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**ARAB SPRING COUNTRIES TWO YEARS
AFTER THE REVOLUTION: ECONOMIC ASPECTS,
BACKGROUND, CONSEQUENCES, FORECASTS**

Observing the process, what we are witnessing in countries that are in the phase of political transition we can extract the following stages of transition process:

- Phase one – denial (destruction) of the current political and economic model. It manifests itself through rejection of the current system and government currently in power by main social groups. Only for this purpose forces which in normal circumstances would oppose one another are prepared to cooperate in order to overcome the common enemy. The only reason for a rebellion unifying forces from different sides of political spectrum is the common goal to overthrow the old hated regime. The result is the overthrow of the existing government, which is identified with the denied system.
- Phase two – anarchy and political and economic disorganization. At this stage there is a degradation/collapse of the old political-economic system, reveals the antagonism existing coalition partners regarding the vision of the new state. Conflict within the coalition may even lead to the use of force or civil war. The rejection of the old and vague framework of the new system leads to the breakdown of the institutional harmony and chaos.
- Phase three – systemic paradigm shift. In this stage one of the parties responsible for the revolution (transition), or another political group hitherto without political meaning, achieves a leading position. This enables them to introduce comprehensive changes of the political and economic system. A new

leader, chosen after the revolution, must have the ability to put these changes into life (by means of direct military power or political advantage)

- Phase four – building foundations of the new political and economic model. This stage takes time and there is no certainty as to the effects of the changes. This is due to the fact that they are related to the internal consistency of undertaken solutions and the construction of a comprehensive institutional order. The newly developed model can take into account external benchmarks or be the result of the impact of third parties (trade relations, economic assistance)
- Phase five – economic development based on the created order of the system is the culmination of transition. It will not happen without the completion of phase three and four.¹

This article overviews the Arab Spring in terms of systemic transition. It tries to identify the phase of transition in which particular countries-participants are: Egypt, Tunisia, Libya and Syria. The situation in particular countries will be examined from the perspective of the starting point of each country, mainly in terms of economic conditions and their influence on the outbreak of social discontent, one which initiated systemic changes. Describing the current economic situation and identifying the current phase of transition process and prospects for the future.

Main economic factors regarding Arab Spring Countries

States, which have experienced revolutionary eruptions in 2010 and 2011 had certain similarities regardless differences. Below table shows huge differentiation of NAC countries regarding standard of life (GDP per capita), population, literacy as well as poverty rates.

Table 1. Differentiation of NAC countries

Country	GNI Per Capita 2009	Life Expectancy	Literacy Rate	Population mln	Poverty Rate
Egypt	2420	73	66	81.1	22
Libya	12300	75	89	6.3	na
Syria	2750	76	84	20.4	na
Tunisia	4160	74	78	10.5	3.8

Source: databank, Worldbank 2011.

¹ Polish sociologist E. Wnuk-Lipiński proposed 5 transition stages: initial stage, intersystem stage, advanced stage, post revolutionary stage and consolidation stage. But he proposes a different explanation to the problem of transition. Source: E. Wnuk-Lipiński, *Zmiana systemowa*, [in:] *Pierwsza dekada niepodległości. Próba socjologicznej syntezy*, ed. E. Wnuk-Lipiński, M. Ziółkowski, Warszawa 2001.

Above table describes the main factors regarding Arab Spring and Gulf countries at the end of first decade of the XXIst century. Revolted countries have a relatively big population. In this group only Libya is an oil mining country with relatively high GNI per capita. The others are in upper middle income group. As per the last Arab Human Development Report, among the group of Arab Spring countries, only Tunisia has noted progress in industrial development, while Egypt, Libya, Syria has had a decline in economic diversity when comparing the starting point before first oil shock in 1972² Arab Spring in 2011 took place in countries with different economic situation – both in rich and poor states, ones that benefit from fuel exports and ones that do not. The economic condition of countries surveyed and the level of socio-economic development can be described by indexes such as life expectancy, literacy rate or poverty rate. Arab Spring countries show a much lower percentage of people enrolled in schools, and this goes hand in hand with a high degree of social exclusion defined as the number of people living below the so called poverty line.

The next characteristic factor regarding these countries is related to a very severe problem of unemployment, especially among young people. This is one of the main factors that generates tension and opposition towards the currently ruling regimes. Lack of future in Maghreb countries is linked to a large degree of under-investment in the national economy by the previous regimes. As per the last Arab Human Development Report, among the group of Arab Spring countries, only Tunisia has noted progress in industrial development, while Egypt, Libya, Syria has had a decline in economic diversity when comparing the starting point before first oil shock in 1972.

Table 2. Structure of employment in the economy

	Employment in agriculture % of total	Employment in industry % of total	Employment in services % of total
Egypt	30	20	50
Tunisia	10.6	34.6	54.8
Syria	30	27	43
Libya	3.3	48.4	48.3

Source: Arab Human Development Report 2009, www.arab-hdr.org/publications/other/ahdr/ahdr2009e.pdf.

The above table clearly presents the scale of underdevelopment of North African countries. In the group of countries being subject of these studies (except

² UNDP, *Arab Human Development Report 2009*, www.hdr.undp.org/en/reports/regional/arabstates/ahdr2009e.pdf.

