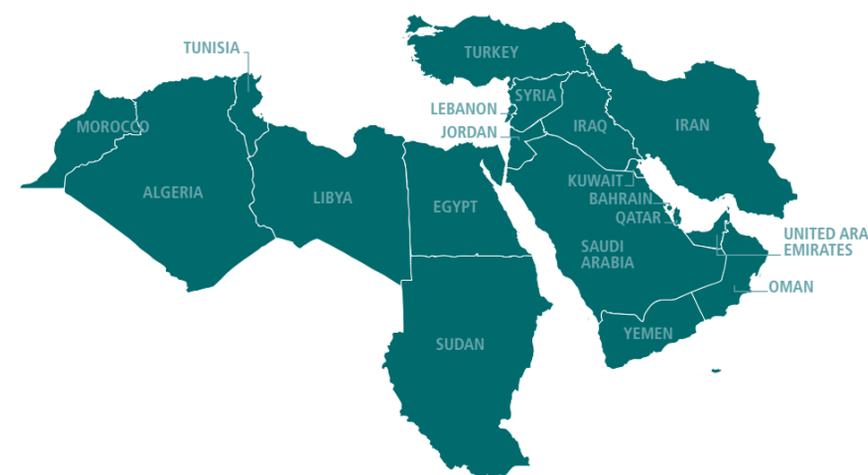




Middle East and North Africa

The storm after the calm

The Arab Spring came suddenly and unexpectedly – and was not to be predicted, even by the BTI 2012 data. But the BTI does point to the failings of deadlocked reform in nearly all Middle Eastern countries and the repressive character of most of their governments.



The corner was turned on a single day: On January 28, 2011, Egypt's president, Hosni Mubarak, brusquely reprimanded his long-standing interior minister, Habib al-Adli, for the fact that police and security forces had lost control of the situation despite employing live ammunition. Withdrawing his confidence from al-Adli, Mubarak commanded the military (which reported directly to him) to end the nationwide demonstrations and restore internal security. With this, Mubarak sealed his fate. The generals rapidly and unequivocally stated that the military would protect public buildings and institutions, but in no case would it move against its own people. Though the generals remained loyal, they pressed upon Mubarak to face the demonstrators' demands and find a political solution. Hav-

ing lost two essential pillars of his rule straightaway, the police and military, Mubarak resigned two weeks later.

The wave of demonstrations – which has since engulfed nearly the whole region – was now unstoppable. In Tunisia, where demonstrations had begun a few weeks earlier, citizens and observers marveled at the tempo of change. On December 17, 2010, a young vegetable street vendor, Mohammed Bouazizi, immolated himself in front of the provincial headquarters in Sidi Bouzid. Less than a month later, on January 14, 2011, President Ben Ali stepped down. But it was the success in large, powerful Egypt – where peaceful demonstrations swept away a despot of Mubarak's ilk, who had ruled for 30 years – that sparked protest movements in Bahrain, Libya, Syria, Yemen and other countries in the region.

The question for the BTI 2012 is obvious: Can its data explain the outbreak of these demonstrations? The answer is yes and no. No, because a uniform trend in the runup to the upheavals cannot be discerned for those countries where the protests against repression and social injustice were strongest. Yes, because the region as a whole stagnated at a low level in all three BTI dimensions up to the end of the period under review, January 31, 2011. Apart from a few exceptions, no improvements were observed for democratization, market economy or management performance. The regimes did not continue to pursue and consolidate the advances described in the BTI 2010; in some countries, they were even rolled back. And the lack of will among elites to change is undoubtedly a key driver of the dissatisfaction spanning generations and borders.

The resistance to reforms among those in power and the demands for change from below that powerfully erupted in the spring of 2011 are reflected in all three dimensions of the BTI. The countries of the Middle East and North Africa constitute by far the most authoritarian region of the world. Only Turkey, Lebanon and Iraq can be termed more or less defective democracies. Only Kuwait (+0.27 points) and Iraq (+0.18) achieved appreciable improvements in the democracy ranking. All the other countries remained at exceptionally low levels or even deteriorated, especially Iran (–0.20) and Yemen (–0.53).

