



Middle East and North Africa

A sobering summer

The Arab Spring drove out the autocrats, giving many citizens the ability to vote freely for the first time. Yet the political and economic situation is in many places precarious, and some regimes have become even more repressive. The war in Syria offers perhaps the most disconcerting example of just how uncertain things are in the Middle East and North Africa.

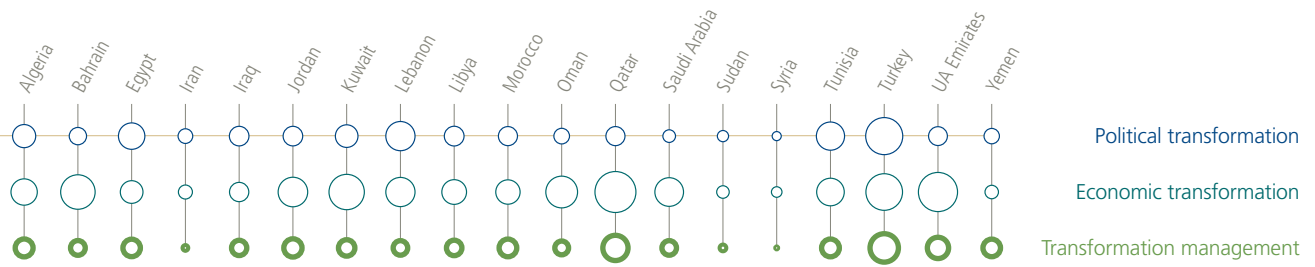
Much debate and argument has been and continues to be devoted to the peculiarities of the Arab Spring. Were the events that took place in Egypt, Libya, Tunisia and other countries of the region “genuine” revolutions? After decades of autocratic rule, can local populations cast off despotism and tyranny and build new democracies? Can the Islamists, who have emerged as the new majority power in almost all the post-revolutionary Arab countries, prove themselves capable of democratic engagement, or will they simply replace authoritarian presidential regimes with increasingly theocratic forms of rule and forfeit liberalization? And, finally, if this was a “spring,” what comes next? A summer that brings these societies to political, economic and social bloom? Or, rather, a heat wave that withers all hope?

Either way, the upheavals of 2011 made history. Muammar al-Qadhafi was wrested from his control of Libya after 42 years, Ali Abdallah Salih lost Yemen’s presidency after 33 years in power, Hosni Mubarak was driven from Egypt’s presidential office after 30 years, and Ben Ali abdicated as Tunisia’s president after 24 years. During the period under review, the citizens of Egypt, Libya and Tunisia were called to participate in the first free and fair elections in the history of their countries. Fundamental freedoms and assembly rights have been significantly strengthened, while political parties and civil society organizations have been founded.

Nevertheless, a look at the data contained in the BTI 2014 is sobering. To be sure, Egypt and Tunisia belong even in glob-

al comparison among those countries registering the largest gains in the area of democracy. However, several countries have taken significant steps backward with respect to political transformation. In the cases of Bahrain and Syria, both of which have been marked by violent conflict, this may not be particularly surprising. Yet even a country such as Oman, commonly regarded as a haven of stability and reliability, registered major political setbacks. It is typical that the remaining autocrats, safely out of the spotlight focused on the revolutionary states, have worked all but unnoticed to suppress emerging democratization efforts, thus cementing their absolute rule.

Consequently, the regional average for all 19 countries with respect to political transformation shows no notable improve-



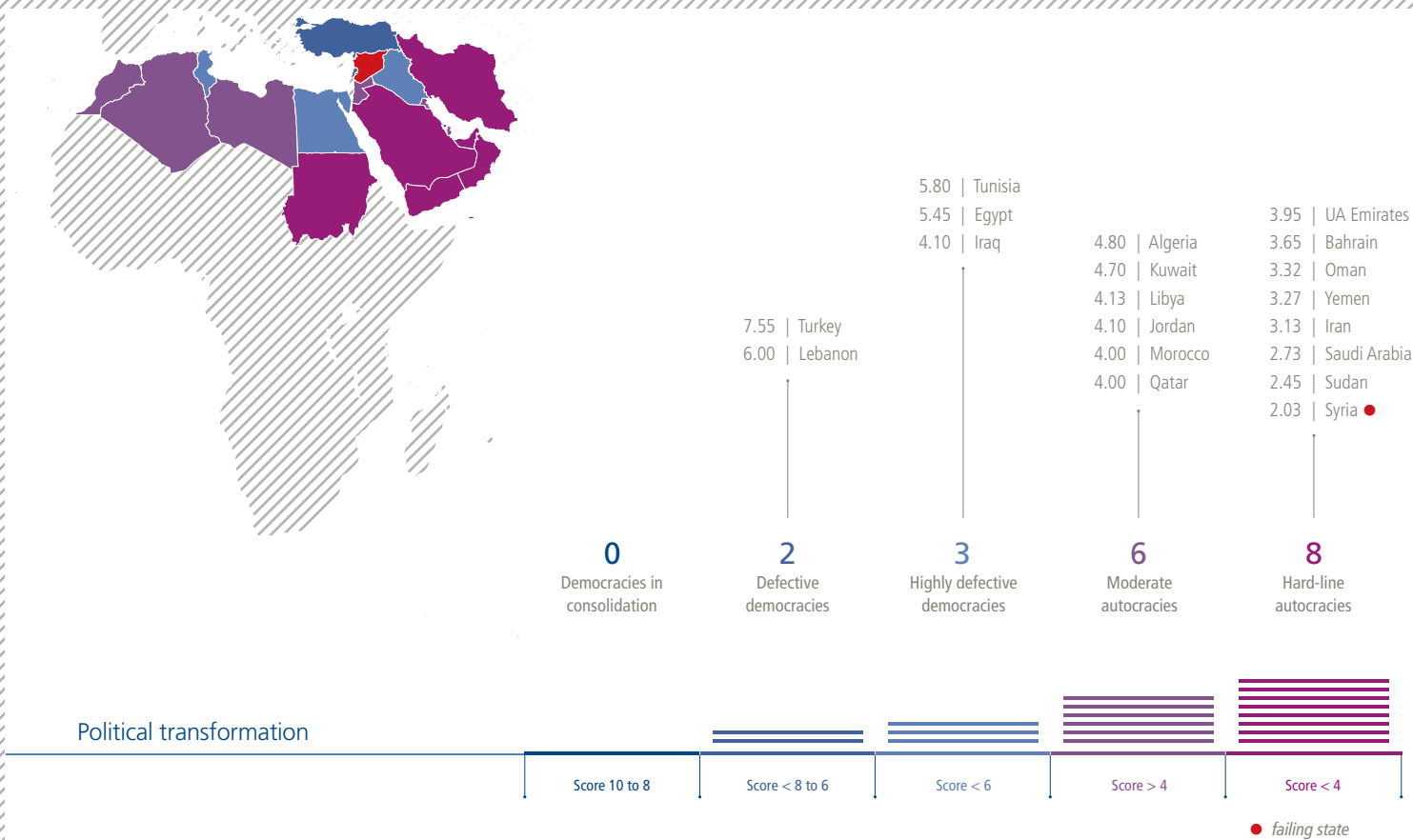
ment. Significant gains were shown only by Tunisia (+1.95, with the strongest improvements in political transformation worldwide), Egypt (+1.37), Libya (+1.03) and, following with some distance, Algeria (+0.50). All other countries remained constant or showed declines. Oman fell by 0.57 and Bahrain by 0.70 points, while Syria lost a full 1.15 points and was relegated to the status of a “failing state” as a result of its dramatically reduced stateness.