Libya) in a much larger scale people are employed in the agriculture sector, while in case of industry the employment rate is 2–3 times lower than in GCC countries. Employment in agriculture is the least effective economic activity, generating the smallest value added, and is characteristic for countries with very poor standard of life

MENA states are characterized by a very low transparency and above-average level of corruption. This is due to largely operating in most of them undemocratic political system, tribal social system and widespread nepotism (culture of “crony capitalism”). Although the North African countries often emphasize their distinctiveness and modern political systems (in most of them there is pseudo-democracy under the auspices of the army, the system for years called Arab socialism), the system is in no way serve the development of genuine democracy, power control, anti-fraud and compliance with laws. Most of Arab Spring countries have achieved a score of less than three (except Tunisia and Egypt) on a scale from 0 to 10 where 0 means highly corrupt and 10 means very clean. The worst situation is in Libya where CPI Index is close to 2. As Arwa Hassan pointed: “This reflects the low level of civil society participation in public life, deep-seated nepotism and the prevalence of a small elite with its grip on economic power”³. Some other analysts from Transparency International inform about appropriation of national assets by corrupt authorities. Elisabeth Johnson informs: According to some experts “Egypt’s former leader, Hosni Mubarak’s net wealth is between US \$40 billion and \$70 billion, more than \$6 billion of Egypt’s financial resources were lost to illicit flows per year between 2000 and 2008, accumulating in losses of \$57.2 billion from Egypt’s state funds. During the 23-year long dictatorship of Tunisian leader, Zine el-Abidine Ben Ali, his extended family are believed to have siphoned off one-third of the Tunisian economy through corruption and fraud. With the Tunisian economy standing at \$44 billion, this means that Ben Ali and his cronies controlled almost \$15 billion. The total assets held by Libya’s sovereign wealth fund, the Libyan Investment Authority, established by Libya’s former leader, Colonel Gaddafi and his son Seif-al-Islam, in 2006, is believed to total \$65 billion. Less has been uncovered about potential stolen assets by the Syrian leader, Bashar Al-Assad and family. In response to Assad’s policy of violence and repression however, Switzerland has blocked Syrian assets worth \$32 million.”⁴

Similarly, Maghreb Countries are highly exposed to political terror. Amnesty International created a special Political Terror Scale, a scale describing human insecurity within a country. Particular levels describe the degree of violation of human rights, where:

³ A. Hassan, *Corruption Perceptions Index 2011: After the Arab Spring*, 30 November 2011, Transparency International, www.blog.transparency.org/2011/11/30/corruption-perceptions-index-2011-corruption-and-the-arab-world.

⁴ E. Johnson, *What do we know about Stollen Assets in the Middle East?*, Transparency International, 23 September 2011, www.blog.transparency.org/2011/09/23/what-do-we-know-about-stollen-assets-in-the-middle-east.

- Level 1 means countries under a secure rule of law, people are not imprisoned for their view, and torture is rare or exceptional. Political murders are extremely rare.
- Level 2 means that there is a limited amount of imprisonment for nonviolent political activity. However, few persons are affected- torture and beatings are exceptional. Political murder is rare.
- Level 3 means that there is extensive political imprisonment, or a recent history of such imprisonment. Execution or other political murders and brutality may be common. Unlimited detention, with or without a trial, for political views is accepted.
- Level 4 means that civil and political rights violations have expanded to large numbers of the population. Murders, disappearances, and torture are a common part of life. In spite of its generality, on this level terror affects those who interest themselves in politics or ideas
- And level 5 means that terror has expanded to the whole population. The leaders of these societies place no limits on the means or thoroughness with which they pursue personal or ideological goals.⁵

Table 4. Political Terror Scale (scale 1–5) 2011

	Tunisia	Libya	Egypt	Syria
2010	3	3	4	3
2011	3	5	4	5

Source: Amnesty International, www.politicalterroryscale.org/countries.php.

Political situation of Arab Spring countries is very bad and was worsening during last year (2010–2011). The worst situation in terms of respect for human rights is in Libya and Syria, where terror is expanded on the whole population. Slightly better political situation is in Egypt (4) and Tunisia (3), although these countries notice extensive political imprisonment, execution and political murders. The situation after the Arab Spring was worsening, comparing to the pre-revolution period. For instance Libya and Syria have reached in 2010 rank “3”, in 2011 rank “5”.

The below figures are analyzed in the context of state to meet the wider needs of society, which are contained in the Human Development Index.

Index shown as a value between 0 and 1 (where 0-0.500 is typical for underdeveloped countries, 0.501-0.800 is characteristic of developing countries and above 0.801 is typical for developed countries). HDI is a combination of indicators of:

- Life expectancy
- Is calculated using a minimum life expectancy for 25 and max. 85; 55 years would be 0.5

⁵ *Political Terror Scale*, www.politicalterroryscale.org/about.php.

- Educational attainment
- Adult literacy rate
- Gross enrolment ratio for primary, secondary and tertiary schooling
- Income
- Between 100 USD PPP and 40,000 USD PPP.

Table 5. Human development Index in 2010 and 2011

	2010	2011
Libya	0.763	0.760
Tunisia	0.692	0.698
Egypt	0.638	0.644
Syria	0.630	0.632
Arab World	0.634	0.641
World	0.676	0.682

Source: Human Development Index, UNDP, www.hdr.undp.org/en/humandev.

According to HDI Index only Libya among countries under rebellion can be treated as a developing country with higher standard of life. The rest of them are either very poorly developed or underdeveloped countries. In the period between 2010–2011 HDI for Arab Spring Countries has not improved, its average level is lower both in comparison to regional and global HDI.

The overall poor macro-economic condition, the lack of any prospects in life, oppressive character of the political systems had to engender anger we witnessed in 2011/2012. Interesting data regarding life standards are presented by CIA World Factbook.

Table 6. GDP per capita ppp in thousand USD

	2009	2010	2011
Libya	14.5	14.8	6.0
Egypt	6.3	6.5	6.5
Tunisia	9.5	9.7	9.4
Syria	5.0	5.1	5.1

Source: CIA World Factbook, 2012, www.cia.gov/library/publications/the-world-factbook/geos/ly.html.

The table proves that according to purchasing power Arab Spring countries haven't recorded the decline of standard of life. The exception is Libya, where there has been a drastic decrease in the living standards.

According to CIA World Factbook in 2011 GDP per capita ppp has amounted 6,000 USD and was 60% lower than in 2010.

