies the deep-rooted problems of the prevailing political economy in the Arab region. Throughout the past two decades, neoliberal economic reforms were initiated forcefully in the development of the region. These economic reform projects, like privatization and free market economy, have substantially increased GDP growth and human development, such as access to education and healthcare. However, they have proven futile in the attainment of an equitable distribution of income, in increasing the living standards of individuals, and in alleviating poverty. Open markets have not led to economic and political reform; they have rather embedded authoritarianism within the region. After two decades of economic reform and structural adjustment projects, the overall organization of political and economic power has been conveniently manipulated by and into the hands of a few elites. Markets became capitalist but they were based on cronyism and were not competitive in nature. The rule of law, transparency and good governance were not effectively implemented. “Formal rules [were] not applied arbitrarily, as is often read, but in a way that ensures and promotes the interests... of social alliance of incumbent political and private economic elites, that is: those social groups who formulate and organize the legal-institutional framework” (Schlumberger, 2008: 634). Arab rulers have implemented the neoliberal project of economic reform with the logic of maintaining the regime’s power by controlling both politics and the economy.

In the process of incrementally changing the developmental project in the Arab world towards a neoliberal one, Arab governments and western funders advocated austerity measures, decreasing tariffs and opening markets. However, they were not as fervent about advancing good governance, the rule of law and a real democratization process. The past two decades have seen new dynamics in the political economy of the Arab world, which can be summarized as follows:

- Neoliberal reform accompanied by corruption and cronyism.
- High unemployment levels and rising social inequalities.
- Increasing incidences of social protests.

Hence, the following study goes back to the roots of the structural problems within the political economy of the region, and addresses the ways in which these roots led to the wave of Arab uprisings. The study will analyze the wave of Arab uprisings in light of these three major transformations in the region. It will be argued that subsequent Arab governments, especially in Egypt and Tunisia, are not effectively addressing the factors that have led to the wave of Arab uprisings, such as the embedded socio-economic problems associated with neoliberalism and corruption, and therefore more tumult is likely to sweep over the region.

**Neoliberal Reform in the Arab Region:  
A Bane or a Boon?**

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## Economic Liberalization and Development

Macroeconomic reforms under the auspices of both the World Bank and the International Monetary Fund (IMF) have been implemented in the region since the 1990s. These measures, which are widely known as the Washington Consensus, have concentrated on ten major areas: fiscal discipline, priorities of public expenditures, tax reforms, financial liberalization, floating of exchange rates, trade liberalizations, foreign direct investments, privatization, deregulation and property rights (Krogstad, 2007). In subsequent years, the Washington Consensus led to a post-Washington Consensus, which prioritized pro-poor policies (Krogstad, 2007). In the Arab world, measures to liberalize foreign trade, lifting of import restrictions, changing the tariff protection and removing barriers against exports were enforced. Government spending was reduced to limit the widespread budget deficits in the Arab economies by the late 1980s. The role of the government would then be extended within the post-Washington Consensus framework to develop conditions for a smooth functioning of the free market. This included encouraging and facilitating the private sector, mainly through liberalizing the economy and through privatizing state-owned enterprises (Joya, 2011). For instance, government subsidies for the transport sector in Egypt were reduced, and public investments were held constant at 11 percent of the GDP.<sup>1</sup> These steps were detrimental to the prevailing social contract in the region, especially in middle- and lower-income countries like Egypt, Tunisia, Morocco, Jordan and Yemen, where the government provided for the socio-economic well-being of its citizens in return for keeping authoritarian regimes in power. Government subsidies and public enterprises were essential for sustaining the economic well-being of the lower and middle classes. Moreover, government enterprises provided for the employment of the middle-class technocrats. Hence, with the structural adjustment policies, aimed at the reduction of the public sector, a large number of government supporters became unemployed, and blamed the government for their unemployment. On the other hand, the authoritarian nature of the state did not change, and venues for citizen political participation were not opened to adapt to the economic reform measures that were implemented. The structural adjustment policies advocated by the World Bank and the IMF did not take into account the dynamics of authoritarianism in the region.

In Arab countries, the economic system is characterized by many informalities and high political control over the economy through informal modes of interaction between the regime and the business elite. This develops a symbiotic relationship between political rulers and the socially dominant businessmen through networks of patronage. In these polities, the rule of law is not restricted because power is exercised informally. The ruler develops close ties with the business elite, military, security and the entire bureaucracy, establishing a vague line between personal rule and the rule of law. Moreover, elites, especially capitalist business elites, develop their own clientelistic networks by embedding this system of informalities and weakening the rule of law (Schlumberger, 2008). Egypt is an important case in point, where economic liberalization and privatization was associated with the strengthening of ties between the government, the ruling party and businessmen. For instance, investment Law 8, enacted in 2005, relieved investors from rigid state regulations and offered tax exemptions, duty and customs free zones. These measures led to the monopolization of the market instead of freeing the market from state control. The government developed partnership with the business elite, who embezzled public resources (Farah, 2009). Thus, Arab states provided for the socio-economic needs of the rising business classes in return for their political domination. In doing so the state developed corporatism, clientelism and rentier-state systems (Kamrava, 2004).