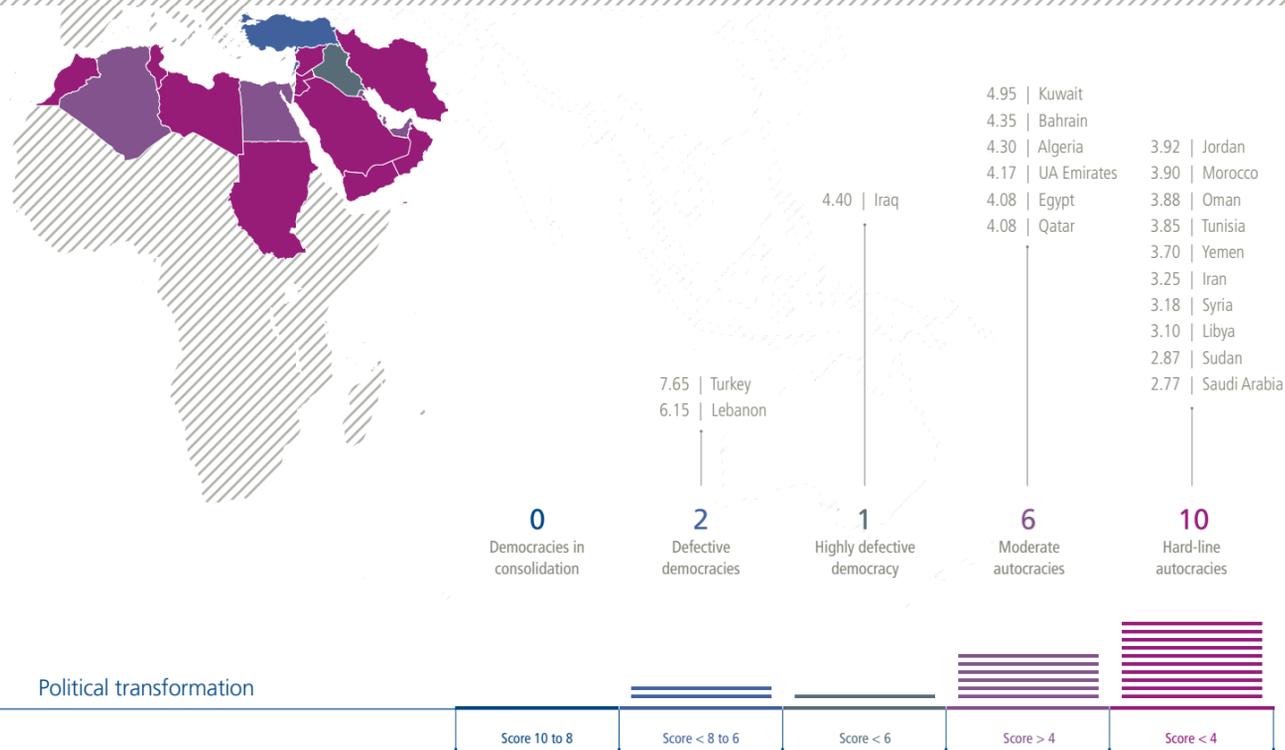
In terms of economic transformation, only Iraq and, to a lesser extent, Morocco show definite change for the better. Even Turkey, the regional forerunner, is stagnating, though it does so at a relatively accom-

plished level. Saudi Arabia saw the most severe decline here (–0.46). Only Iraq made noticeable progress on both the democracy and market economy dimensions, by a total of 0.27 points.

A large divide exists in the region regarding the management performance of individual governments. Syria's strong improvement (+0.38) may appear astonishing in light of the violent clashes between government forces and demonstrators that broke out in the spring of 2011. It reflects the Assad government's steps toward reform in the preceding years, albeit within the context of extremely poor management. To be sure, Syria numbers among the worst-governed countries in the region together with Iran, Libya and Sudan. Sluggish and indecisive action taken by the government

of Sudan's president, Omar al-Bashir, account for its fall in the Management Index. Much too hesitant in implementing the Comprehensive Peace Agreement (CPA) that ended the decades-long civil war between North and South Sudan in 2005, the government's management performance depreciated by a drastic 0.70 points.





The great disillusionment

A Cairo, Beirut and Damascus Spring have occurred once before. Following the hopes of 2005 to 2008, however, stagnation and regression ensued. No other BTI region is so undemocratic.

With an average of 4.13 points for political transformation, the Middle East and North Africa region constitutes by far the weakest in the BTI. Except for Turkey, Lebanon and Iraq, it is universally under autocratic rule. Iraq is categorized as a “highly defective” democracy since the positive trend begun in 2007 continued into the latest period under study – for example, regarding the independence of its judiciary, the professionalism of public administration and its party system.

As before, all of this is taking place within a very limited scope, allowing autocratic Kuwait to surpass Iraq in terms of its point score. But since elections in Kuwait are judged to be insufficiently free and fair, Kuwait is not a democracy, but merely far and away the most open and liberal autocracy in the region.

The good news already draws to an end with the minimal improvements achieved by Tunisia and the United Arab Emirates. All the longer is the list of losers, led by Yemen (-0.53 points), which declined (sometimes steeply) in seven of the 18 individual questions on political transformation. The deterioration is alarming for stateness and for freedom of expression and the press. President Ali Abdallah Salih insidiously but surely lost authority. Events in Sudan also escalated dramatically. To be sure, the referendum on South Sudanese independence was finally carried out on January 9, 2011, from which a new state emerged on July 9, 2011. But for Sudan’s scores in the BTI 2012, this was outweighed by President Omar al-Bashir’s massive restrictions of civil rights and interference with civil society.

Iran presents a comparable picture. The contest between reform and repression has already been decided here – in favor of the government. After the obviously manipulated presidential elections of June 12, 2009, demonstrators protested in the major cities for weeks against President Mahmud Ahmadinejad. Only with massive police and military intervention could the government defeat the Green Revolution. A number of opposition leaders were executed or remain imprisoned to this day.