Adding economic transformation trends to this stocktaking prompts an even more sobering assessment. The region’s average score here declined by 0.40 points, with Egypt, Iran, Libya, Sudan, Syria and Yemen taking the hindmost positions in the global ranking of countries registering the most significant setbacks. The United Arab Emir-

ates was the only country in the region that drove economic transformation forward by a significant margin (+0.68). Thus, with respect to the state of economic transformation, the Middle East and North Africa (at 5.44 points) remains ahead of Post-Soviet Eurasia (5.22), South and East Africa (4.73) and West and Central Africa (4.31), while nevertheless being the only region to show an appreciable decline. In the Status Index, which combines political and economic transformation levels, the Middle East and North Africa region takes the penultimate position among all regions with a score of 4.80, only a bit ahead of West and Central Africa (4.79).

In the Management Index, by contrast, the regional average showed no notable change. With a value of 4.14, management

performance remained nearly stable, although at a low level compared to the global average of 4.92. Significantly improved management scores for Libya following the fall of Qadhafi (+1.21) and for Yemen in the post-Salih era (+0.85) contrast with declines observed in Oman (−0.75) and Syria (−1.79).



A revolution's dilemma

Greater freedom of expression and assembly, a stronger separation of powers, free and fair elections: In certain key areas, the revolutionary countries have certainly drawn nearer to democracy. At the same time, however, basic civil rights are not sufficiently protected in most Arab countries – and in the autocracies of the Persian Gulf, they are subjected to even stronger pressures.

Tunisia, as the starting point of the wave of political transformation, has demonstrated the most impressive development. It has improved by almost two points and by two categories, and is no longer deemed by the BTI to be a hard-line autocracy, but rather a highly defective democracy.

The transformation process was more difficult in Egypt, whose population size already renders its problems significantly more severe. Here, stagnation is evident: After the Constitutional Court's dissolution of the lower legislative house in the summer of 2012, followed by the upper house a year later, Egypt lacks a functional legislature – an example of how politics is increasingly brokered as a dispute between the Muslim Brotherhood-controlled executive and a judiciary favorably inclined toward the military.

By contrast, Libya's professionally conducted parliamentary elections, held in July 2012 following the struggles against the Qadhafi regime, came as a surprise. Yet without a diverse party landscape, and following years of isolation, consolidating the new system will be difficult. The unstable security situation is a source of particular concern. Considering the completely inadequate protection of civil rights, Libya is ultimately still categorized as an autocracy.

Yemen's political record has turned out to be similarly mixed. After a difficult struggle, President Ali Abdallah Salih was driven to abdicate. However, he left successor Abdu Rabbu Mansour Hadi a highly fragile state in political, economic and social terms. Thus, Yemen, next to Sudan the poorest country in the Arab world, shows increasing separatist

tendencies between its North and South. Terrorist activities by al-Qaeda in the Arabian Peninsula complicate the situation.

Bahrain and Syria represent the two tragic exceptions within the Arab Spring. The rebellion – particularly by Shi'ite Bahrainis – against exclusion, social grievances and the rule of the Sunni dynasty was bloodily suppressed with the help of Saudi and Emirati troops. This action, which went largely unopposed by Western governments, must be seen in the context of geostrategic concerns. Sunni Saudi Arabia and Shi'ite Iran are competing for regional dominance within the Persian Gulf, a rivalry that also has religious undertones. With its Shi'ite majority and Sunni ruling family, tiny Bahrain is an important element in the Saudi dominance strategy.