1. See, for instance, the World Bank country study, *Egypt: Alleviating Poverty during Structural Adjustment*, Washington, DC, World Bank, 1991.



In oil-exporting countries, such as Saudi Arabia, Qatar and the United Arab Emirates (UAE), the main explanation for this dominant power structure is the rentier state model. It claims that states, which have access to different sources of rent, are able to establish the regimes' legitimacy through their redistributive role (Luciani, 2007). In the Gulf, the major source of rent is oil. Thus, even though the international financial crisis hit the oil exporting countries of the Gulf, they were still able to continue their rent-seeking political development. Corporatism and clientelism were essential in tying different social groups and classes to the state apparatus. For instance, in the Gulf Cooperation Council (GCC), wealthy merchants, professionals and capitalists depended heavily on the regime for their increasing wealth and power. These countries develop strong links between aspiring capitalists and the ruling family through commercial ties and marriage links. In addition, government spending is an important part of the GDP, with taxation being virtually absent in the GCC. For instance, in Kuwait, tax revenues constitute less than one percent of the GDP. In return, citizens do not participate in the governance structure of their countries (Luciani, 2007).

The rest of the Arab countries, mainly Egypt, Syria, Algeria, Morocco, Jordan, Yemen and Tunisia, do not have significant rents, therefore their economic liberalization processes were essential for their development. These states have been dependent on less reliable rents, such as foreign aid, migrants' remittances and private investments. They are much weaker and more vulnerable to economic shocks than oil-exporting rentier states. The authoritarian regimes in these countries are tempted to take hold of the bigger share of rents. These regimes do not have access to much wealth, but were able to intervene in the liberalizing economy through economic incentives and distribution of patronage and economic privileges for the business elite (Najem, 2003).

The system of cronyism, corruption and mutual dependency between the ruling elite and the business elite was essential for sustaining the authoritarian nature of these regimes. Economic liberalization was important for the development of the economy, but these countries developed their "crony capitalist" systems, which was unable and unwilling to include the highly-eroding middle class and the high number of socially and economically excluded youth (Springborg, 2011). These states also relied heavily on corporatism by incorporating large segments of society in official union organizations (Kamrava, 2004).

Arab economies are also problematic structurally. According to World Bank estimates, the Middle East and North Africa (MENA) region had an average economic growth of 6.2 percent per year between the years 2003 and 2006. However, this GDP was highly volatile. Arab countries have increasingly based their growth on import-oriented and service-based economies. The share of services was higher than 50 percent in non-oil producing countries and more than 65 percent in oil producing countries, along with Jordan, Lebanon and Morocco. This type of economy flourished at the expense of agriculture, manufacturing, and industrial production shares. De-industrialization has been rather the rule than the exception for the past four decades in most Arab countries (UNDP, 2009).

Liberalization measures have also cut tariffs and taxes, to abide by the neoliberal approach to development. In Egypt, for instance, tariff rates were reduced in 2005 from 14.6 percent to 9 percent, in addition to abolishing all surcharges and service fees. A new enacted law cut income and personal taxes by 50 percent, and imposed a 20 percent flat rate for taxes, for individuals with

personal income averaging \$7000 per annum. On the other hand, the higher rate of taxes, namely 40 percent, remained on all public-owned enterprises. Consequently, due to this unfair deal, privatization had to be implemented at a faster pace, and this put public companies at a disadvantage, and increased their risk of bankruptcy (Farah, 2009). The process of privatization was detrimental, with no transparency; the government did not disclose information regarding the selling process, and most of the public enterprises were sold at exceptionally low prices (Farah, 2009).

The Arab states have vehemently marginalized rural areas from the general developmental projects. Infrastructure and services have been neglected therein, which increased poverty rates. For instance, the rural population in six out of the twenty-two Arab countries, namely, Jordan, Yemen, Egypt, Syria, Morocco and Tunisia, constitutes 53 percent, yet its share of poverty is 74 percent. In Tunisia, rural poverty is five times higher than urban poverty (UNDP, 2009).<sup>2</sup> This failure to include different segments of society in the development process of the Arab world is also discerned through a general outlook on the developmental level of Arab countries, as compared to other regions in the world. In the 1970s, the level of development and per capita income of Arab states, East Asia and the Pacific was almost at the same level. Nevertheless, by 2009, the income level per capita in East Asia and the Pacific was almost two thirds higher than that of the Arab region. According to Makdassy (2011), if one is to compare the Asian Tigers to the Arab region, the difference in per capita income is more than two and a half times.