But the region’s most authoritarian country is still Saudi Arabia, whose scores were devalued due to a decline in performance of public administration as well as backsliding on the separation of powers and freedoms of expression and the press. Qatar, too, has abandoned the path of liberalization for now.

Evidence for this includes the growing influence of religious dignitaries, violations of the separation of powers and civil rights, and another postponement of parliamentary elections to 2013.

Just as in the Gulf, stagnation and regression dominate in the states of North Africa and the Levant. The Syrian government’s harsh crackdown on demonstrators in 2011 horrifically shows the inhumanity of its technocratic regime. It takes the country back to conditions that were thought to have been overcome with the death of Hafiz al-Assad. The situation in Libya is just as catastrophic. Its scores, which were already extremely low, have declined further. Even though Muammar al-Gaddafi propagandized his country as a model of direct democracy up to his overthrow, in reality, not a trace of democracy could be found anymore. What is more, the final, exceptionally brutal repressions of the Gaddafi regime only occurred after the close of the BTI 2012 study period.

At the end of the Mubarak era, on February 11, 2011, Egypt hovered just above the threshold for hard-line autocracies, with 4.08 points. Deterioration is noted especially for freedom of assembly, separation of powers and independence of the judiciary. In Algeria, the government restricted opportunities for political participation. For instance, members of the teachers’ association Conseil National des Enseignants Contractuels (CNEC) were arrested during demonstrations in 2009. Some were beaten so severely by police in broad daylight as to require hospitalization. Still, the domestic political situation remained relatively calm for two main reasons. For one, President Abdelaziz Bouteflika’s regime reacted relatively quickly to the protests that arose in January 2011. On February 23, 2011, it revoked the state of emergency that had been in place for 19 years. For another, Algerian society still suffers from the trauma of its civil war (1992–2000). For many, stability seems to be more important than democracy.

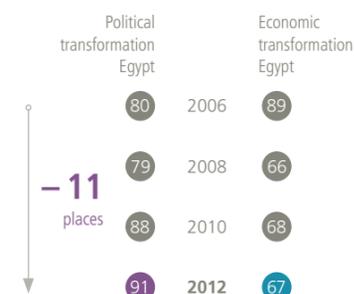
Egypt: The power of the street

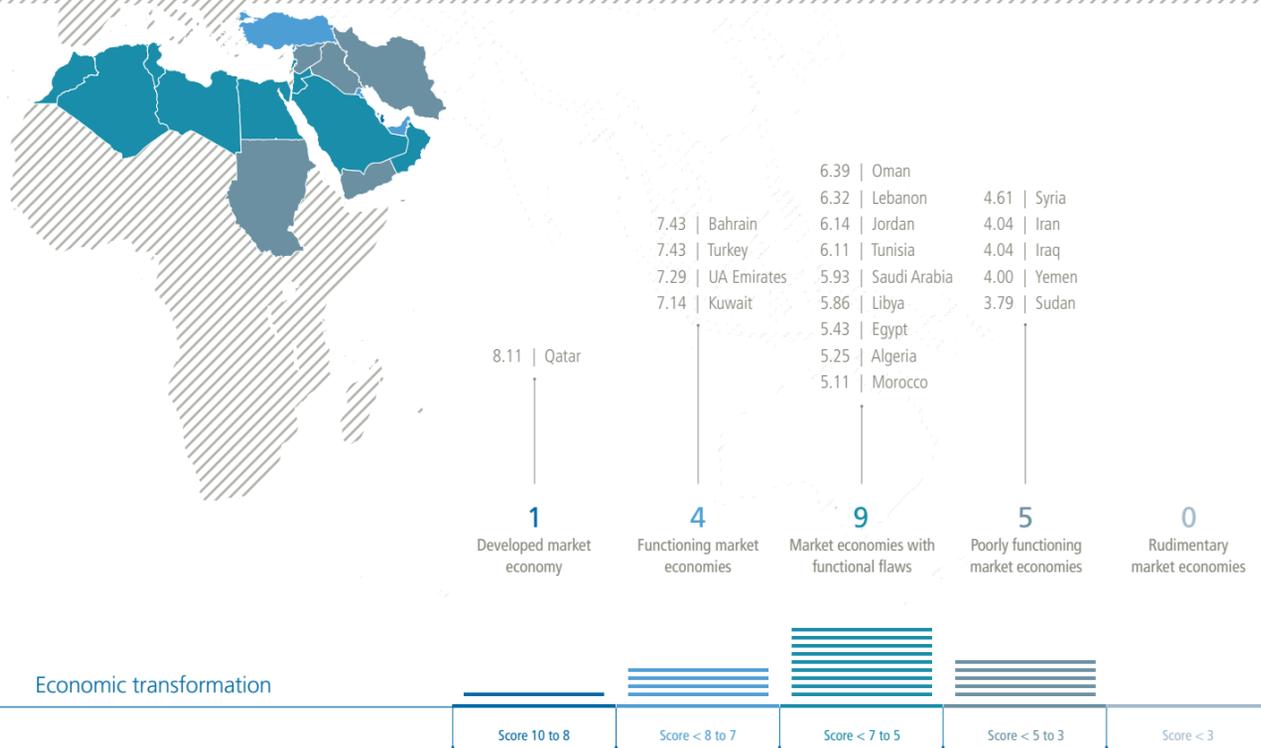
In recent months, Tahrir Square in central Cairo has become a symbol of the social upheaval throughout the region. Even more than Tunisia, where the demonstrations began, the large nation of Egypt is the center of attention. Protests there are ongoing because a good portion of the populace is dissatisfied with the ruling military council’s pace of reform and fears that the military will not permit real democratization and political competition.