Syria's drama has played out in reverse. Here, a majority Sunni population is governed by a ruling family of Alawites, an offshoot of Shi'ite Islam. Bashar al-Assad has shown a willingness to use force that overshadows even the cruelty of his father and predecessor, Hafiz al-Assad. According to United Nations estimates, around 100,000 people had already lost their lives by the summer of 2013, and hundreds of thousands have been forced to flee the country.

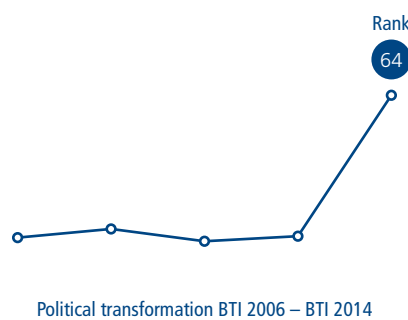
In general, a sharp decline in the protection of civil rights can be noted in many of the region's countries, reflected particularly in strong discrimination against women as well as religious and ethnic minorities. The BTI 2014 data illustrate the core dilemma: The average regional values for free and fair elections (+1.00), effective power to govern (+0.68), association/assembly rights (+0.53), freedom of expression (+0.21) and separation of powers (+0.32) have improved throughout. The protection of civil rights, however, registered a massive decline of 0.47 points. This setback is to some extent due to the second sharply negative trend, the loss of stateness. The BTI's valuation of this criterion has fallen by 0.64 points. However, the free fall in civil rights protection is also attributed to the growing influence of extremist groups and the lack of effective security measures for particularly vulnerable population groups.

Outside the media spotlight, two countries have undergone developments that deserve closer examination. Surprisingly positive developments evolved in Algeria. In response to events in nearby countries to the east, the governing class surrounding President Abdelaziz Bouteflika relaxed some restrictions on political freedom in the spring of 2011. First and foremost was the lifting of the 19-year-old state of emergency on February 23, 2011, in consequence of which the

Population: 10.8 mn

Life expectancy: 74.8 years

GDP p.c. PPP: \$9,795



first relatively free and fair parliamentary elections since the civil war were conducted. Yet in Oman, the extent to which political transformation lost ground was surprisingly high. Though Sultan Qaboos had previously governed in a moderately autocratic style, the regime met tentative protests with disproportionately massive force.

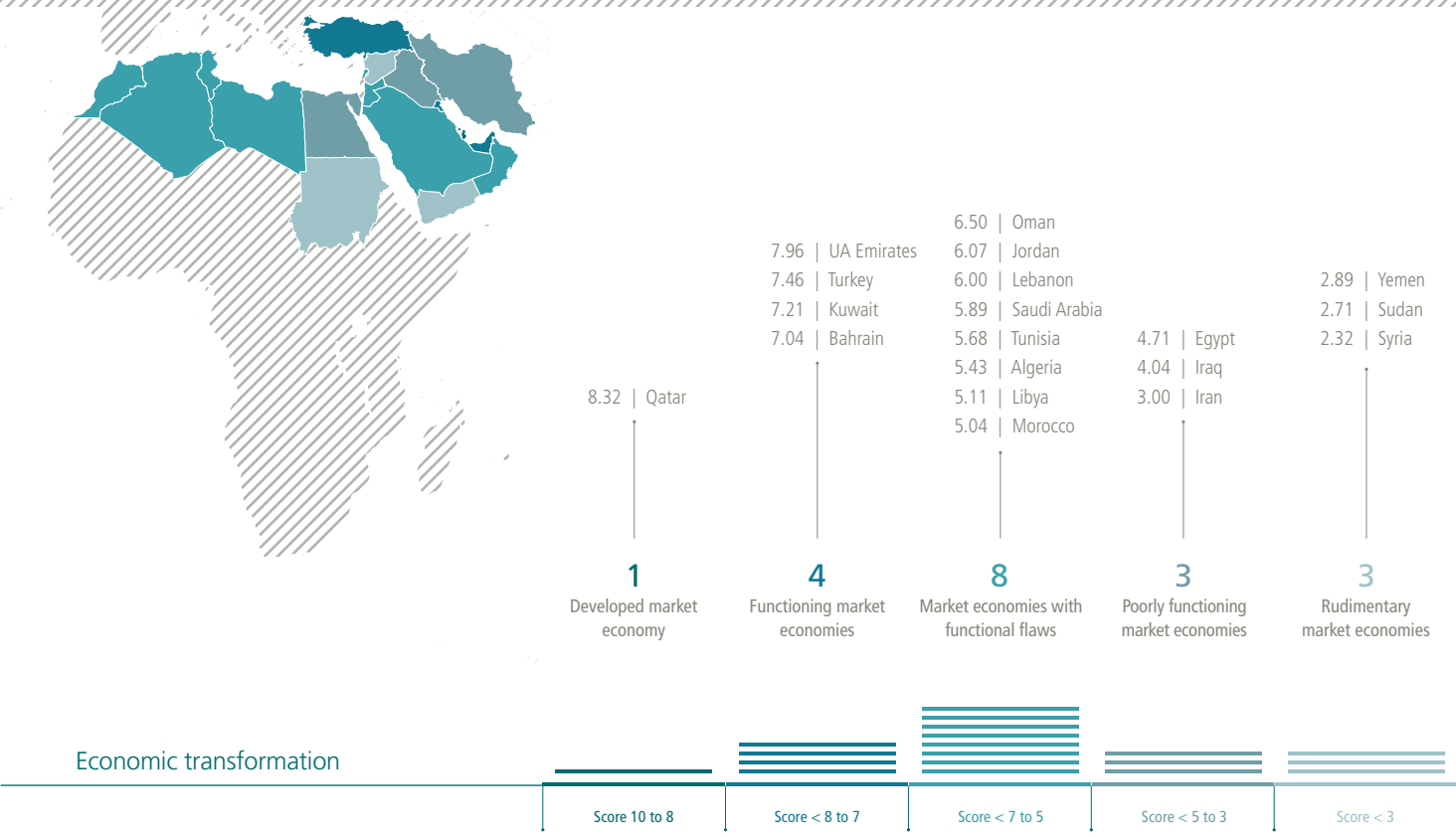
Three countries have again deteriorated significantly even from a very low starting point. Sudan's state of political transformation has fallen to 2.45 points following the secession of South Sudan and is thus at the fourth-worst position among all 129 BTI countries. Here, too, the driving forces were above all losses in stateness and civil rights. The same is true of Saudi Arabia (2.73 points). Finally, Iran has continued its decline, with its score of 3.13 now placing it at rank 118, largely due to further constraints on opportunities for political participation.