As Arab Human Development Report 2009 inform:” Young people [were] the fastest growing segment of Arab countries’ populations. Some 60 per cent of the population [were] under 25 years old, making this one of the most youthful regions in the world, with a median age of 22 years compared to a global average of 28”⁶. Some of young population drifted to cities and towns creating a pressure for the labor market. But a significant number of young people, because of the failure of industrialization had to stay in villages. The factories were too small and too few in number to draw substantial numbers of workers into those cities. Thus, huge part of young Arabs were staying at home in rural and semi-rural areas, eking out a living mostly in the informal sector. This trend created a huge income and job differentiation, as well as tremendous youth unemployment in Arab Spring countries. As Malik and Awadallah said:” Many of these young people are not only unemployed, they are also unemployable. This is clearly a failing of both the education system and economic structure. Educational institutions churn out graduates whose skills and preferences are more aligned with that of the public sector.”⁷

It is worth noting the importance of the information blockade in creating internal tensions in the MENA countries. Young people (living in urban areas) using common Internet ceased to agree(disagree) on control of access to information (by the local regimes) on the part of the authorities. This contradiction consists in the confrontation easy information through the Internet and the official information blockade formed an explosive mixture. People unable to verify information stopped believing the assurances of the government conc. development and prosperous future. Lack of political parties has been replaced by bottom-up initiatives of young Internet users utilizing social networking for exchanging information among themselves about the actual situation in the country and contracting for a joint protest. Internet definitely hampered the government’s information policy, and by the same governance. Armando Salvatore noticed” No doubt the role of new media in the uprisings immediately struck actors and observers alike, at the evident risk of overestimating their impact. The revolution has been dubbed the revolution of the ‘street’, but also the revolution of *šab...b al-feisbuk* (‘the youth of Facebook’), and, not least, the revolution of al- Jazeera. Neither should we neglect the role of literature, movies and TV serials. [...] (in Syria) some children copied on a wall a revolutionary slogan that they saw on al-Jazeera, likely taken from an Egyptian graffiti: *al-ša’ib ya jna’/uāwratāhu*: ‘the people stages its revolution’. [...] (One) journalist and activist of Egyptian proclaimed that Facebook, YouTube and Twitter had (as)

⁶ UNDP, *Arab Human Development Report 2009*, www.hdr.undp.org/en/reports/regional/arabstates/ahdr2009e.pdf, s. 34.

⁷ A. Malik, B. Awadallah, *The Economics of the Arab Spring*, “Middle East Insight, MEI Insight” 2011, No. 46, www.mei.nus.edu.sg/wp-content/uploads/2011/11/Download-Insight-46-Malik-Awadallah-HERE.pdf.

the new means of manifestation of political protest in the Arab world”.⁸ Internet thus played a key role in the formation of civil society and foundations of organizing grassroots opposition to methods of exercising power by the current leaders.

Arab Spring schedule and short-term results

Although the article focuses on the main actors of Arab Spring: Egypt, Tunisia, Libya and Syria - it is worth noting that the sudden outburst of discontent took place in most of the MENA states. The following table shows the calendar of events of Arab Spring in the MENA region.

Table 7. Schedule of revolts within Arab Spring (December 2010–March 2011)

Term	Country
Dec 2010/Jan 2011	Revolution in Tunisia
Dec 2010	mass protests in Algeria
Jan 2011	revolution in Egypt
Jan 2011	protests in Jordan
Jan 2011	protests in Yemen
Feb 2011	protests in Bahrain
Feb 2011	revolt in Libya (civil war)
March 2011	uprising in Syria
	Also at smaller scale revolts in Saudi Arabia, Iraq, Kuwait, Morocco, Liban, Oman, Somalia, Palestine, Iran, West Sahara, Albania, Senegal

The main reason for the riots were of economic nature. Social unrest has started mainly due to economic underdevelopment, low or insufficient growth (in most countries lower than the average world GDP growth), lack of prospects for improvement, widespread corruption and nepotism, lack of jobs and prospects for young people. The revolution was largely attributed to the rise of unemployment, inflation of food prices, low income and rising inequality, or finally the lack of health services.

Authors of *After the Spring* as a catalyst of revolution processes recognized: growing corruption, severely restricted options for participation and representation in policy making and failure of public services (governance deficit)⁹ Also political factors need to be taken into account such as: lack of democratic procedures, violence in politics, corruption leading to pathology amongst countries elites. Despite this, it seems that the predominant reason of the outbreak of social disapproval were expectations of an economic, social and political change.

⁸ A. Salvatore, *Before (And After) The ‘Arab Spring’: From Connectedness To Mobilization In The Public Sphere*, “Oriente Moderno” XCI 2011, No. 1.

⁹ *After the Spring. Transition in the Arab World Economic*, ed. M. Amin et al., New York 2012.

On the other hand, on the eve of the revolution, in most states the ruling authoritarian regimes, despite the economic and political costs, often under conditions of terror, fairly well-managed their countries and guaranteed the continuity of institutional and political stability, or the maintenance of the status quo in the national and international arena.

Economic situation in revolted countries after turmoil is worsening. As throngs of protesters flooded -tourists, one of the most significant sources of income, flooded out. Local businesses have been closed for several weeks, as well as stock markets. The revolts caused also rising of unemployment levels. The Arab Spring demonstrates very visibly that, if it does not create enough jobs for the growing labor force, with broad access to the labor market for the whole society, growth will fail. Revolutions which partly have been motivated by economic conditions and worsening standards of living, strengthening economic crisis.

Due to turmoil the economy is slowing down. Among main problems of these countries after the revolt are such issues as - lack of financial assets and poor budget conditions (huge deficits). Poor macroeconomic situation destabilizes the whole economy.

There is a constant deterioration of the economic environment of Arab Spring Countries. Increased, already high before the outbreak of discontent, level of corruption.