The political downward trend continued up to Hosni Mubarak’s resignation on February 11, 2011. Having scored 4.40 points in the 2008 democracy ranking, Egypt dropped to 4.22 in 2010 and again to 4.08 in the BTI 2012. This devaluation primarily reflects restrictions on civil rights and opportunities for political participation. Following the Cairo Spring of 2005, the Mubarak regime again stepped up its repression of the political opposition. The winter 2010 parliamentary elections were more obviously manipulated than ever before. Egypt’s scores for the separation of powers and an independent judiciary also further deteriorated from the BTI 2010.

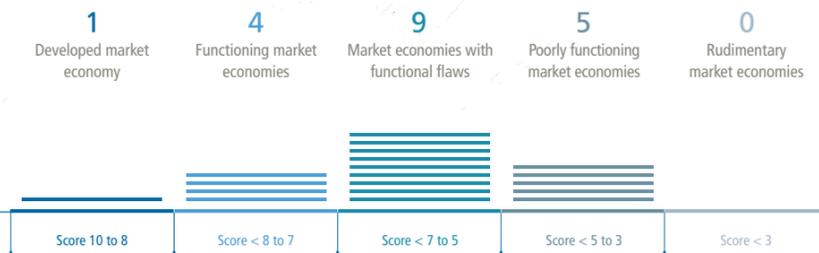
But Egypt is also an example of how economic success can be overshadowed by growing social tensions. Despite Egypt’s basically positive economic trends, the BTI country report warns of the need to better mitigate the social effects of economic liberalization. Rising youth unemployment (Egypt’s population is the youngest in the region), a growing rural-urban divide and pronounced social inequality stoke dissatisfaction. The BTI scores for equality of opportunity and social safety nets linger at a constantly low level. Along with the political challenge of building a new, democratic system, the central tasks for the future are the fight against corruption and abuse of office (which has been utterly inadequate to date) and the creation of a sustainable social order.

Population: 84.5 mn
Life expectancy: 70 years
Human Development Index rank (out of 187): 112
GDP p.c. PPP: \$6,281





Economic transformation



The gap widens

Not least, economic stagnation sparked the wave of protest in the Middle East and North Africa. The sluggish transformation process, the exploitation of many countries by their regimes and especially the impoverishment of large parts of the population formed an explosive combination. But there is one regional winner, too: Qatar.

The country where the Arab Spring began is representative of the region's economic stagnation. While Tunisia ranked 35th in the BTI 2008 with 6.79 points, it has since lost 0.68 points and fallen 17 places. Tunisians, in particular, felt a 4 percent hike in gas prices in 2010 after the government trimmed subsidies. Socioeconomic pressure further intensified with rising food prices and slowing economic growth (3.2% in 2010 compared to 6.3% in 2007). Also striking: Tunisia was the only country in the region to cut its social welfare benefits after 2008. Even though mass protests of this magnitude were scarcely foreseeable, they are understandable in retrospect. Rage over economic stagnation erupted in Cairo's Tahrir Square, as well.

Even where improvements are recorded, they are either trivial or of dubious sustainability. Syria, for example, made gains in economic competitiveness, its anti-monopoly policy and macroeconomic stability, yet it remains a poorly functioning market economy. By contrast, Libya's slightly higher scores result primarily from promised reforms announced in April 2009, earmarking \$9 billion for investment in education by 2014. The worst deterioration was observed in Saudi Arabia, which lost 0.46 points since the BTI 2010. Here, where nominal state spending tripled, fiscal discipline was increasingly sacrificed to short-term interests. In addition, the Saudi economy continues to rely too heavily on oil exports (and high oil prices). There is simply too little invested in

the economy's productive branches, which results in an insufficient diversification of the country's economic structures.

Together with Oman, which was actually downgraded one category due to failings in education and environmental policies, Saudi Arabia is the only member state of the Gulf Cooperation Council that does not even count as a functioning market economy. But things also worsened appreciably in the United Arab Emirates and Bahrain. In the United Arab Emirates, and especially its financial center Dubai, the global financial crisis painfully exposed its weakly regulated banking sector. A 24 percent decline in profits for 2009 was the consequence; economic growth fell from 13 percent in 2006 to 2.1 percent in 2010. In addition, its rapid in-

crease in population and concurrent growth in energy usage have not been accompanied by adequate environmental policies: Internationally, the residents of the United Arab Emirates have the worst record on per capita CO₂ emissions.