Where is Tunisia headed?

The greatest upheaval in Tunisia's recent history occurred on the eve of the BTI 2014 survey period: On January 14, 2011, autocratic president Zine el-Abidine Ben Ali fled the country. Since then, Tunisia has held elections to establish a National Constituent Assembly tasked with drafting a new constitution and gone through several transitional governments. Throughout, Tunisia has been engaged in a turbulent transformation process the outcome of which remains uncertain. On the one hand, Tunisia has made greater gains in political transformation than any other BTI country and is, for the first time, classified as a defective democracy. Political freedom and civil rights have expanded impressively. More than 100 parties have been permitted to field candidates, the October 2011 elections were free and fair, and freedom of the press and opinion are flourishing as never before.

On the other hand, this initially promising process has stalled. Reforms are increasingly stymied by political instability, mounting polarization between the Islamist majority and its secular opposition, and social and economic deterioration. In the wake of a revolution that strove for social justice and dignity, Tunisia's political system now faces a crisis of confidence.

Tunisia's interim government must find a way out of this crisis. Along with developing a clear roadmap for drafting and adopting a new constitution while effectively organizing legislative and presidential elections, it must also strike a balance between embracing dialogue with all relevant groups in society and resolutely combating extremism.



The price of upheaval

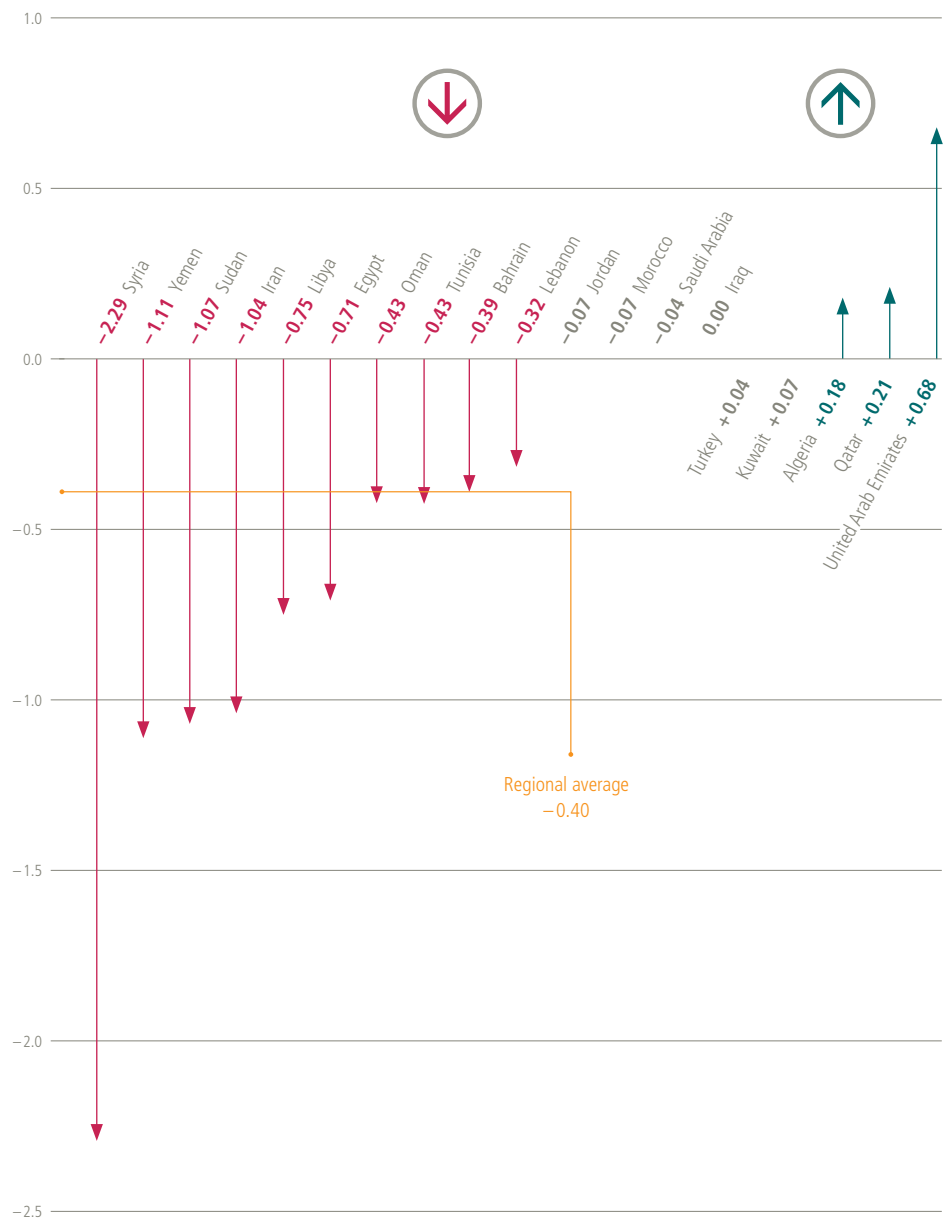
Revolutions generally lead to economic setbacks. This lesson has been confirmed once again by the upheavals in the Arab world, where 13 of 19 states register declines. At the other end of the spectrum rank the now-recovered Gulf states, with Qatar, the region's only developed market economy, in the lead.