Today, oil and gas prices remain high, and the demand for energy from China, Russia, India and Brazil is astounding, which increases the likelihood that GCC economies will not be changing in the near future (Salem, 2010). On the other hand, countries like Tunisia and Egypt, which have undergone the first waves of uprisings in the region, have not changed the structure of their economy and, in fact, have enacted minor measures like increases in public sector wages and some subsidies to reduce social discontent and abate the wave of the Arab Spring. In Saudi Arabia, public sector wages were increased along with social benefits and cash hand-outs, amounting to almost \$130 billion. In the UAE, army pensions increased and more subsidies were given for rice and bread. In addition, the UAE government promised to increase the number of businesses in different parts of the country, which have been neglected for quite a long time (Arabic Knowledge@Wharton, 2011). Egypt enacted minor tax reform measures after the uprising. The government increased a five percent tax on the higher quintiles of society. There are also negotiations to apply a 20 percent income tax only to individuals who earn \$9000 and above. Moreover, while in July 2011 the government rejected loans from the IMF due to the IMF's unpopular conditionalities, by January 2012 Egypt conceded to the IMF's \$3 billion loans and conditionalities, which are expected to be harsher than those presented in July because of Egypt's economy after a year of stagnation (Bloomberg, 2012).

Tunisia also conducted extensive talks with international institutions for the promotion of its economy. In May 2011, the G8 meeting in France advanced its offer of a \$20 billion loan to both Tunisia and Egypt. Egypt would be taking the lion's share from this loan, in addition to loans from Arab Gulf states. The US has also promised \$1 billion to finance infrastructure and job creation projects, and is developing its plans to endorse economic projects in the Arab region, by developing trade and investment partnership between the US, Morocco, Jordan, Egypt and Tunisia.

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2. UNDP estimates based on data compiled from World Bank and UNDP poverty assessment reports. Results are reported based on the national lower poverty lines. See Heba al-Leithy (2010).

According to Bloomberg (2012), these projects plan to standardize investment regulations, border transactions, and tariffs. Hence, the ruling elite, especially in Egypt, is not considering a change in the economic outlook of the region.

Given this ebb and flow of loans, especially in the case of Egypt, the general economic outlook in the region remains the same, with the same neoliberal projects of pre-Spring economies, based on services, privatization of government enterprises and controlling budget deficits. These projects were infested with corruption, were not able to generate employment, and have only benefitted a few businessmen who were directly connected to the ruling elite. The Supreme Council of the Armed Forces (SCAF), which took power in the interim after the overthrow of Mubarak, has an interest in maintaining the neoliberal economic order, from which it is directly benefitting. The military is directly involved in manufacturing, agriculture, infrastructure, industries and tourism. It gained direct benefits with the pre-Spring economic order; it did not pay taxes, or disclose its assets publicly (Joya, 2011). Therefore, maintaining the neoliberal economic order with the same benefits is going to remain a strategic interest for SCAF. Consequently, SCAF blames the revolutionaries for increasing violence on Egyptian streets, which in turn decreased tourism revenues by more than 80 percent by December 2011, almost one year after the ousting of Mubarak.

The interim government in Egypt blames the corruption of the previous regime for the increasing gap between the rich and poor, rather than blaming both corruption and the rift in the structure of the economy itself for the low standards of living and increasing income inequalities. In Tunisia, Rashid el Ghannouchi, the president of al-Nahda party, who won the majority of seats in the interim parliament and is currently leading the government coalition, invoked the importance of a service-based economy for the development of the country, which had proven detrimental in the generation of employment. An important economic policy advocated by al-Nahda is the floating of the Tunisian Dinar to facilitate foreign direct investment (OnIslam, 2011). According to their economic advisory board, foreign aid should be used to develop infrastructure programmes. Agricultural productions should be further developed to increase economic exchange between Tunisia and the Northern Mediterranean economies (Al-Saidi, 2012). In an interview with the *al-Hayat* daily newspaper, he argued that the main challenge facing Tunisia is the corruption of the previous regime. Therefore, there is an immediate need to develop transparency, which would lead to an environment conducive to foreign direct investments and tourism (Ahmed, 2012). Hence, fighting corruption, developing agriculture and the strengthening of tourism as the main source of income are the most important economic policies advocated by the Islamist movements in Egypt and Tunisia. In Egypt, there is no policy of industrialization, or of revisiting previous economic policies to achieve sustainable development and an equitable distribution of income. The Egyptian Muslim Brotherhood's political party, the Freedom and Justice Party, is advocating the same economic development projects, such as Tunisia's al-Nahda Party. The main negotiation it undertook with the IMF in January 2012 concerned the further development of a market economy, tourism and foreign direct investments. There have been no negotiations concerning industrialization or problems associated with the informal market in Egypt.<sup>3</sup>

## Good Governance

In theory, both the Washington and post-Washington Consensus advocated structural adjustment measures with an enhancement of the rule of law and good governance. The problems with this

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3. See, for example, *al-Shorouk* and *al-Masry al Youm*'s coverage of the IMF's visit in January 2012.

neoliberal project are manifold and widely criticized in development circles, especially with the onset of the Latin American and South East Asian financial crises, but mostly with the global financial crisis of 2008. The goal of the following paragraphs is not to concentrate on the problems of neoliberalism per se, but rather to analyze the failure of Arab regimes to abide by the whole neoliberal project advocating good governance and the rule of law. Arab regimes initiated the economic aspects of the neoliberal project to embed authoritarianism, rather than to reform the market. They tried to develop a façade of good governance and the rule of law; in doing so, they successfully institutionalized authoritarianism for decades. However, this illusion of political liberalization and good governance could not stand in the face of ever larger public criticism of Arab regimes, especially in middle- and lower-income economies like Tunisia, Egypt and Yemen.