In Bahrain, which, according to World Economic Forum analysts, has the world's most liberal financial sector, the social welfare system has suffered a few blows. The exclusion of foreign guest workers from the minimum wage increase enacted in April 2010 is just one example. Furthermore, the continuing blatant underrepresentation of its Shiite population in politics, the military and public administration speaks poorly for equality of opportunity.

However, the Gulf states also supply the regional winner: the small emirate of Qatar. Once again, Qatar has advanced toward the goal of moving from an economy based on raw materials to one based on knowledge, showing improvements in its anti-monopoly policy and openness to foreign investors.

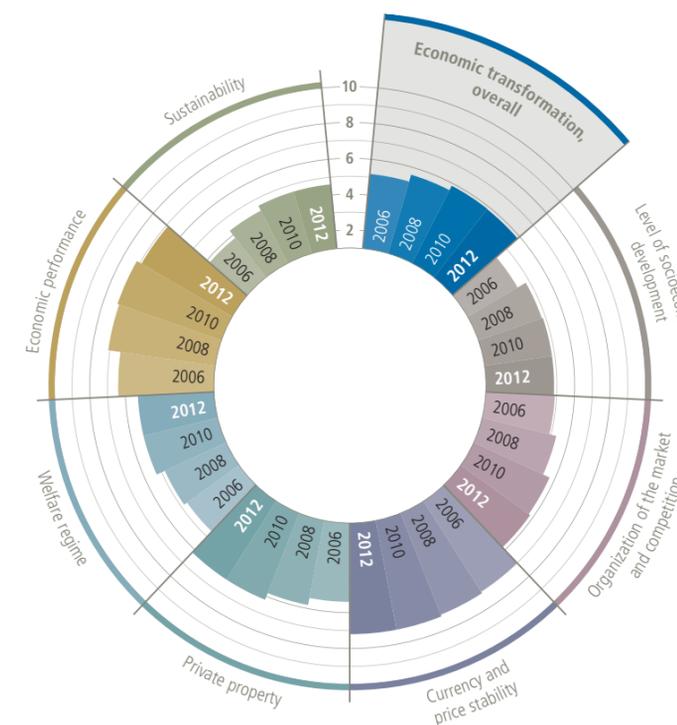
Thanks to these gains, the BTI now classifies Qatar as the region's sole developed market economy.

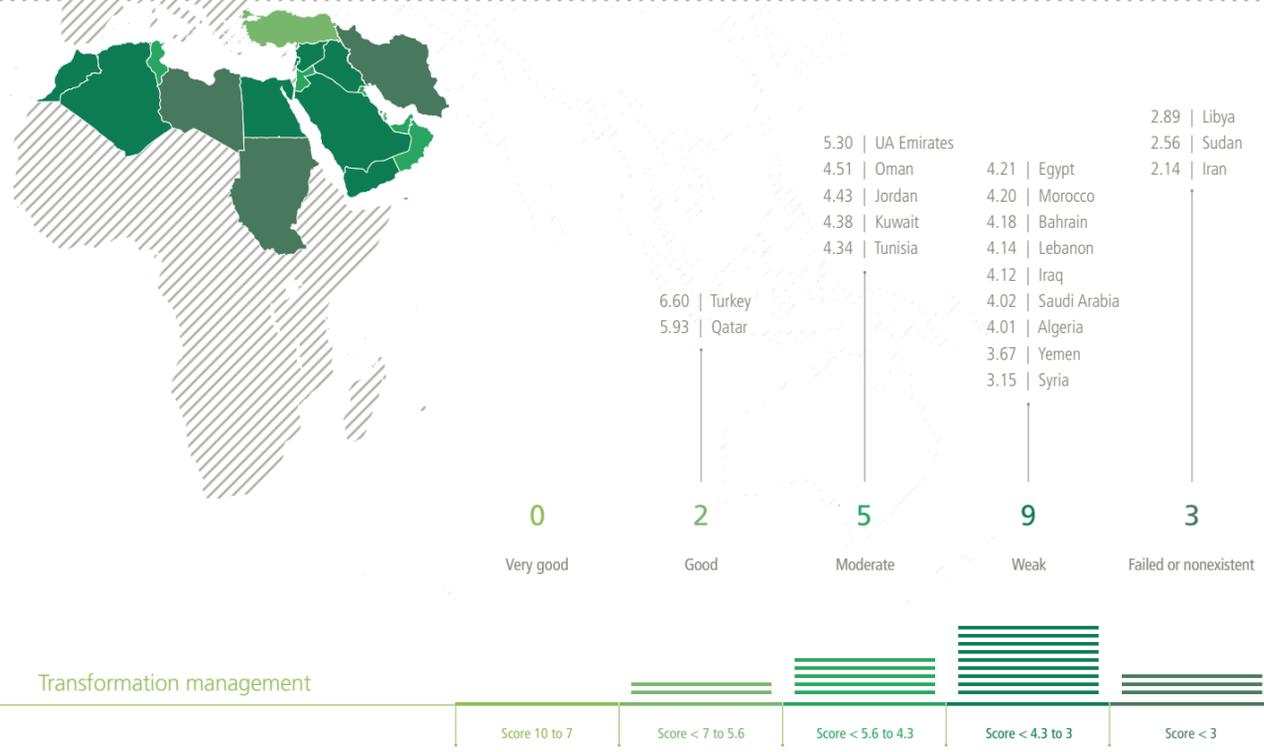
Morocco, too, moved up a category. On the one hand, this is based on the easing of foreign trade with new tariff regulations. On the other hand, for the first time, its government issued an official declaration of intent on environmental policy with the National Charter for Environment and Sustainable Development adopted in April 2010. Meanwhile, Iraq achieved the largest leap, improving by 0.36 points and climbing nine notches in the market economy ranking to place 107. The appointment of a Council for Competitiveness and the Prevention of Monopoly in March 2010 is an impressive example of improved market conditions.

