

May 4, 2012

WARREN ALTOUNIAN
DR. MARTIN BECK

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The Potential Transition to Democracy in the Arab Region: Underlying Factors and Prospects

Event: Regional Conference

Date, Place: May 4, 2012, American University of Beirut, Beirut – Lebanon

Organization: Institute of Financial Economics, AUB & Konrad Adenauer Stiftung Amman

1. Program Overview

Friday, May 4, 2012

Welcome Speeches

Dr. Simon Neaime
Institute of Financial Economics
American University of Beirut
Beirut – Lebanon

Dr. Martin Beck
Resident Representative
Konrad Adenauer Stiftung
Amman – Jordan

Dr. Samir Makdisi
Institute of Financial Economics
American University of Beirut
Beirut – Lebanon

A Year After the Initial Breakthroughs

Dr. Samir Makdisi
Institute of Financial Economics
American University in Beirut
Beirut - Lebanon

Shaking the Autocratic Foundations: Overall View of the Politico-Economic Factors Pushing for Transition

Dr. Ibrahim Elbadawi
Research Fellow
Center for Global Development
Washington DC - USA

Discussion

Lessons from the Tunisian and Egyptian Uprisings

Dr. Youssef Choueiri
Institute of Palestine Studies
Beirut - Lebanon

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Lessons from the other Arab uprisings: Libya, Syria, and Yemen

Dr. Youssef El Khalil

Bank of Lebanon and AUB
Beirut - Lebanon

Discussion

The Impact of Regional Conflicts on Democratic Transformation in the Region

Dr. Atif Kubursi

Department of Economics
McMaster University
Hamilton - Canada

Will the Successful Uprisings Lead to the Consolidation of Democratic Transformation?

Dr. Marcus Marktanner

Kennesaw State University
Kennesaw - USA

Discussion

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2. Objective

The entrenched political structures which once characterized the Middle East have faltered – and in some instances – have failed under the pressure of the Arab uprisings. There is a rebirth of political participation throughout the region. A deficit of legitimacy is the precondition for these events: autocratic repression, top-down hierarchies, and economic disparity; coupled with an increasingly well-educated youth and the basic human desire to self-determine.

But most regimes in the Middle East are recipients of economic or political rents i.e., oil exports and foreign aid. They use the income to serve their own interests and are not constrained by the need for re-investment as they would be if the money were coming from industry or human capital. There is, however, little evidence to suggest that the coming state bureaucracies would adopt a different system of economic policy.

The situation is as complex as it is compelling. The same climate which existed in Tunisia and Egypt exists in nearly all other countries in the region. Today, with a few exceptional cases in the Gulf, the rulers of the Arab world are nervous and sensitized for an agenda of political reform. In the best case scenario, liberalizing policies within the Arab states will lead to democratic transition. In the worst case scenario, liberalized autocracies will be promoted.

Anti-democratic movements will no doubt attempt to capitalize on this opportunity, and align themselves with prevailing parties during any transition. But cynicism is not conducive to improving the rate at which reform takes place. It is an acceptable risk given what is at stake, and what can be gained. As academics, political scientists, and economists, we seek to understand these events through the lens of political economy, and the implications they have for the future.

The regional conference held at the American University had three objectives:

First, to review the circumstances under which Arab autocracies have been able to survive for so long; second, to diagnose the potential factors that are expected to push for democratic transitions; and third to determine what is necessary for true democratic transitions to occur in the region.



From left to right: Dr. Samir Makdisi, Dr. Simon Neaime, Dr. Martin Beck

3. Details

A Year After the Initial Breakthroughs

Dr. Samir Makdisi presented a working paper.

Why has it taken so long for the Arab Spring to occur? There were relatively peaceful revolutions in Tunisia and Egypt, in contrast with the violent upheavals in Syria, Yemen, and Libya; other countries in the region have seen limited activity without fundamental change. We still see that autocracy prevails.

There are two defining characteristics of the region which impede democratization: immense resources and significant conflict. In addition, moving from state-oriented economies to market economies has led to job insecurity and contributed to unemployment. There is greater openness within the region now. The youth has lost faith in traditional reform and yet have been able to witness reform processes around the world. Regional disputes, particularly the

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Arab-Israeli conflict, must be solved before achieving true democracy.