Table 8. Corruption Perception Index 2011 (scale 10–11)

Country	Index 2010	Index 2011	Index 2012 *
Egypt	3.1	2.9	3.2
Libya	2.2	2.0	2.1
Syria	2.5	2.6	2.8
Tunisia	4.3	3.8	4.1

Source: Transparency International, www.transparency.org/cpi2010/results; www.cpi.transparency.org/cpi2011/results/#CountryResults

*In 2012 Transparency International has changed the way of presenting CPI. Author has maintained the standard method of presenting index

CPI corruption index of post-revolutionary states puts them in a group of countries with the world highest levels of the corruption both in regard to authorities and the overall population. Revolutions only reinforced these negative trends. High corruption is key to translate into the ability of pro growth economies of individual countries. Blocks positive change, corrupts individuals and leads to inefficiency

Main facts regarding Egypt and Tunisia before and after the revolt

Egypt

Before the revolution, Egypt has played a crucial role in the MENA status quo. It was the largest state in terms of demography in the region. Egypt has played a very important political role. On the one hand it was the closest U.S. ally in the region, on the other actively participated in negotiating peace with Israel. The country was seen as a guarantor of peace in the Middle East.

Egypt is one of the most important US partners in the Middle East. Was an attractive destination for foreign direct investment – both from the Western or GCC countries. Egypt by virtue of its strategic location, has derived also significant external rents through foreign aid. For over 20 years it was ruled by an authoritarian President, the former General Hosni Mubarak. The persistent ruled by terror by means of emergency law. Majority of political and civil rights, including free elections were prohibited.

However, in the years preceding the outbreak of discontent, the economy was in a relatively stable state. The GDP growth rate was 4.5 per cent per annum, with an intermediate peak of 7 per cent between 2007–2008. The budget deficit was within the limits of accuracy thanks to the regular supply of hard currency by the tourism industry. Tourism also provided jobs outside the capital raising opportunities in the labor market.

As a result of the revolution a sharp reduction in GDP growth appeared – from 5 per cent in 2010 to less than 1 per cent in 2011. Fiscal and current account imbalances were noticed. They reached a critical point by early 2012, with around US\$32.5 billion wept from the capitalization of the stock market due to liquidation of holdings by Arab and western institutional investors. Due to lack of stability of the whole country, Egypt lost the main source of income and hard currency – tourism. In 2012 by more than 80 per cent of its share to GDP (11 per cent per annum which is estimated US\$13 billion) compared to 2010. In the same time remittances falling drastically from US\$8 billion in 2010, due to the return of workers from countries like Libya and Bahrain, affected by Arab Spring. Increased public spending and reduced tax income resulted in an expected budget deficit of nearly 10% of GDP in 2011, which further adds to an already high public. As report of Rabobank informs: “it is estimated that the government of Egypt requires roughly USD 11bn in the next two years to prevent a fiscal and /or balance of payments crisis. Further unrest would only increase this number and thus the risk of crisis. It is hoped that if the country obtains the USD 3.2bn IMF loan, currently under negotiation, it would be able to attract investors and bilateral donor support.”¹⁰

As A. Mishrif points out: “The potential risk posed by the uprisings dampened investor confidence as greenfield investments fell by more than 80 per cent in

¹⁰ Rabobank Economic Research Department, *Country Report: Egypt*, Utrecht, April 2012, www.rabobank.com/content/images/Egypt-201204_tcm43-105952.pdf.

the first half of 2011 compared to the same period in 2010; during the same period, FDI inflows dropped from a positive balance of US\$1.8 billion to negative US\$200 million. Export revenues decreased sharply as a result of the closure of over 4200 factories and disruption in the export of natural gas to Jordan and Israel as the Sinai pipeline has been sabotaged more than 13 times in the past 12 months”.¹¹

Due to inadequate monetary response of the new authorities a 20% inflation appeared. In January 2012 unemployment reached 12.4 per cent, with some 3.1 million people out of work; and sharp decline in foreign reserves to US\$15.7 billion (March 2012), from its peak of US\$36 billion a year ago.¹²

Rabobank indicates the risk factors for the development of the country, associated with political instability: “[Political uncertainty] would further aggravate the country’s economic problems. The upheaval already delayed IMF negotiations, as the IMF requires both sides (of the political conflict- SCAF and the MB) to fully endorse its conditions, before extending the credit facility. Obtaining the credit facility is a crucial first step in convincing investors to return to Egypt and will therefore prove vital for any effort to strengthen [foreign currencies] reserves. Any further delays in negotiating the facility would thus jeopardize Egypt’s delicate economic stability”.¹³

Tunisia before and after the Jasmine Revolution

The economy of Tunisia has been liberal for many years before the revolution. This country is the most diversified and competitive economy in the region with one of the highest standards of living in Africa with an estimated average income (at PPP) per capita of almost USD 8,400 in 2009. Although we can notice decades of heavy state influence in the economy. Tunisia for years has pursued a policy of economic cooperation with the European Union. The EU is the source of the bulk of foreign direct investment (FDI) in the country.¹⁴

Because of the size of the country and the location, one of the most important sectors of the economy is tourism, providing 10% of country’s GDP. Many facilities are designed to attract up-market tourists. The sector is the second largest employer, and has given one of Tunisia’s top foreign-currency earners.

Before the revolution the expectations for 2011 for Tunisia were quite optimistic: economic growth was expected to reach 5.4 percent in 2011. The budget

¹¹ A. Mishrif, *The Political Economy of Egypt in Post-Arab Spring*, BRISMES Annual Conference 2012; London School of Economics and Political Science, *Revolution and Revolt: Understanding the Forms and Causes of Change 26-28 March 2012*, www.brismes2012.files.wordpress.com/2012/03/ashraf-mishrif-the-political-economy-of-egypt-in-post-arab-spring.pdf.

¹² *Ibidem*.