According to the World Bank's good governance indicators,<sup>4</sup> the Arab world has consistently ranked very low. Voice and accountability, rule of law and transparency in the Arab region have been rated as either the worst or second worst in the world (Kaufmann et al., 2009). Civil society organizations are mainly associated with the "voice and accountability" indicator. In the Arab world, this indicator is ranked the worst in the world (Kaufmann et al., 2009). Even though civil society organizations have increased in number and are estimated to be almost 130,000 in the whole region, they have been used by the Arab states to impede democratization, and to show a feigned democracy to the international community. Arab governments, mainly in middle and lower ranked economies, have consistently promoted civil society organizations that promote social services to fill the gaps the government is not able to fill in terms of education, healthcare, and services. On the other hand, civil society organizations that promote human rights or entertain any political discourse have remained rather weak as a democratizing force in the Arab region because they face severe government interventions and serious hostility.

Arab regimes have been intervening in labour and other syndicates to increase government domination over society. Funding civil society organizations is highly restricted, and has to be approved first by governments. Ministries of the interior have the right to investigate staff of civil society organizations and reject the creation of certain NGOs, especially human rights organizations. For instance, in Gaza, civil society organizations have to submit personal biographies of their founding members to the interior ministry. In Jordan, security forces scrutinize all civil society actors, especially NGO volunteers (Hawthorne, 2004).

Almost all Arab countries have written constitutions that set out the main legal and institutional principles of separation of power, the judiciary, individual freedoms, and equality before the law. Nevertheless, the gap between what is written and what is practised is wide. The executive branch dominates all other branches of governance in all Arab countries. Citizens have very limited venues for participation, and civil and political rights are constrained by the highly coercive intelligence services prevalent in the region. A state of emergency is in place in many countries to date, and many states have anti-terrorism laws that expanded the role of government and intelligence services. The executive branch also controls the "independent judiciary" by setting its budget and appointing judges (Salem, 2010). Hence, the judiciary is not effective in implementing the laws, and is regarded as another branch of the executive. Institutions, such as courts, laws and the independence of the judiciary, are not as important as networks of interests, which reproduce corruption. For instance, in Lebanon the late Prime Minister Rafik al-Hariri acknowledged the

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4. These indicators according to the World Bank are as follows: political stability, government effectiveness, participation and accountability, rule of law, transparency, responsiveness and equity.

importance of “getting things done... having the right contacts... and adopting flexible approaches to governance are equally if not more important than bureaucratic development” (Leenders, 2004).

Corruption is “deeply rooted in the political infrastructure of the state... the institutional infrastructure of the public sector... develops as a result of the relatively limited opportunities for public participation” (Transparency International, 2011). According to the Transparency International Corruption Perceptions Index 2011, Arab countries are amongst the lowest ranked in the world, with Somalia being the worst classified, at 182nd in the index of 182 countries.<sup>5</sup> Sudan is ranked number 177, Iraq 175, Libya 168, Yemen 164, Lebanon 134, and Syria 129.

The neoliberal development project and its implementation in the Arab region led to GDP growth and to higher human capital at the expense of good governance and the rule of law. Hence, the social problems associated with the neoliberal reform project manifested in monetary and austerity measures were forcefully implemented, while the positive socio-political aspects of good governance and the rule of law were widely neglected in the region. International institutions, especially the World Bank and the IMF, along with western donors like the United States, did not criticize Arab governments for their failure to advance good governance, as long as these governments were holding “terrorism” at bay, were opening their markets to foreign direct investments, and exported their oil to the world market.

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5. According to the Corruption Perceptions Index, the worst-ranking country is number 183, Somalia, and the best is number 1, New Zealand.

**Inequality, Unemployment and the End  
of the Social Contract**

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Arab countries were capable of building upon their human and physical capital with few heavy industries, services, and simple manufactures, but were not able to accompany economic development in an impartial state. On the contrary, state bureaucracy was soon to turn into a politicized structure far from being a technocratic one, as in the case of the Asian Tigers whose state is typically developmentalist. In the Asian Tigers' governance structure, the ruling elite were not included in the labour, peasant or business sectors of development, unlike their Arab counterparts (Dahi, 2011). In the case of Arab countries, the stability of the regime was dependent on labourers and peasants, the backbone of the regimes' legitimacy. The regimes provided them with goods and services, and even job opportunities in the early stages of development of the 1960s, as in the case of Nasser's Egypt and al-Assad's Syria. The dominant form of the social contract developed in the region was one where the population resigned itself to a lack of political freedom in exchange for the provision of certain services, like state employment, access to public healthcare and education, and exemption from or low taxation.