**Shaking the Autocratic Foundations:
Overall View of the Politico-Economic
Factors Pushing for Transition**

Dr. Ibrahim Elbawadi presented a quantitative approach to the Arab Spring; a complementary study to Dr. Samir Makdisi's working paper.

The Arab Spring is a late awakening; as shown through the persistence of autocracy in the region. Using a 10 point political scale, democratic transitions are defined as a 3 point jump over 5 and 10 year periods of positive democracy. The longer this occurs, the more sustainable democracy is. Some countries are more susceptible to democracy—like Sudan and Mauritania—whereas others are vulnerable to autocracy based on historical legacies.

Country-specific analysis shows that Kuwait has a measure of democracy, despite being resource-rich and located in a conflict region. Traditionally, the royal family was the protector of the merchant class, which created a system of parity between them.

Looking at the interaction between political and economic rents, the study found that they are impediments to democratization. Yet, in rentier states like Norway and Chile, the effect is negligible. When unemployment reaches a threshold of more than 10%, there is an expectation for the promotion of democracy. But in countries like Saudi Arabia, the authoritarian bargain allows for more provisions and social welfare.

Furthermore the analysis shows that wars and political repression explain the impediment of democracy. The Arab region is extremely repressive—based on objective indicators like extrajudicial killings. Neighborhood wars impede democratic transition while reinforcing the role of rents.

Discussion

Dr. Martin Beck raised four points to the presentations:

First, some in the West view Arab-exceptionalism as a dependent variable, and many correlate it to Islam. The problem with that concept is that factors such as religion and culture are difficult to change. When scholars emphasize factors which can be changed in order to create democracy; such as the causal relationship between wars and rents, it is a positive approach. But this statement only applies if all other things are equal, i.e. *ceteris paribus*; and oil producing countries may experience democracy because of the Arab Spring. Furthermore, this holding could be expanded to countries like Jordan which receive political rents.

Second, with respect to Norway; it is a country heavily dependent on economic rents yet still a democracy. Thus, oil does not necessarily cause authoritarianism. Norway's advantage, however, is that it was a democracy before oil was discovered.

Third, with regard to the idea of transition periods timeframe of 5-10 years; transitions are lengthy processes with major setbacks along the way. Even if there is a decline of democratic freedom it could be, in the long run, part of the transition.

Fourth, the basic causal relationship between economic and political rents and non-democratization is valid. Financial resources are at the disposal of the state to support itself. But the argument that war and conflicts are impediments to democracy is unconvincing. Germany would not have democratized had it not lost wars. Furthermore, Lebanon is more democratic than Saudi Arabia because of conflicts: in pluralistic societies where groups cannot control each other, they must find ways to cooperate.

Dr. Ibrahim Elbawadi responded to Dr. Martin Beck's comments; stating that while the anecdote of Germany's democratization after losing World War II is useful, the Arab

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world uses the Israeli conflict as an instrument to exact oppression—and the conflict is exploited by Islamists.

Dr. Samir Makdisi responded to DrBeck, stating that political rents are not unique to Jordan—but they are widespread across the region. As privatization takes place, their existence will diminish. On Norway, he questioned whether it would be democratic today if oil was found before it was a democracy. Dr. Makdisi concluded his comments by addressing the issue of war and conflict, stating: The Arab-Israeli conflict is a unique situation which is not applicable in any other region.

Dr. Markus Marktanner took issue with the two presentations' contention that war and political repression are impediments to democracy, stating that the framework was too straightforward. He said the assertion that democratic transitions occur within 5-10 year periods, precludes cases like Hungary, which was a democracy and is now authorizing.

Lessons from the Tunisian and Egyptian Uprisings

Dr. Youssef Choueri presented a working paper on Egypt and Tunisia.

There is a need to change the criteria for what attaining democracy requires, and a shift from European and North American indicators. While a well-established middle class, consumption of certain goods, and literacy rates are important, there are other unique issues that are concentrated in the Arab world.

The revolutions challenge the idea of dynastic successions—however—Syria may prove to be an exceptional case. In Tunisia the army was neutral because it saw itself as a deterrent of external threats to the country; and hence did not want to control the revolution. While in Egypt the security services are effectively a state within a state: They provide economic, social, and cultural services; which explains why the

army retains its power and will not be prepared to relinquish it.