To be sure, many observers had expected it: Following their regime changes, the North African transformation countries are experiencing hard economic times. On average, Egypt, Libya and Tunisia suffered a decline of 0.63 points in the dimension of economic transformation, thus experiencing significantly greater deteriorations than the regional trend of -0.40. Egypt took particularly big steps backward in the areas of fiscal and competition policy, as well as in macrostability. Real economic growth was a meager 1.8 percent in the year of the revolution, while the official unemployment rate reached record highs, particularly among young people and university graduates. Hard hit by the collapse of the tourism industry, Egypt is now on the brink of insolvency.

As in Egypt, religion- and gender-based discrimination in Libya has negatively impacted the economic participation of some population groups. In addition, in a manner typical of post-revolutionary countries, macroeconomic stability and economic performance both declined. Tunisia's output strength also suffered under the changed conditions. The government's budget deficit and the national debt rose between 2010 and 2012, while unemployment remained stuck at about 18 percent. In order to keep macroeconomic fundamentals stable, the Tunisian dinar was devalued by six percent against the euro. A glimmer of hope can be seen in the export sector, which, even after the revolution, achieved an increase in revenues, although the sluggish economy in Europe had a negative effect.

Syria's dramatic but unsurprising decline by 2.29 points results from the war that erupted in 2011. However, the further regression of Sudan and Yemen (respectively -1.07 and -1.11 points), traditionally the region's weakest economies, is alarming. Iran also continued its long-standing decline, losing 1.04 points. Economic problems are thus waiting in the wings for Ahmadinejad's successor, Hassan Rouhani. In the Persian Gulf, Qatar and particularly the United Arab Emirates have continued their course of economic reform. In the Emirates (+0.68), which in 2008-2009 were still suffering from the global economic crisis, the financial center of Dubai has led the way to the recovery of former strength, thanks particularly to high oil prices. Gross national product in 2012

Economic setbacks in revolutionary times



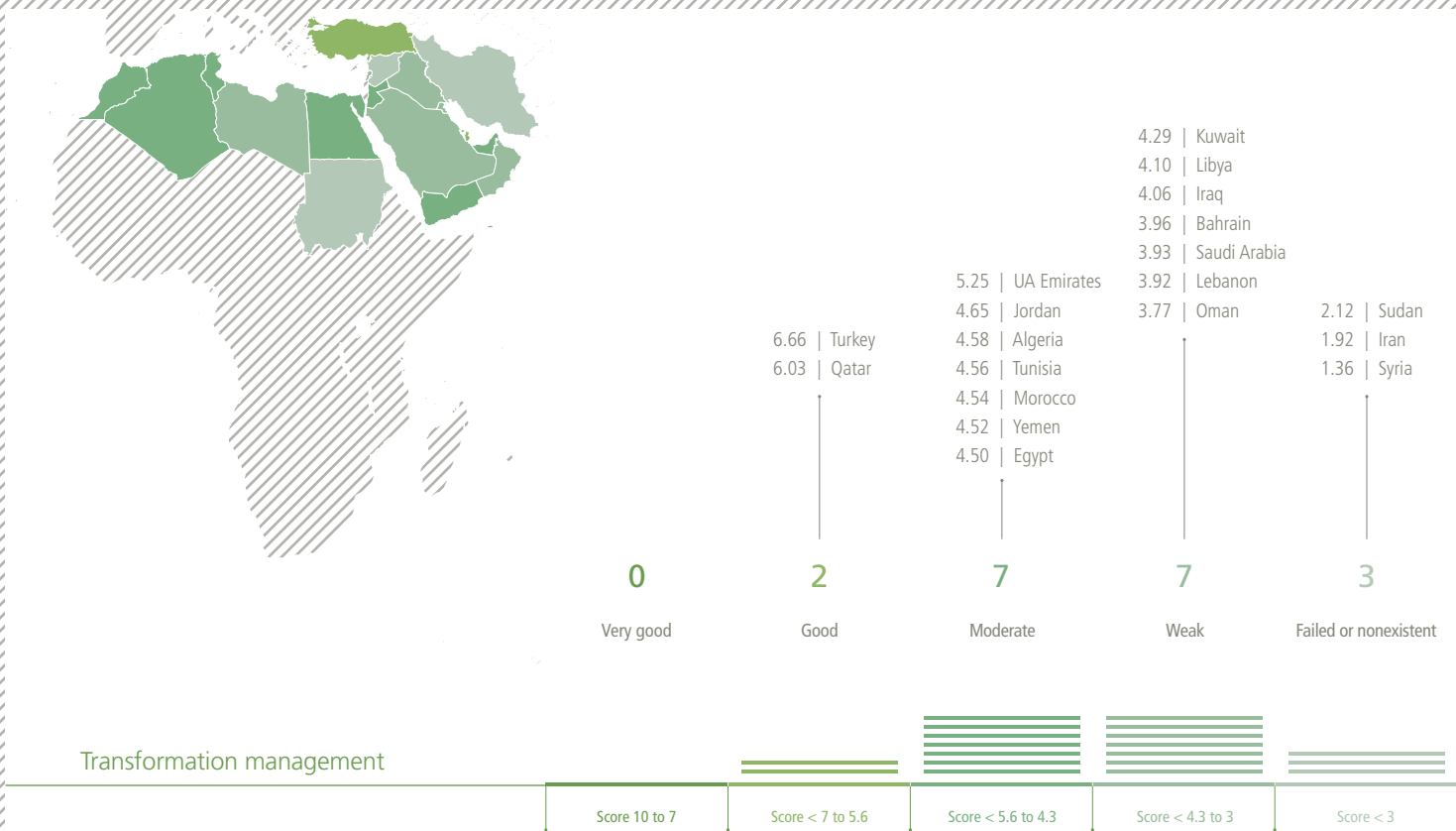
Score changes in economic transformation, BTI 2012 – BTI 2014