¹³ Rabobank Economic Research Department, *Country Report: Egypt...*

¹⁴ Rabobank Economic Research Department, *Country Report: Tunisia*, Utrecht, June 2010, www.rabobank.com/content/images/Tunisia-201006_tcm43-105930.pdf.

deficit was not expected to exceed 2.5 percent of GDP, and the public debt ratio was predicted to remain below 40 percent of GDP. Country proposed relatively high standard of life comparing to other NAC countries (\$4200 GDP per capita). Tunisia was one of the most developed Arabic countries in the region, with strong industry. From the other side analysts noticed the lack of perspectives, huge income differentiation, disproportion in economic development between the capital and sea coast cities and interior, nepotism, corruption, huge unemployment, lack of civil liberties, political repressions.

The revolution had negative effects on the economy. The economic situation in Tunisia has deteriorated significantly since the Arab Spring began. Tourism, Tunisia's largest source of foreign currency, has fallen by more than 50 percent. FDI has fallen by 20 percent. More than 80 foreign companies have left the country. The unemployment rate in the middle of 2012 was 17 percent; before the revolution, it was 14 percent (The number of unemployed has risen to 700,000, compared with less than 500,000 at the end of 2010). Appeared the lack of liquidity and a high cost of external financing which resulted from the downgrading of sovereign debt ratings. Overall economic cost of the revolution is estimated at 5 percent of GDP, growth in 2011 was 0% of GDP.

But on the other hand the government created tens of thousands of public works jobs, and it has allocated to 200,000 unemployed – mostly university graduates or maintained subsidies on certain staples like semolina, pasta, and eggs, and milk, and sugar, oil and gas at about 50 percent of their cost.

Libya before and after the revolution

Libya under Gadhafi was bureaucratic and nationalized. Similarly to other MENA countries had brutal and oppressive regime. Libya similarly to other Arab spring countries suffered from strong nepotism. Everything was owned by the government, by Gadhafi and his stooges. Economic opportunities were not shared fairly among different segments of the population. Libya experienced, similar to Egypt, a huge youth unemployment. The main problems experienced by Libyan youth on the labor market were related to their lack of skills and language abilities. Unemployment rates and the incidence of poverty have been surprisingly high for such a resource-rich country. Those reasons, combined with a lack of representation, contributed to the revolution.

The last IMF Report informs that during 2004–2010, average real GDP growth was approximately 5 percent, annual consumer price inflation averaged less than 4 percent, and official foreign assets increased from \$20 billion at end-2003 to \$170 billion at end-2010.

As a result of revolution total real GDP in 2011 was 60 percent lower than in 2010. Consumer price index (CPI) increased significantly (approx. 20%) in 2011.

The loss of hydrocarbon income during the conflict reduced Libya's current account surplus. Exports declined from \$48.9 billion in 2010 to \$19.2 billion in 2011, while imports dropped from \$24.6 billion to \$14.2 billion during the same period. As a result, the current account surplus narrowed from 21 percent of GDP in 2010 to less than 4.5 percent of GDP in 2011. Budget deficit in 2011 was almost 43% of GDP¹⁵. All financial indicators likely to have worsened during the conflict. Libya's civil war resulted in \$7.67 billion lost in economic activity, and has cost the Libyan government \$6.5 billion in public reserves.

But the International Monetary Fund says Libya should notify approx. 70% GDP growth in 2012, which should exceed the GDP level of Gadhafi times. That would push the country's economic activity well above 2010, the last full year of Moammar Gadhafi's reign. But Libyan economy needs a major restructuring-experts call for its diversification. Oil accounts for 65 percent of Libya's economy, and 95 percent of its exports. As noticed by R. Chami, co-author of IMF Report "Libyan oil production has recovered faster than expected following the overthrow of Muammar Gaddafi, but the country faces the challenges of building modern institutions, repairing infrastructure, and diversifying the economy. The normalization of the banking system is under way. [...] The conflict had a severe impact on the economy and especially on the hydrocarbon sector, which is the main source of public revenues and foreign exchange. During the uprising, oil production dropped precipitously from 1.8 million barrels a day to only 22,000 in July of 2011. Since the conflict ended, the production of oil has recuperated faster than expected. [...] Libya needs to rebuild infrastructure and address the humanitarian needs of its people. The National Transitional Council (NTC) has taken steps to promote a peaceful political transition, to normalize economic conditions, and to set out a national reform agenda. In the short term, the authorities must restore security, bring hydrocarbon production fully online, exercise fiscal discipline, resuscitate the banking system, and maintain macroeconomic stability".¹⁶

Syria before and after the revolution

As we can see in the below table, before the start of protests in 2011 Syria noticed relatively high economic growth. But nevertheless it did not lead to significant job creation or poverty reduction. Syria's GDP was dependent on the oil and agriculture sectors. According to World Bank data, the oil sector provided approximately 20% of the GDP; similarly the agriculture sector contributed up to 20% of the GDP. Agriculture employed less than 20% of labor force. Young people and the population living in villages were most at risk of exclusion. Rural society suffered

¹⁵ *Libya Beyond the Revolution: Challenges and Opportunities*, ed. R. Chami et. al., International Monetary Fund, Washington 2012, www.imf.org/external/pubs/ft/dp/2012/1201mcd.pdf.

¹⁶ *Ibidem*.

from severe shocks related to both economic transition and droughts. Similar to other Arab countries, Syria noticed very high unemployment among young people (approximately 20%) – the rate of youth unemployment was twice as high than the average for the whole population. The economy was highly regulated by the government, budget noticed growing deficit. The economy suffered from the increasing shortages of water and common water pollution.