Iran also showed progress, though the Ahmadinejad government and its closely affiliated militias are among the biggest profiteers of its monopolistic economy. Inflation, at 8.5 percent for 2010, was only a third of what it was in 2008. Lebanon advanced by

taking steps to liberalize foreign trade, improve the banking sector and fight inflation. The picture is clouded by worsening macroeconomic stability and sharp cuts to education funding. Sudan, which occupies place 113 of 128 and last within the region, is dogged by a disastrous state of economic affairs. Yemen is only marginally better-off.

State of economic transformation 2006–2012, overall and by criterion





Transformation management



Much movement, little progress

Five of the 19 states in the Middle East and North Africa have fallen by one management category in the BTI 2012, while only two countries have advanced. On average, governance remains weak. And the gap between winners and losers is wide.

Despite its slow reaction to the global economic and financial crisis of 2008 and 2009, the regional leader, Turkey, continued its upward trend of recent years, placing 17th in the management ranking with a total score of 6.60. Decisive factors in its increase of 0.26 points were the Erdoğan government's fight against corruption, the weakening of the military as a potential veto actor (epitomized by the exposure of the Ergenekon conspiracy), at least minor concessions on the Kurdish question and intensified regional cooperation, especially with regard to Iraq, Armenia and Greece. The second country to succeed in management is Qatar, thanks to a stronger integration of civil society and greater credibility on the international scene. In addition, conflicts be-

tween natives and guest workers – which led to strikes and clashes in 2007 – have been largely mediated by the government.

At first glance, Syria's 0.34-point gain in the management ranking since 2010 may seem surprising in light of the events that began in the spring of 2011. The period under study, however, showed the first successes of a strategy in which more and more central positions were filled with well-educated technocrats instead of mainly obedient Ba'ath Party supporters. The face of the new Syrian leadership elite is shaped by internationally experienced, Western-educated diplomats who rely less on traditional pan-Arab and anti-Israel propaganda and more on decisions rooted in sound economic policy. However – and this is substantiated by the

sustained, nationwide protest marches – a socially unbalanced course of development determined solely by economics is not a sufficient basis for legitimization in the long run.

It is worth taking a more detailed look at the three biggest losers in management: Lebanon, Yemen and Sudan. Lebanon (–0.32 points, place 92) lost ground mainly due to the political standoff between the March 8 Alliance (supported by Hezbollah) and the March 14 Alliance (supported by pro-Western forces close to former Prime Minister Saad Hariri). This standoff paralyzed parliament for months and made the formation of an effective government impossible. The sectarian differences that have always typified the country gained new significance. Lebanon's international credibility also suffered

as a result. Following the collapse of the pro-Western ruling coalition in January 2011 and subsequent change of government to the Hezbollah-led coalition, doubts about Lebanon's future reliability in vexed Middle Eastern diplomacy are more advisable than ever.