amounted to about \$400 billion, more than twice that of 2006. A budget surplus of more than \$10 billion facilitated a problem-free doubling of public administration salaries in reaction to the Arab Spring. In addition, a new competition law that entered into force in 2012 will further stimulate the economy. Qatar, too, (+0.21) has paved the way for better economic conditions through the introduction of a new draft law governing commercial activity early in 2013. The annual budget surplus here amounted to \$15 billion in 2012, unemployment is virtually nonexistent, and social benefits are above average. As in other Gulf states, this applies only to citizens – the numerous guest workers, particularly from Southeast Asia, who often live and work in harsh conditions in these oil-rich monarchies, are largely excluded from government benefits.

The BTI classifies Qatar as the only developed market economy in the region. As Emir Hamad bin Khalifa al Thani handed over power on June 25, 2013, he left his son and successor Tamim a house kept clearly in order. While Tunisia remains a market economy with functional flaws despite the setbacks outlined above, Egypt has slid in comparison with the BTI 2012 to the category of a poorly functioning market economy. Sudan, Syria and Yemen are now classified only as rudimentary market economies. All three economies suffered from massive civil war-related destruction. According to

U.N. estimates, more than 50 percent of Yemenis live in absolute poverty. The situation in Sudan is hardly better, as the economy produces an annual per capita income of just \$2,300; the secession of South Su-

dan on July 9, 2011, along with the associated loss of rich oil reserves, represented yet another setback.



High hopes, dashed expectations

Government performances in the region vary widely. While the new governments in North Africa demonstrate acumen in managing transformation, the state of affairs in Iran, Sudan and Syria is disastrous. The example of Turkey ultimately shows that even a highly effective government can polarize a country.

Just how poor governance in Iran, Sudan and Syria truly is can be illustrated by a look at the full BTI rankings. Here, Syria holds the second-to-last place, surpassing only Eritrea, while coming behind North Korea and Somalia. In Iran (rank 124) and Sudan (rank 123), governance is rated worse than in Afghanistan, the Democratic Republic of the Congo and Zimbabwe, to take but a few examples. Even South Sudan, the region's new neighboring state, which itself struggles with massive problems, has shown significantly better political management.

Syria's virtual free fall in the Management Index follows on the heels of improvements registered in the BTI 2012. These improvements included the increasing substitution of former party functionaries for

well-trained professionals in the public administration as well as tighter international cooperation. These encouraging developments have since disappeared. The decline of 1.79 points and the country report point to a regime that has deliberately led the country into catastrophe.

Mahmoud Ahmadinejad also showed a miserable governance record. Under his leadership, Iran has lost an additional 1.25 points from its BTI 2006 level, which was already classified as very weak management. The president evidently attributed little value to the fight against corruption or to international support. His regime was internally divided, and the power struggle that broke out in April 2011 with the country's religious and political leader, Ayatollah

Sayed Ali Khamenei, frustrated all policy-making efforts.

The Sudanese government also evinces a rigid refusal to reform. After the secession of the Christian-animist South in July 2011, a stronger sense of unity was expected within the now nearly homogeneously Islamic Arab North. However, government activity apparently consists now only of appeals to unity, rallying calls and propaganda.

North Africa's new governments, by contrast, have demonstrated average to good governance performance. Libya, Egypt and Tunisia have all received much better assessments than in the BTI 2012. The most improved is Libya (+1.21), although this is largely due to the continually catastrophic values received by the old Qadhafi govern-

ment. The more moderate improvements in Egypt and Tunisia (respectively +0.29 and +0.22) reflect rather more checkered governance records, in which a number of points of progress contrast with declines in areas such as policy coordination, conflict management and international credibility.