Table 9. GDP growth for Syria

	2004	2005	2006	2007	2008	2009	2010	2011
GDP growth	6.9	6.2	5.0	5.7	4.5	6.0	3.2	1.7

Source: World Bank, www.databank.worldbank.org/ddp/html-jsp/QuickViewReport.jsp?RowAxis=WDI_Ctry~&ColAxis=WDI_Time~&PageAxis=WDI_Series~&PageAxisCaption=Series~&RowAxisCaption=Country~&ColAxisCaption=Time~&NEW_REPORT_SCALE=1&NEW_REPORT_PRECISION=0&newReport=yes&IS_REPORT_IN_REFRESH_MODE=true&IS_CODE_REQUIRED=0&COMMA_SEP=true; www.syria-today.com/index.php/august-a-september-2011/873-business-advertorials/16984-world-bank-reduces-growth-estimate.

In March 2011 started a rebellion against the regime of President Bashar al-Assad due to economic reasons, political repression as well as lack of freedom. The protest met violent government repression. Protesters initially fought for political reforms and improvement of living conditions. Due to the rise of conflict and heightened repression in the coming months, rebels demanded removal from power of al-Assad as a condition of termination of riots.¹⁷

To prevent the uprising the authorities raised wages in the public sector and granted employees' allowances (especially fuel) and cash transfers for poor households in 2011. Subsidies are estimated to account for at least 30 percent of public expenditures in the 2012 budget. But, on the other hand, due to raising prices of gas, oil and electricity, inflation has reached 32 percent in May 2012.¹⁸

Due to the civil war thousands of Syrians have been killed, injured or forced to flee the country. As per the World Bank report: "The economic impact of the crisis is significant, with tourism, financial and trade sectors hit the hardest. Foreign direct investment has dried up and reserves are rapidly declining despite authorities' efforts to defend the stability of the Syrian Pound and to prevent capital flight"¹⁹. Also domestic consumption and production has dropped due to political instability.

In estimations of the economic effects of political instability in Syria we can rely only on incomplete information. From 2011 World Bank has no statistical information from Syria. World Bank predicted for 2011 rapid drop in GDP growth, when comparing with pre-revolution data. The GDP growth in 2011 was estimated

¹⁷ www.worldbank.org/en/country/syria/overview.

¹⁸ *Syria Overview*, www.worldbank.org/en/country/syria/overview.

¹⁹ *Ibidem*.

as 1/2 to 1/3 of previous year growth. As Reuters informs: “Syria’s gross domestic product shrank by at least 30 to 40 percent last year due to the collapse of tourism, which used to account for 11 percent of GDP, and the drop in oil output which previously contributed 23 percent of GDP.”²⁰ Estimation for 2011 informs about a growing unemployment rate- comparing to 8.6 per cent in 2010 to 14.9 per cent in 2011. Also other macroeconomic indicators have shown declining tendencies: the budget deficit in 2011 was -9.3% of GDP; also between 2010 and 2011 the public debt was growing by more than 50 %, from 22.7% GDP in 2010 and 35.2% GDP in 2011. Political destabilization led to a collapse of balance in foreign exchange. Drop in export (by approx. 20% regarding 2010), caused mostly by the embargo for Syrian export of crude oil to the EU²¹ and rise of import (by approx. 20% in comparison with previous year) led to huge unbalance of the current account.²² The losses have been particularly devastating for Syria. This country observed losses in economic activity at the level of \$6.07 billion in October 2011, and are only increasing as the revolution intensifies.²³

We have no accurate information for the Syrian economy for 2012. Although, as noticed by Business Week “The economy is in a downward spiral and is trapped”²⁴. In November 2012 Minister of Finance announced a 13 percent rise in public sector salaries and a 25 percent increase in subsidies on food, fuel, power and agriculture. Subsidies consume almost 40 percent of government spending while electricity costs eat up around 15 percent of the budget. As the revenues have deteriorated the authorities have used up their reserves – foreign and gold reserves are at least \$18 billion lower than before the crisis.²⁵

Syria’s recovery will ultimately depend on the end-game of the ongoing popular uprising and the scope of political and economic reforms that follow. To develop the country needs special reform agenda concerned:

- creating diversified economy, by developing non-oil sectors to cope with the decline in oil production and the need for job creation
- maintaining fiscal sustainability
- providing social protection to a growing number of young unemployed, and to regions affected by climate change.
- improving private sector development and exports.

²⁰ *Syria Now Running a War Economy as Conflict Spreads*, www.reuters.com/article/2012/11/21/us-syria-economy-idUSBRE8AK1CM20121121.

²¹ *A European Embargo on Syrian Oil has Cost the Country \$3 Billion*, www.businessweek.com/articles/2012-05-10/syrias-economy-starts-to-crumble.

²² www.cia.gov/library/publications/the-world-factbook/geos/sy.html.

²³ E. Buckner, S. Beges, L. Khatib, *Social Entrepreneurship: Why is it Important Post Arab Spring?*, Online Survey Report, CDDRL, Stanford University, March 2012, www.iis-db.stanford.edu/pubs/23656/White_Paper_Social_Entrepreneurship.pdf.

²⁴ *Syrias Economy Starts to Crumble*, www.businessweek.com/articles/2012-05-10/syrias-economy-starts-to-crumble.

²⁵ *Ibidem*.