Nevertheless, with the stagnation of development and productivity, by the end of the 1980s these lower and middle-income countries faced grave problems. This is when the adoption of neoliberal economic measures was enforced by the World Bank and the IMF. The prevailing social contract within the region has come under pressure since the 1970s, but more so in the 1990s due to increasing inability of the state to co-opt the educated youth into the public sector. The public sector used to be a relatively well-paid civil service that acted as a mechanism for upward social mobility. In country after country, the public sector is no longer able to absorb the increasing numbers of graduates produced by the education systems.

Structural adjustment measures have resulted in a decline in both the real income of government employees and a decline in government expenditure on social services. This is coupled with the increasing privatization of social services without guarantees of quantity or quality. The system of large-scale subsidies that was offered on a range of essential goods became difficult to maintain, and led to bread riots in a number of countries in the 1970s and 1980s. The lack of universal social security coverage and of equitable access to property and to the justice system has exacerbated social and economic exclusion of wide segments of the poor and the lower middle classes (Bush, 1999; Kassem, 2004). The case of Egypt is revealing in that the percentage of food and fuel subsidies of the GDP rose as a result of their increasing worldwide prices, and the government increased transportation, electricity and communication prices (Farah, 2009).

The prevailing economic structure of the region, based on neoliberalism, along with rising population numbers, led to a rupture in the socio-economic structure of the region. The market could not absorb the increasing number of employable bodies. Life expectancy rates and education increased at a higher percentage than the rest of the developing regions in the world. For instance, the average life expectancy rate increased by almost 20 years: from 52 years in 1970 to almost 71 years in 2007 in the Arab Mediterranean countries, compared to only 12 years in Latin America (Dahi, 2011). Together with the high population growth there was an increase in literacy and education levels. For instance, in Egypt literacy rates increased from 44.4 percent in 1990 to 66.4 percent in 2010, and in Qatar from 75.6 to 93.1 during the same period (UNDP, 2011). The percentage of educated entrants into the market increased dramatically

from 1970 to 2005. For example, in Egypt the percentage of tertiary educated graduates increased from 20 to 40 percent and university graduates increased from 20 to 30 percent over this period (Assaad, 2008).

Higher education rates did not mean higher employment levels; on the contrary, in most Arab countries they meant fewer chances of employment. In Egypt, individuals educated at post-secondary levels constitute almost 80 percent of the unemployed. In Morocco, they constitute 29.6 percent, in Algeria 37.8 percent, and in Tunisia 42 percent (World Bank, 2008). By contrast, jobs generated in the public sector dropped from one third to 15 percent during the same time (Assaad, 2008). It is evident that increasing literacy rates were not met with employment opportunities. Unemployment rates skyrocketed amongst youth, reaching 23 percent in the MENA region: the highest youth unemployment rates in the world (ILO, 2010). According to the *Arab Human Development Report 2009*, there is a need to create almost 51 million employment opportunities by 2020 to decrease the unemployment problem in the Arab World (UNDP, 2009).

According to recent studies, the share of middle-level employment declined in the private sector. Concentrating the private sector on tourism, services and transport established the dichotomy of either low-skilled and low-paid jobs, or high-skilled and high-paid jobs (Springborg, 2011). The higher unemployment rates resulted from the erosion of the middle class. From the 1960s until the 1980s, government employment mostly absorbed the middle-class technocrats, but the erosion of government employment was not replaced by the private sector. The employability capacity of the private sector is far below the rise in the employable population (Springborg, 2011). In Egypt, public sector employment remained at 5.5 percent during the past decade, but the labour force increased from 17 to 27 million during the same period (Springborg, 2011).

Unemployment in the GCC is amongst the lowest in the region, ranging from 1.7 percent in Kuwait to 3.4 percent in Bahrain. However, unemployment in Saudi Arabia was almost 6.1 percent in 2005 (UNDP, 2009: 108). A third of the population in the GCC is under sixteen years, with population growth reaching almost 7.2 percent in 2007. The whole national population growth in the GCC is almost 3.1 percent, amongst the highest in the world (Saif, 2011). Even though unemployment is lower in the GCC, unemployment amongst national youth is high in this region. In Qatar, unemployment is almost 70 percent, and in Bahrain it is estimated to be 54 percent (Saif, 2011).<sup>6</sup> The dichotomy in the region remains in the growth rates, without employment generation. For instance, GCC economies rely mainly on the oil sector which is capital intensive and does not have the capability to generate high employment levels. Moreover, the fluctuation of oil prices led to a weak investment climate in the GCC, leading to less job creation. Thus, the private non-oil sector has limited capability of generating employment opportunities amongst the GCC nationals. In addition, the private sector, which has perceived high levels of privatizations throughout the past decades, is underdeveloped, dependent on patron-client relations between the state and businesses, which hinders the absorption of employees (Saif and Khalek, 2011).