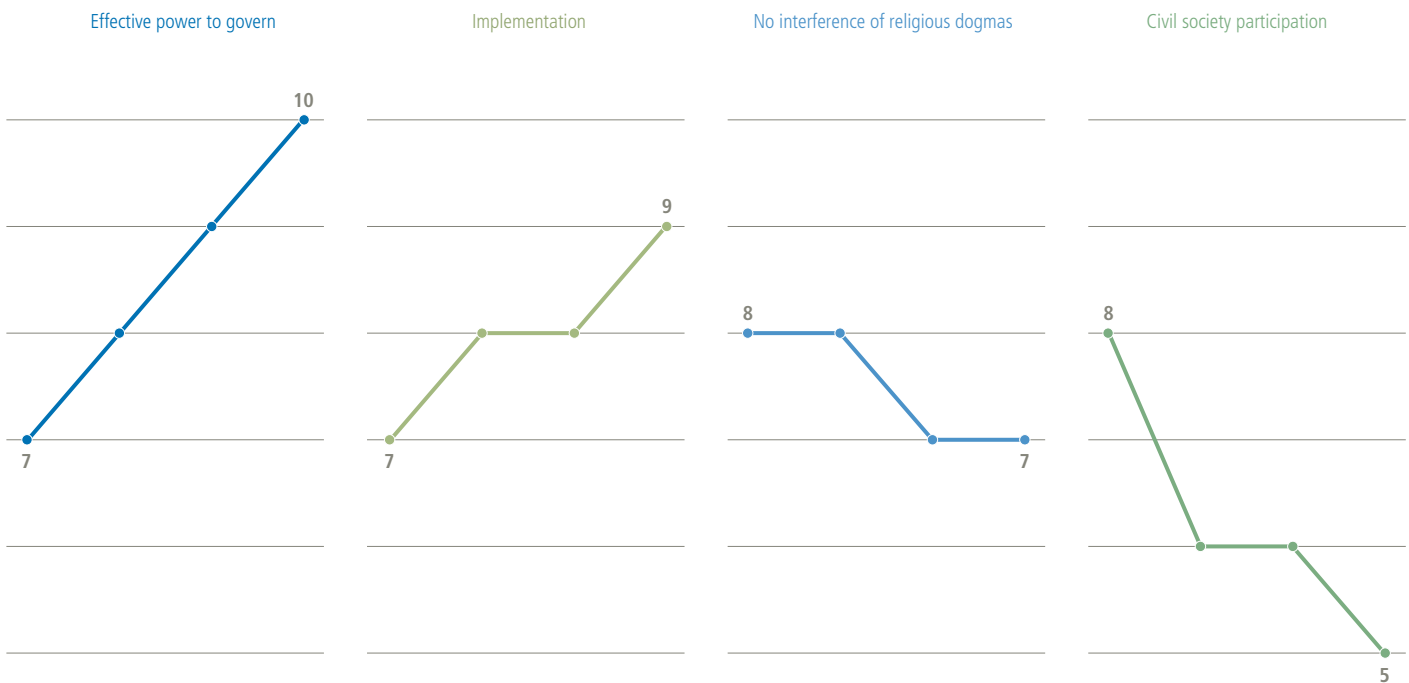
The sharp decline in the quality of governance in Oman is notable, analogous as it is to the negative political developments that took place during the review period. The harsh response to the tentative demands for reform led to the widespread feeling that the sultan is acting in an increasingly self-centered manner, while losing sight of long-term political planning. Thus, there is still no prime minister, and cabinet shuffles and cosmetic reforms can no longer conceal the regime's fraught internal state.

Turkey ultimately changed little in comparison to the BTI 2012 in all survey dimen-

sions and remains in the BTI's top group, ranked 14th within the Management Index. However, a long-term analysis of the BTI data offers a convincing explanation for the pent-up frustration with a governance style increasingly perceived as authoritarian on the part of Prime Minister Recep Tayyip Erdoğan's AKP government. The sidelining of secular forces strictly oriented to the ideals of national founder Atatürk, as well as the successful subordination of the military to the primacy of politics with the exposure of the 2009 Ergenekon conspiracy, have led since the BTI 2009 to a step-by-step improvement in the effective power to govern and implementation capacity, but at the same time, consideration of civil society actors within the political decision-making process has diminished rapidly. This explains the widespread fear of government power getting overly centralized in this

strongly polarized country. And, indeed, it was fear, frustration and a sense of powerlessness that drew demonstrators together in June 2013 in Gezi Park.

Turkey: ruling more effectively, but less inclusive



Score changes in selected indicators, BTI 2008 – BTI 2014



Divided dynamics

The Middle East and North Africa region has found itself swept by change. The peoples of Egypt, Libya, Tunisia and Yemen have overthrown their old regimes, but are now living through a painful transition process that includes intense power struggles between Islamists, secular forces and the military. These insecure times have above all placed the affected economies under pressure, and a lack of either capability or will has left social, religious and ethnic minorities exposed to the threat of violence. The conflicts in Bahrain and particularly in Syria have taken catastrophic turns, with high losses of life and severe war damage to private property and public facilities. Those holding political power in Syria following the war will face massive reconstruction efforts extending beyond the merely physical, as the war has also deepened the rift between the various population groups. The exercise of influence by international actors, such as Iran, Russia, Hezbollah and others, has only helped complicate the situation.

In considering all the countries of North Africa and the Middle East, it must be said that the Arab Spring did not encompass the entire region. However, it is notable how strongly the formerly democracy-resistant bastion of North Africa (Algeria, Egypt, Libya, Morocco and Tunisia) and the rather reform-inclined (at least in the economic sphere) Gulf region (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) are now moving in different directions. The two subregions fell close by one another in the BTI 2012's assessment of political transformation (North Africa: 3.85 points; Gulf region: 4.03 points). However,

the North African Mediterranean states improved significantly in the BTI 2014, to 4.84 points, while the Gulf states fell to 3.73 points. Only Kuwait comes close to the North African average for political transformation, while the Gulf region – especially given the sharp declines in Bahrain and Oman – must more than ever be viewed as a stronghold of authoritarianism even in global comparison.