- increasing its productivity by raising the skills of its labor force and improving its technological base.
- Improving quality of the education system, which is currently unable to provide the young labor force with economically relevant skills.²⁶

Economic support from international community

The international community provides financial support for Arab Spring countries. Aid flows both from particular countries and international institutions. Because of the turmoil and state failure hundreds of millions of dollars were directly channeled to civil society organizations rather than the government. Key role in the regional status quo played and still plays Egypt. Thus this country was the largest beneficiary of support from the international community (also from the GCC countries)

In 2011 Egypt has reached agreement with IMF on a draft 12-month \$3 billion financing package to support the country's program of economic reforms. The same year The World Bank has pledged \$4.5 billion in support to Egypt over the next two years to address budget and reserve shortfalls and to finance reforms that strengthen its credit and investment prospects²⁷ as well as the United States provided \$100 million in economic assistance to support the Egyptian people during the transition. These (American) funds were aimed at easing the economic difficulties experienced by Egyptians over the past several months and to bolster the Egyptian private sector as an engine of job creation.²⁸

In 2012 started the initiatives addressed for the whole region. In February 2012 the United States President Barack Obama has announced plans to help Arab Spring countries with more than \$800m in economic aid. Most of the financial help for the Arab Spring countries, an estimated \$770m, would go to establish a new *Middle East and North Africa Incentive Fund*.²⁹ Shortly after this initiative Europe is moving toward a big expansion in its economic assistance to North Africa in the form of development investments by the European Bank for Reconstruction and Development (EBRD). Starting with Egypt, the countries of "the Arab spring" stand to receive aid potentially amounting to tens of billions of euros. Also The African Development Bank and the World Bank pledged \$ 1billion to support Tunisia. In this joint action, each bank provided \$ 500 million in budget support to the country.³⁰

²⁶ *Syria Overview*, www.worldbank.org/en/country/syria/overview.

²⁷ *World Bank Pledges Billions In Aid To Egypt And Tunisia*, www.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,date:2011-05-25~menuPK:34461~pagePK:34392~piPK:64256810~theSitePK:4607,00.html#Story0.

²⁸ J. M. Sharp, *Egypt: Background and U.S. Relations*, Congressional Research Device, December 2012, www.fas.org/sgp/crs/mideast/RL33003.pdf.

²⁹ *Obama Asks for \$770 Million to Boost Arab Democracy*, US Governmental Portal, 13 Feb 2012, www.usgovernmentportal.com/obama-asks-million-boost-arab-democracy-g399704588-p2.

³⁰ African Development Bank Group, *AfDB and World Bank Jointly Pledge USD 1 billion to Support Tunisia*, 3 May 2011, www.afdb.org/en/news-and-events/article/afdb-and-world-bank-jointly-pledge-usd-1-billion-to-support-tunisia-7963.

Talking about economic support from the international community it's worth to mention about Deauville Partnership for the Middle East³¹ – the common initiative of IMF, World Bank and other multilateral development banks, with participation as donors Turkey, Saudi Arabia and Qatar started in 2011. This Partnership firstly was addressed to Tunisia and Egypt (proposing the economic support for those two countries in amount of 20 billion USD), later was expanded also on Morocco, Jordan and Libya. Main objectives of Partnership is to support each country's economic program in the following areas: social and economic inclusion, economic modernization and job creation, support for developing of private sector, regional and global integration.

Also GCC countries have taken part in this aid program. Although, expected was around US\$30 to US\$40 billion to be provided by the US and Arab countries, only US\$2 billion has been actually materialized in the form of loan guarantees and debt reduction.

Saudi Arabia proposed an aid project. Government of Saudi Arabia decided to support the Egyptian economy with nearly US\$4 billion in the form of soft loans, deposits and grants. Saudi economic support program for Egypt includes \$500 million USD for the general budget, \$500 million USD for soft loans, and \$500 million USD to support the general budget through the purchase of bonds, according to the terms of the initial public offering (IPO)³². The kingdom has already transferred a grant of \$ 0.5 bln to the Egyptian Ministry of Finance via the Central Bank of Egypt.

The United Arab Emirates also promised that it would give Egypt 3 billion USD in financial assistance (1.5 bln USD to establish a fund for small and medium enterprises, 750 mln USD as a grant to develop projects in housing and infrastructure sectors, and 750 mln USD as loans for other projects). The money would be in addition to Qatar's pledge of 10 billion USD and the 4 billion USD Saudi Arabia has already promised. Most of these offers are a mixture of funds, loans, and grants. The amounts will probably be paid in installments³³. The \$10 billion from Qatar will probably be mostly investments, but the country has also given some grants. Also United Arab Emirates joined the group of countries supporting Egypt after the revolution. The country offered 1.5 billion USD fund for small to medium businesses – 750 million USD in loans, and a 750 million USD grant, with no expectations of repayment. It is estimated that GCC aid should cover the Egyptian need for international funding – estimated between \$ 10–12 bn.

In Libya, where rebels are gaining ground, Kuwait and Qatar each promised hundreds of millions of dollars. The Emiratis hosted international donor conferences, sent fighter jets to Libya. These two countries were the first Arab countries to

³¹ *The Deauville Partnership*, www.oecd.org/mena/thedeauvillepartnership.htm.

³² D. Othman, K. Allah, *Saudi Arabia Supports Egypt's Economy With US\$4 Billion*, "Egypt Independent", 21 May 2011, www.egyptindependent.com/node/446548.

³³ www.egyptindependent.com/node/476108.

recognize Libya's rebel government as the legitimate representative of the Libyan people. Moreover, GCC countries have provided the Libyan Transitional National Council (TNC) with financial aid – Kuwait and Qatar allocated nearly \$300 million – and a relief program (food and medical supplies) from the UAE.

It is worth mentioning that Gulf financial aid seems to be preferable by NAC over IMF and World Bank loans because it does not require servicing. Gulf grants are not conditioned to an effective democratic political transition in NAC. However, from the other side Egypt's interim prime minister, has publicly criticized Gulf countries for not fulfilling promises to help his country.

The role of Qatar in the process of rebuilding revolted states is considerable. Qatar was in the group of the first countries which recognize the Libyan rebel's National Transitional Council (NTC) as the legitimate authority in Libya, supplied rebels with water, weapons, more than \$400 million in aid, and gave help with selling and marketing Libyan oil. Qatar was also playing a crucial role in getting Arab League support for the UN-mandated "no-fly zone,". Without financial support of this kingdom, the revolt in Libya would not have happened. One of the last initiatives of Qatar is to organize \$2.5 billion in international aid for this country. This kingdom played during the rebel time a significant advisory role. Now it wants to participate in rebuild process playing a role of coordinator of this process. The aid provided by Qatar plays a special role in the sense that the conflict has had a severe impact on economic activity.