It is clear that youths constitute the largest segment of Arab populations, yet are highly marginalized, especially in the employment market. Youths are also marginalized in the political sphere, where the dominant political parties, especially in Tunisia, Egypt and Syria, consisted of business tycoons and individuals who had direct contact with the rulers. "The political and economic system rewards

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6. These are calculations conducted by Ibrahi Seif based on the 2011 ILO LABORSTA Database.



connections more than initiative and innovation and is based on long-standing ruling groups. [...] Youth enter society and are immediately hit hard: high rates of unemployment, few openings for political participation, little hope for change, a harshly repressive state, and a repressive socio-cultural superstructure" (Salem, 2010: 15). Thus, unemployed youths with high levels of human capital who do not have "connections" with the authorities to attain employment or attain a decent salary from the private or public sector became frustrated with the system.

Income inequalities and social exclusion have been on the rise throughout the past decade. Wealth inequality has been increasing, with wealth and assets concentrated in the hands of a select few. For instance, studies have shown that in the MENA area, income inequality in the industrial sector has incremented since the 1960s. However, it increased dramatically between 1999 and 2002, with Egypt being an extreme case (Henry and Springborg, 2010). Hence citizens' increased resentment towards a capitalist system based on cronyism and the alienation of different segments of society (UNDP, 2009).

The problem facing countries in the transitional phase, like Egypt and Tunisia, is the extent to which new policies will be able to include the highly excluded youth and middle-class citizens into the socio-political sphere. One year after the ousting of Mubarak and Ben Ali, not much has changed to include these segments of society in both the economic and political spheres. In Egypt, where the transition period is facing more tumult than in Tunisia, youths have not been incorporated into the interim government, very few youths were elected to the interim parliament, and middle-class exclusion is still widespread. The interim government did not advance policy options, which would increase youth employment levels, and no plans of social inclusion or rural upgrading have been initiated thus far.

## **The Crisis of Authoritarianism**

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Authoritarianism has long been institutionalized in the region, especially after the end of colonialism. Regimes strove to develop legitimacy by mobilizing different segments of the citizenry against the old oligarchies that were aligned with colonial powers. These developed a type of populist authoritarian regime that remained largely intact for much of the past half century (Hinnebusch, 2011). Arab regimes consistently gathered their societies against Israel and the United States, and advanced redistributive rights for the peasants and the poor until the 1960s. These measures increased their legitimacy in the eyes of their own citizens (Hinnebusch, 2011). Syria, for instance, advanced this populist legacy until the beginning of the popular uprisings in March 2011. Arab regimes were also consolidated through the military and the expansion of state bureaucracy. The dominant political parties were able to hegemonize different social structures like schools, universities, and villages, but also different associations, like workers' unions. Hence, according to Hinnebusch, authoritarian regimes in the region were able to control social and structural power centres in the region. First, personalist leaders hegemonized the ruling elite by basing their trust in the system of certain sects, kin, or classes, increasing nepotism. Second, they co-opted loyalists of different key groups in the region toward their authoritarian rule by distributing rents and patronage. Third, Arab regimes developed strong instruments of repression. The state security apparatus was essential in suppressing dissent and keeping the state power intact (Hinnebusch, 2011). However, the authoritarian nature of Arab regimes was flexible enough, and changed at the first sign of economic liberalization. For instance, in Morocco, King Hassan II liberalized the political scene by opening up venues for political parties' participation in the 1976 and 1977 parliamentary elections. In Jordan, Tunisia and Algeria the party system was revitalized, and parties were able to join parliamentary elections by the 1980s. In Kuwait, the political system started the liberalization process after the Gulf War (Lust, 2011). In Jordan, the first free and fair parliamentary elections were held in 1989. In 1990, Algeria witnessed free and fair elections that led to the victory of the Islamic National Front (FIS) but, as a consequence, civil war ensued between the ruling regime, which did not want to concede to its defeat, and the FIS, which had won popular support (Albrecht and Schlumberger, 2004).

The slight optimism of political liberalization and democratization of the 1990s was followed by increased pessimism with the start of the new millennium. By the early 2000s, no Arab regime had effectively democratized with free, fair and periodic elections. On the contrary, authoritarian systems in the region gained more ground. The number and scope of political parties and civil society organizations increased in all Arab countries, but their effectiveness was impaired by the dominant political system of authoritarianism. Freedom of the media and the press was advocated, but with the enforcement of self-censorship. Arab states enacted de-liberalization measures under the rubric of defending the "secular" state from Islamist encroachments. The terrorist attacks of 9/11 on the World Trade Center reinforced authoritarianism in the region with the blessing of western regimes, especially the United States, as a defence mechanism from the rising tide of fundamental Islamism. Thus, press laws were more punitive, the state security apparatus was given uncontrolled access to power, and a free hand to coerce citizens. As a consequence, individual freedoms were constrained (Albrecht and Schlumberger, 2004), repression and authoritarianism were rampant, and citizens in most Arab countries faced increasing socio-economic pressures. The gradual collapse of the pre-existing social contract developed new socio-political dynamics in the form of social protests, which further added to the volatility of the state.