With respect to economic transformation, however, the North African countries failed to make up the significant gap relative to the Gulf states seen in the BTI 2012 (North Africa: 5.55; Gulf region: 7.14). To the contrary, the political shocks led to losses particularly with regard to economic performance and macroeconomic stability, so that the economic transformation score for North Africa fell to 5.19, while that of the Gulf states remained stable at 7.15. In the post-revolutionary countries, the economic situation will remain stressed for some time to come. This is particularly clear in Egypt, which relies on loans worth billions of dollars. In Libya's case, an administration that was bloated for political reasons under Qadhafi represents a major mortgage on the future. It also illustrates the immense need for reform that complicates economic transformation despite the country's vast reserves of raw materials.

The varying subregional dynamics were manifest most clearly in the area of transformation management. While the Gulf states lost some ground since the BTI 2012 (falling from 4.72 to 4.54), the North African states improved considerably, from 3.93 to 4.46. Iran sits considerably farther behind. Nev-

ertheless, the election of Hassan Rouhani as the new president is bound together with the hope of an improved management performance. Rouhani's particular challenge will be to initiate reforms challenging the ultraconservative vision of the powerful clergy, while retaining the support of the 12-member Guardian Council and its leader, Khamenei.

While the Gulf states will likely retain their regional economic supremacy for some time to come thanks to their resource wealth and the generally prudent and long-term investment in education and infrastructure, the political center of gravity appears to be shifting gradually back toward the west, to the traditional regional leadership of Egypt and the Mediterranean states. Precisely for this reason, the events in Cairo are of particular significance. What follows from the Arab Spring – and whether the revolutions will change the face of the region for the better and for the long run – will be decided in the struggle to attain an orderly and democratic path.



This summary is based on the North Africa and Middle East regional report by Jan Claudius Völkel, available at www.bti-project.org/mena



Full reports for each country in the region available at www.bti-project.org/countryreports/mena

Salam Kawakibi is Deputy Director and Director of Research of the Paris-based Arab Reform Initiative (ARI). He is also President of the Initiative for a New Syria. Before he began working with ARI in 2006, he carried out research for several international organizations. As Associate Professor at the University of Paris I, he has published several essays addressing issues related to Syria and political development. Most recently, he served as editor of *Syrian Voices from Pre-Revolution Syria: Civil Society Against All Odds*. Salam Kawakibi has been a member of the Transformation Thinkers network since 2008. This interview was conducted in June 2013.



Interview

“We count on global civil society”

Salam Kawakibi draws hope from Syria's emerging new elite – and criticizes the hypocrisy of the West

Your country faces a humanitarian catastrophe. According to U.N. estimates, the civil war has already claimed the lives of more than 100,000 people. And, although we can't predict the future, we must ask: What comes after the war?

The answer to that question depends first of all on the way that the conflict ends: political process, negotiation, foreign intervention, a military victory for the rebels or military action and political process working in parallel. From the very beginning of the peaceful public protests, and well before military action broke out, the regime tried to cast it in the light of a sectarian conflict. Two and a half years later, it seems that their strategy has worked in certain sectors. Hope rests with the conscience of the political forces and the new elite emerging from the revolution. Shrewd political projects could bolster civil society, which in turn might well save national cohesion and the unity of the country.

As a prominent member of the opposition, how would you assess its current state? Is the opposition able to speak with one voice, or are the various factions pursuing different strategies and goals?

I am not a prominent member of the opposition. I am an intellectual committed to the rights of his people and of all peoples in the world. I have always tried to keep my distance from any kind of institution. This position preserves my intellectual freedom and the credibility of my research. The opposition is fragmented, and that's no secret. Clearly, after five decades in which the regime monopolized public space, opponents work in a very isolated manner and haven't managed to develop a collective spirit. Repression and fear have yielded a failed political culture. But oppositional heterogeneity could also be a source of enrichment for political action and democratic diversity as long as differences are dealt with constructively.

In several countries in the region, religious, ethnic and tribal cleavages that were either ignored or violently suppressed by authoritarian rule have begun to emerge. What might democratic conflict management look like? Which regional actors have an interest in fanning the flames of conflict in pursuing their own goals, and how would you deal with them? Is any major political force promoting a vision for the region that offers genuine promise?

Authoritarian regimes generally exploit and reinforce any form of difference within their societies in order to better control them. They have taken minorities hostage and exploited religious issues. The Arab revolutions have done nothing more than open the pressure cooker and to make apparent all the ills and deficiencies in the society that arose in previous years. Every regional and international actor is using the Syrian situation to negotiate their own interests, to settle their own accounts with others, to increase their influence, whether economic, political or military. It is worth noting that the Iranians and the Russians are the most “honest” in their positioning; they support the regime in both word and deed. The West, on the other hand, relies on a very high degree of brazen political hypocrisy, making inflammatory declarations without any accompanying action. For them, the golden rule is: wait, see and hope, demonstrating a high level of irresponsibility in the face of the Syrian humanitarian crisis. After two and a half years, it is easy for them to use fear of radicalization within the revolution, partly created by their very neglect, as a pretext for preventing any type of aid. The Syrian people have been abandoned, and they realized it very early on in the revolution. However, while they no longer count on institutions, they continue to count on global civil society.

Given the magnitude of violence and scope of political problems in Syria today, economic challenges often take the back seat. Today, Syria's economy is in shambles. What can be done to improve the economic situation?

The reconstruction of the country will require international involvement. With the disgraceful lack of a political solution from the so-called international community, their absence and indifference have contributed to the current stalemate. As they bear a major responsibility, I think that they will inevitably be called upon during the reconstruction. Numerous groups of Syrian technocrats and technicians who excel in their adoptive countries are ready to return and bring with them their experience and their know-how. A transparent organization and lean bureaucracy would actively help the people navigate this difficult transition.