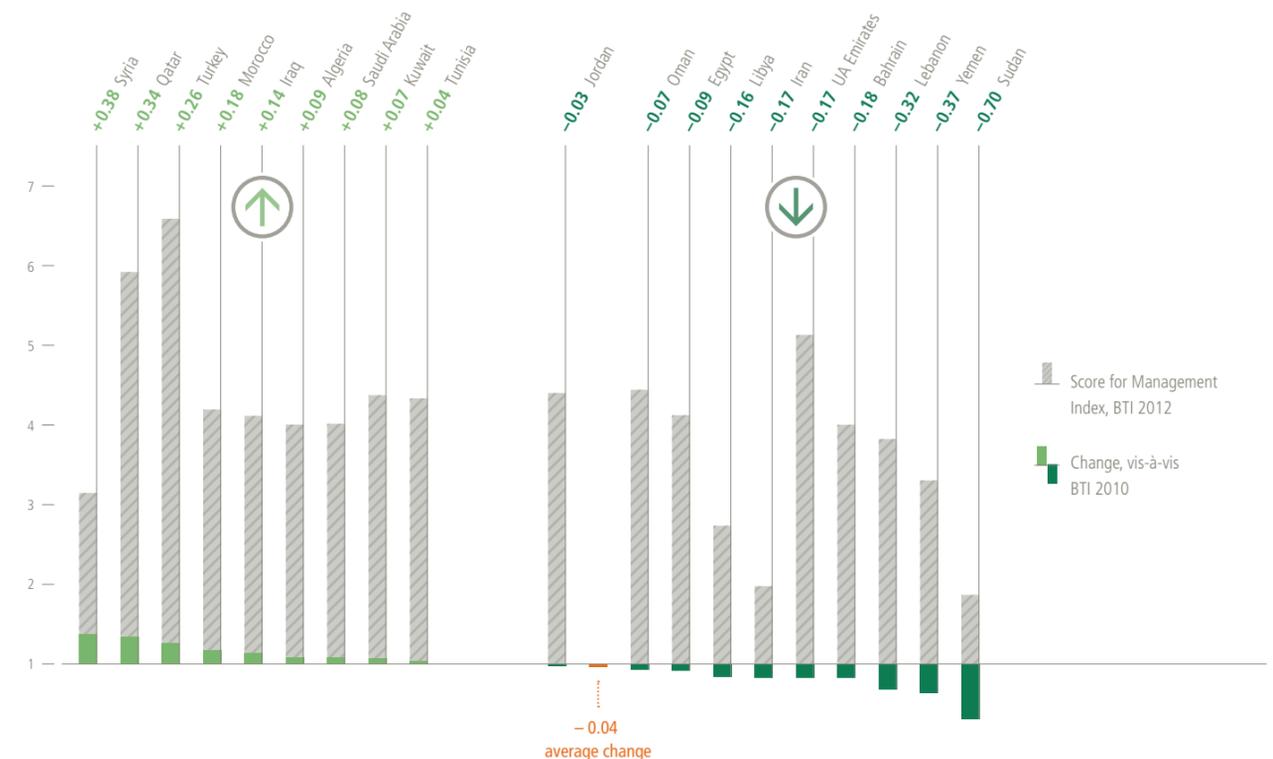
In Yemen (–0.37 points, place 102), it was not only the faulty implementation of policy decisions that weakened the steering capability of President Ali Abdallah Salih's government. Above all, it was an almost non-existent ability to learn from past mistakes. For instance, no innovative answers were found to the country's most urgent questions (e.g., water scarcity, the nutritional situation, tribal conflicts, disintegration of the state). Instead, an attempt was made to force solutions with the help of the military.

The management performance of Sudan's government is characterized by a catastrophic lack of vision (–0.70 points, place

118). It not only displayed enormous weaknesses in coordinating and implementing its policies; increasingly, fundamental uncertainty prevailed over the exact goals of the government and its sincerity with regard to conflict resolution. Although the question of South Sudan's independence was handled more constructively than had been expected, no appreciable progress was made on the Darfur conflict, which has persisted since 2003. On the contrary, the expulsion of 13 international aid organizations from the troubled region in March 2009 further isolated President Omar al-Bashir on the international stage.

Yet Sudan is still better governed than the region's worst performer. Iran holds place 122 in the BTI management ranking, thanks to a decline of 0.17 points (to a score of 2.14). The BTI also ranks Libya's transformation management under Muammar al-Gaddafi in the lowest category.

The largest gains and losses in transformation management





The end of the reform deadlock?

The BTI 2012 findings vividly illustrate the region's reform deadlock. While most of its rulers made concessions in the middle of the previous decade, the newest findings reflect the Arab regimes' nearly complete immobility and aversion to reform.

For the first time since the BTI 2006, no progress was measured in the Middle East and North African region, only stagnation – for both democracy and a market economy. Scores for political transformation persisted at a low level overall, with only Kuwait, Iraq, Tunisia and the United Arab Emirates exhibiting improved scores. On economic transformation, the winners and losers balance each other out, with Iraq having achieved the most ground in this area and Saudi Arabia losing the most. Finally, the quality of transformation management rounds out these sobering findings: Appreciable improvements were observed only in Syria, Qatar and Turkey.

Until the Arab Spring, which began shortly before the study period ended (on January 31, 2011), this wholesale stagnation appeared synonymous with the success of the regimes. The protests beaten down in Iran after the manipulated elections of 2009 led to the conclusion that even though impressively strong social and political protest could be articulated despite repressive con-

ditions, reactionary forces would prevail in the end.

Evidently the observed stagnation in the region represented only the calm before the storm. Massive dissatisfaction surged against the unwillingness and inability to renew and modernize, the constant neglect of broad social strata and the continuing economic deterioration driven by mismanagement, strong population growth and the rapid inflation in food prices starting in 2008. These tensions then exploded, finding expression in the slogans and demands of the demonstrators in Tunis, Cairo and other cities in the Arab world.