## Increasing Incidence of Social Protests

Given the increased population growth, social exclusion, erosion of the middle class, high unemployment levels, and large-scale corruption in the region, social activism and demonstrations also increased tremendously by the dawn of the new millennium. Syria, Lebanon, Yemen, Kuwait, Saudi Arabia, Palestine, Egypt, Morocco, Tunisia and Jordan have all witnessed street protests from different groups. In Algeria in 2002, the Berbers rallied for their right to uphold their language and cultural identity. In Yemen, Islamists and leftist opposition developed a joint organization against corruption and authoritarian rule. In Kuwait, demonstrations against election laws took place. In Egypt, the Kifaya (Enough) movement was established in 2004 and was the first movement to call for the end of the Mubarak regime. In Tunisia, opposition groups developed the Eighteenth of October coalition. In Morocco a new personal status law expanding women's rights emerged, after the long struggle of different women's movements. In Gulf countries, mainly Kuwait and Bahrain, demonstrations and protests were mainly political in nature. In Bahrain, political protests have been taking place to call for the rights of the Shia population therein (Albrecht and Schlumberger, 2004). The Cedar Revolution, which called for the end of Syrian intervention in Lebanon, originated after the assassination of Rafik al-Hariri in 2005.

Between 1998 and 2004, Egypt experienced almost 1000 demonstrations and sit-ins (Ottaway and Hamzawy, 2011). Morocco experienced 945 protests of labour unions, youth activists, and professionals demonstrating against unemployment, high prices and poor living standards (Ottaway and Hamzawy, 2011). In Algeria, labour unions protested against the privatization policies of the regime and the poor living standards of the working class. In Tunisia, major protests erupted in 2008 against a mining company for the enhancement of its employees' living standards (Ottaway and Hamzawy, 2011).

In Egypt, Algeria, Tunisia and Morocco protests were mostly socio-economic in nature, and have been largely separated from the political protests for a long while. In Egypt, social movements, especially workers' organizations, were more successful in receiving their demands than the political ones because they were goal-oriented, had limited demands, and were uninterested in politics. They called for certain socio-economic rights and did not challenge the existing authoritarian structure of the regime, thus were able to negotiate and obtain their requests. These movements did not have a leader; rather, the main thrust was the workers who ensured that their negotiating partner would be government officials (Fawzy, 2010). Arab governments tolerated these types of protests and were able to effectively bargain with demonstrators.

An important example of this tolerance is the demonstration of more than 27,000 workers in al-Mahala al-Kobra in 2006 to receive a two-month salary bonus, which was initially promised by the Prime Minister. The government first ignored the demonstrations; this led to sit-ins and an expansion of the demands, a wage increase, and the initiation of a minimum wage. At this stage, the regime did not stop the demonstrators, but negotiated with the workers. The board of directors of the factory was dissolved and a new one was installed (Al-Mahdy, 2010). According to the Center for Socialist Studies, the importance of these demonstrations was the lenient reaction of the authorities. Here the abstention of the regime from using violence against labourers was essential in eliminating activists' fears elsewhere to demonstrate. Moreover, the increasing media coverage

of these demonstrations increased the possibility of spreading the workers' victory to other areas within the country. Other workers and activists understood the importance of demonstrations and sit-ins for the attainment of socio-economic benefits (Center for Socialist Studies, 2007). These protests underscored the economic needs not only of the poor and the working class, but also of middle-class professionals.

The increasing tide of contentious politics became an important part of citizens' daily lives in the Arab world. This taught activists new types of contention, new ways of framing their grievances, and more venues for citizens to encounter them through old news media and through social networking sites. Two years later, youth movements in Egypt and Jordan were effective in amalgamating both socio-economic and political demands, and mobilizing people against authoritarian regimes (Ottaway and Hamzawy, 2011). For instance, the Sixth of April 2008 Movement in Egypt called for a general strike in solidarity with al-Mahala workers. Different activists and bloggers demonstrated in downtown Cairo associating workers' rights with social justice and equal opportunity. These elements are at the heart of socio-economic demands, yet are essential for good governance and a democratic polity.

Political protests in middle-income countries like Bahrain and Kuwait were prevalent and important, but were not as widespread as the socio-economic protests. For instance, the political Kifaya movement, which called for an overhaul of the Mubarak regime, did not develop mass mobilization perhaps because state violence against adherents of political movements was much harsher, given that political movements constituted a direct threat to the regimes' legitimacy and governance.

In the face of mounting pressure for reform and change, the state security apparatus tightened its grip in different Arab countries. For example, in 2007 a large number of activists were arrested in Syria. The Cedar Revolution in Lebanon turned into sectarian divisions between a pro-Syrian camp that effectively turned into a Shia camp led by Hezbollah, an anti-Syrian coalition led by Saad al-Hariri, and the February 14th Movement, a largely Sunni coalition. In Kuwait, parliamentary elections were manifestations of tribalism and vote-buying. In Yemen, state authorities confronted demonstrations in different parts of the country with outrage and force (Salem, 2010).