Qatar's approach to the events of the Arab spring of 2011 is not clear. On one hand with vast resources to disperse among about 260,000 nationals, Qatar sees itself as insulated from the popular uprisings spreading through the region. From another, they use an official information TV channel Al Jazeera to play down protest movements in the other Gulf monarchies, while cheering revolution in Libya, Egypt, Tunisia, Syria and Yemen.³⁴

The other channel of economic support are GCC Foreign Direct Investments. Gulf States' economic wealth, due to higher oil prices and expanded production, is likely to spill over and benefit the rest of the region with both increasing FDI and trade exchanges.

Since 2003, they played a pivotal role in the economic development of the Mediterranean region. Gulf Countries were s the second investor in NAC after Europe with 28.6% of the total amount of FDI in this region investing in construction, transport, tourism and telecommunications. Again, the biggest part of FDI was addressed to Egypt, which was the largest recipient country, having attracted (till Arab Spring) €25.6 billion in FDI from the GCC, which is equivalent to 49% of total FDI flows in the country.³⁵ This trend was continued also after the Arab Spring.

³⁴ A. Hammond, R. Doherty, *Analysis: Qatar Hopes For Returns After Backing Libyan Winners*, Reuters, 24 August 2011, www.reuters.com/article/2011/08/24/us-libya-qatar-idUSTRE77N51620110824.

³⁵ V. Talbot, *The Gulf States' Political and Economic Role in the Mediterranean*, The New Mediterranean in a Changing World, www.iemed.org/observatori-en/arees-danalisi/arxius-adjunts/anuari/med.2011/Talbot_en.pdf.

Gulf SWFs continued to be interested in this area for direct investment. Currently the majority of funds from Qatar, Dubai and Abu Dhabi invest there. These investments are dictated by business. ADIA fund bought 8% stake in Egyptian investment bank EFG Hermes, as well as 39% of the Banque de Tunisie et des Emirats. Dubai Investment Group, in turn, has purchased 17.5% stake in Tunisia Telecom. Investments from the Persian Gulf, also appeared in Libya. Branch of the Qatari fund QIA-Color Real Estate Company with the equity of EUR 40 billion, has invested \$ 2 billion in state-owned enterprise, Libyan Development and Investment Company, engaged in real estate investments on the Libyan market.³⁶

Branch of the Qatari SWF QIA - Qatari Diar Real Estate Investment Company has invested in the end of 2011 nearly \$ 0.5 billion in construction projects in Cairo and Sharm-el-Sheikh, Egypt. The objective of this investment, beyond the aspect of business is to help the Egyptian economy, by expanding the labor market for the Egyptians. The project envisages the creation 4000 jobs for construction professionals. Moreover, the bulk of construction materials has come from the local market. The agreement underlines the nature of the aid project, focuses on the expansion of hotel facilities in tourist areas, to increase the economic potential of Egypt.

Conclusions

In three analyzed cases of Arab Spring countries – Tunisia, Egypt and Libya the transition process is at the stage 2 – anarchy or 3 – systemic paradigm shift. In all these countries the old regimes were overthrown. New players emerged on the political market. Their position is not yet grounded and power fully established. These societies are still in a transition phase. In case of Syria the first phase (revolution) is still not completed. A bloody civil war is being continued and the revolutionists are still not able to overthrow the old Assad regime. If this situation tends to continue for the next months or even years it will have a critical impact on the foundations of the Syrian society and may significantly de-stabilize the whole region. The policy of neighboring countries (Iran, Russia and Turkey) seems to be a critical matter in this situation. It is mostly due to Iran and Russia that the rebellion has not achieved its initial goals and in consequence the country's economy is deteriorating.

The following opinion expressed by Abdulwahab Alkebsi, director of the Middle East and North Africa Center for International Private Enterprise can be treated as a conclusive in the existing situation: “The recent uprisings were not just a rejection of leaders. They were a rejection of an archaic and dysfunctional social contract that left citizens dependent on their states. To allow citizens the independence they seek, Arab private sectors must be capable of providing robust

³⁶ Prequin Sovereign Wealth Fund Review, *Activity in Private Equity and Private Real Estate, Private Equity Intelligence*, www.prequin.com/docs/samples/Sample_SWF.pdf.

employment as well as the dignity that citizens seek and deserve.³⁷ Finding the solution for economic problems seems to be the primary determinant of social peace. Nearly two years after the outburst of the Arab Spring, a revolution that was driven by a dream of a better life, countries – participants are suffering from political and economic instability. For the time being questions concerning economic growth, social justice and political freedom remain unanswered.

From another perspective this new situation in the MENA region, resulted in a higher than ever in the past cooperation between the two groups of countries – North African and Gulf. The involvement of the GCC countries in assisting development of revolted countries by using official governmental transfers, SWFs, FDIs is a fact worth noticing. Although the main purpose of their support is to keep peace in the region, and to prevent the expansion of civil unrest to other Muslim countries – mostly Gulf kingdoms.

Państwa Arabskiej Wiosny dwa lata po rewolucji. Kondycja ekonomiczna, szanse i zagrożenia

Artykuł analizuje transformację ustrojową państw po Arabskiej Wiosnie: Egiptu, Tunezji, Libii i Syrii. Opisuje obecną sytuację gospodarczą i proces transformacji oraz perspektywy na najbliższą przyszłość. Kraje te są bowiem na etapie anarchii lub zmiany paradygmatu systemowego, stare zasady zostały obalone, pojawili się nowi gracze polityczni, ale ich pozycja nie jest jeszcze ustalona, społeczeństwa wciąż tkwią w fazie przejściowej.

słowa kluczowe: Arabska Wiosna, przejście, Afryka Północna, rozwój gospodarczy

³⁷ E. Buckner, S. Beges, L. Khatib, *op. cit.*