The force of these events was not the only surprise. For the first time in decades, true reforms were not decreed from above but compelled from below. Who could have imagined that Ben Ali and Mubarak would be driven from power by weeks-long, predominantly peaceful protests instead of by old age or a conflict among their cadre of elites? Who would have thought that groups and actors in civil society that had been strictly controlled and suppressed for decades would suddenly unite people across generations and classes, forcing their hated governments to resign?

All of this came as a surprise and cannot be fully derived from the BTI 2012 data.

These data are also unsuited to predict the developments ahead. However, they can surely serve to diagnose existing deficits. The events of 2011 demonstrate that undemocratic regimes can secure their power for decades with strict authoritarian tactics, but the allure of democracy, freedom and self-determination cannot be suppressed in perpetuity.

 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

 A progress report on recent developments in the region is available at www.bti-project.org/eid-mena

Aboubakr Jamaï, 43, is the co-founder and editor of the Moroccan news website "lakome.com" and the founder of the weekly magazine "Le Journal Hebdomadaire." He has received several awards for journalistic excellence and his contributions to media freedom. Mr. Jamaï holds an MBA from Oxford University's Saïd Business School and a Master in Public Administration from Harvard Kennedy School. He has been a member of the Transformation Thinkers network since 2005.



Interview

"Primarily about dignity and social justice"

Aboubakr Jamaï on the causes of the "Arab Spring" – and the role the West should play in the future

Much enthusiasm accompanied the "Arab Spring" in Western media and politics. To what degree is this truly a regional, "Arab" phenomenon – and to what degree is it aimed at democratization?

A "demonstration effect" has very probably been at play. Our region has long been the only one in the world almost exclusively dominated by authoritarian regimes. The wave of democratization in the early Nineties in Eastern Europe and, more recently, the color revolutions did not trigger the same ripple effect in Arab countries. Judging by the slogans and demands made during recent events, democracy as a system ensuring fairness and justice was the main theme. Whether it will mirror Western democratic forms remains to be seen; some players might try to limit the scope of some freedoms.

What are the major driving forces behind the uprisings – a call for social justice, the desire for political participation, a rebellion against corrupt governments or a combination of all these factors?

It's probably a combination of these factors, with differences for each country. The level of nepotism and corruption among elites and families like the Ben Alis in Tunisia and the Mubarak in Egypt made their citizens' economic hardship even more unbearable. There is a realization that corruption and the absence of social justice are a direct consequence of unaccountable authoritarian government. The best way to fight corruption and promote social justice is to establish democratic institutions with political participation as a cornerstone.

In light of the massive restrictions placed on freedom of opinion throughout the region (the BTI average score fell from 4.47 to 4.05), much has been made of social media's empowering and informative role in mobilizing protest movements.

Studies have shown a strong correlation between the events of the "Arab Spring" and social media activism. Unclear is the nature of the causal process. Relatively more difficult to monitor, social media allowed people to share information and opinions. They became the modern Agora, empowering people to communicate, organize and act.

There are concerns that political liberalization might create new opportunities for Islamist parties...

Political liberalization creates opportunities for everyone. Those we call Islamists are set to be the beneficiaries because they are credible and better

organized. But this does not necessarily mean massive curtailments of individual, women and minority rights and freedoms. First, Islamist movements are protean and diverse. Second, they are bound by popular will, and this is primarily about dignity and social justice, not the application of an antiquated vision of Shari'ah.

What about your country? The BTI 2012 classifies Morocco as a "hard-line autocracy" – how do you assess the government's and king's reform capacity, and how powerful are the agents of reform?

The regime consented – under pressure – to limited constitutional reform that preserves most of the monarchy's extensive prerogatives. Most political parties supported the reform, thus responding to popular discontent and the demands of very different political movements, from the far-left Nahj party to the banned and yet popular Islamist movement Al Adl Wa Al Ihsan. The monarchy's popularity could suffer as rampant corruption at top levels is made increasingly clear. Slogans at demonstrations are increasingly directed against the king. What's more, Morocco slid to a rank of 130 in the last U.N. Human Development Report, a subpar performance that can only feed resentment.

What constructive role can the West play in the region? How do you assess its credibility?

Let's call it benign neutrality – an oxymoron meaning a position in which Western powers respect the peoples' choices and reiterate their belief in democracy and human rights. There are enough credible international human rights organizations whose assessments can be used to inform the West's attitude toward a country. Western countries' reputation still suffers from the Iraq war mess and, to a lesser extent, from France's initially misguided response to the Tunisian revolution. One big test will be the West's attitude toward Egypt, where geostrategic stakes are highest.

Do you consider Western involvement in Libya a positive factor? To what degree should military means be employed to destabilize dictatorial regimes?

Protecting civilians in danger is worthy of any intervention. On that ground, Western intervention in Libya was probably warranted. Widening a "humanitarian" mandate to topple regimes is more problematic. Nation-state sovereignty as an inviolable principle should be disposed of only in extreme cases, as it remains an essential component of a somewhat fairly organized international system.