Social struggle did not cease to exist; on the contrary, it culminated in December 2010 with the unfolding of events in Tunisia's Sidi Bouzid that later led to the fleeing of Ben Ali to Saudi Arabia. This incident was the catalyst for further social mobilization, demonstrations and uprisings in the rest of the Arab countries, from Egypt to Yemen, Libya, Syria, Jordan, Morocco, and Bahrain. These learned from earlier experience to combine their call for socio-economic reform with political reform. The ineptness of subsequent Arab regimes to react to peoples' demands for reform, especially in Egypt, Libya, Yemen and Syria, led to more politicization of the demonstrations, which further called for the end of the individual regimes.

One year after the ousting of Ben Ali and Mubarak, instead of diminishing, workers' demonstrations and sit-ins increased. In Tunisia, workers in different fields, like mining and industries, have initiated more than 400 sit-ins during the year 2011. The ruling coalition decided to enact laws that would curtail the right of demonstrators, due to the demonstrations' effect on the general performance of the Tunisian economy (Bin Bereq, 2012). In Egypt, the interim government is under more pressure

with more demonstrations by workers, bloggers, liberal and leftist activists. The workers demonstrate and initiate sit-ins for their socio-economic rights and limited goals, as was previously the case. The government's response is like that of Tunisia: it blames the demonstrators instead of trying to implement new socio-economic policy initiatives. Bloggers and activists have been regularly demonstrating for the implementation of good governance, equality, and the due process of law, especially after the increasing human rights abuses by SCAF against activists. The regime is countering the second type of demonstrations with crackdowns and neo-populist slogans that represent activists as "agents of western governments" who have foreign agendas against the security of Egypt.

Given the regime's reaction to popular contention in different Arab countries, especially in Egypt and Tunisia, demonstrations, sit-ins and uprisings are most likely to continue. Activists have learned from their previous experience in contentious politics. However, transitional regimes have yet to develop their efficacy in governance; they continue to play by the earlier game of soft authoritarianism and maintain a mirage of stability, instead of developing effective institutions governed by the due process of law, good governance and real economic reform.

## Conclusion

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Previous studies about the resilience of authoritarianism in the Arab world that have swelled the region have been clearly unable to read the different social dynamics that surfaced during the past decade. These studies have identified the problems that plague the political economy of the region, like crony capitalism, corruption, nepotism, and patrimonial capitalism. However, they failed to connect these problems with the rising tide of social discontent in the Arab World. The new dynamics of contention, which arose in the new millennium, were highly neglected in the social sciences of the region.

The political economy of the region and its impact on the recent uprisings cannot only be analyzed from the institutional perspective of the IMF, the World Bank, and their interaction with different governing institutions. The dynamics of popular demonstrations also needs to be brought to the study of political economy. Popular contention, as demonstrated in this study, has shown the failure of the neoliberal development project, especially in its implementation in authoritarian contexts. Clearly, the region has incrementally changed its economic development project from the 1990s onwards toward a neoliberal perspective. However, in doing so both Arab governments and western funders have neglected the popular unrest that was boiling on the Arab streets. They advocated austerity measures, decreasing tariffs, opening the markets, but were not as passionate about implementing good governance, the rule of law and real democratization processes. Western donors were content with the increasing access to Arab markets through foreign direct investments and the lowering of tariffs. Along with their business elite, Arab leaders were content with the wealth they gained from their crony capitalist system and the ensuing “open markets.” Both were self-consumed in showing the “success” of Arab regimes in reaching high GDP growth, while neglecting the negative connotations of neoliberalism, especially without strong institutions that could implement the due process of law.

Arab regimes that are facing popular uprisings today have not identified the problems associated with neoliberalism in the region. Incredibly, they still advocate the neoliberal developmental project but with a new twist on a discourse that calls for the “end of corruption.” Arab regimes are still advocating a service-based economy, blaming activists for the disruption of the economy, and have not taken any steps for the establishment of strong development institutions, for the separation of powers, and especially for the separation of the judiciary from the executive power. They have not enacted policies to alleviate poverty, and to absorb the high numbers of entrants into the labour markets. As a result, the nature of the political economy in the region is still fragile, and advocates a “predatory state” rather than a “developmental state” (Evans, 1989). Therefore, the dynamics of contention and popular mobilization and uprisings are more likely to remain the rule rather than the exception.



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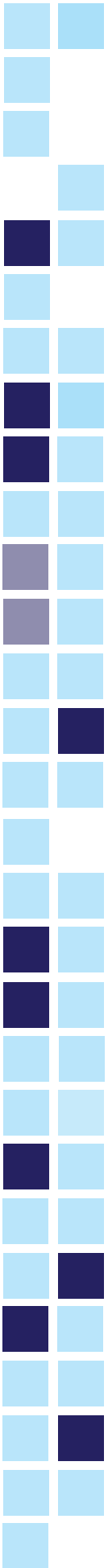
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## IEMed.

The European Institute of the Mediterranean (IEMed), founded in 1989, is a consortium comprising the Government of Catalonia, the Spanish Ministry of Foreign Affairs and Cooperation and Barcelona City Council. It incorporates civil society through its Board of Trustees and its Advisory Council formed by Mediterranean universities, companies, organisations and personalities of renowned prestige.

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