Ultimately there is no indication of economic or social restructuring in these countries. There is no clear vision; in order for them to be real revolutions, there needs to be more change. If there is no change regarding social and economic problems then they cannot consolidate the achievements of the revolutions

Lessons from the Other Arab Uprisings: Libya, Syria, and Yemen

Dr. Youssef El Khalil presented a working paper on Libya, Syria, and Yemen.

The revolution took 28 days in Tunisia, 18 days in Egypt. The role of social media was critical to push an unemployed youth to the brink, causing a breakdown of fear.

Syria, Libya, and Yemen, however, have been historically more violent, and the conflicts moved from rural to urban settings. Their situations are exacerbated by the "War on Terror;" increased clan-based nepotism; and increased oil and political rents.



From left to right: Dr. Youssef Choueiri, Dr. Wassim Shahin, Dr. Youssef El Khalil

Libya had the deepest dependence on oil exports to the West and was otherwise fragmented. The state was "Orwellian;" up to the revolution, officials were never mentioned by name and Muammar Gaddafi had complete autocratic rule over the country.

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In Yemen, there are different colonial impacts on different parts of the country. It is also dependent on direct and indirect rents of oil—primarily remittances from Saudi Arabia. The society is also disjointed, and tribally confessional via the North and South.

Syria is a country that holds characteristics of many countries in the region, but no definitive statements can be made on its future. But one thing is certain: the revolutions will shape the Arab-Israeli conflict.

Discussion

Dr. Sari Hanafi offered his comments to the presentations.

Compatibility of Islam and democracy is not only an orientalist problem. The revolutions have disproven the notion that Arabs are content with systems of authoritarianism. But we also see a rise of Salafism— how globalization causes a rise of conservatism in the Arab world should be explored. A type of individualism is important for change; reflexive individualism is not against the family or tribe it can make movements successful.



Participants of the Conference

One participant commented: Tunisia can be considered the most advanced capitalist economy in the region based on its diversity, connection to Europe, political and social development, etc. The distance the new regime has from the old is wide; therefore there should be a differentiation between the regimes of the 1980s and those of today.

Dr. Martin Beck posed the idea to Dr. El Khalil that those who initiate revolutions do not always succeed. It is likely that the old guard will win in the end—as there are more failed revolutions than successful ones. Looking at Syria, there is no guarantee the Assad regime will fail; the same applies for Egypt's military leaders. On Libya, Dr. Beck agreed with the historical structural problems which are a direct influence of Europeans.

Dr. Choureri responded to Dr. Beck's comment, saying Gaddafi revolutionized the social and economic structures in Libya, not the political structures; colonialism is not to blame for everything. The Arab world has tried nationalism, socialism, Marxism, post-modernism, etc.—it has had its own adherence to all forms of government. People have exhausted theoretical programs about how society should change; theories cannot be applied any longer.

Dr. El Khalil commented that one should not deal with the frustration that was produced by the Arab-Israeli conflict. The new revolution is the blending of individualism and social media—legitimizing individuals interacting with others. Gaddafi was paranoid, which is the reason for the absence of social and political structures.

Dr. Ibrahim Elbawadi commented, on Syria and the Levant, ordinary citizens generally feel tied to the fate of the regime.

Dr. Markus Marktanner asked if it was valid to say there is no indigenous intellectual movement, based on the analyses.

The Impact of Regional Conflicts on Democratic Transformation in the Region

Dr. Atif Kubursi presented his working paper on regional conflicts.

The Israeli occupation is unlike any other situation elsewhere and has distorted priorities. But there is no irrelevant aspect of it. Defense budgets are substantially higher in the region, compared with other

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3rd world nations, yet other services' budgets are significantly lower. The occupation is pervasive through the control of resources, settlements, fertile land, and water. Because of this, the region lags behind in foreign investment; and since the revolutions are not focused on Israel, the West is largely ignoring it. There is nothing which contradicts development more than occupation.

Americans in Iraq and Israelis in Palestine are ruining the region. Oil has been the primary interest, which has supported kleptocracies. Rentierism is inherently corrupt, as governments use rents for their own interests, forcing the Arab states to have the highest level of per capita imports in the world.

Will the successful uprisings lead to the consolidation of democratic transformation?

Dr. Marcus Marktanner presented his working paper, noting skepticism for true democracy.

Equitable social development and market driven development are key features of democracy. These two necessities are not met in the Arab world, and will not be in the near future.

After the fall of the Soviet Union, reform efforts were made but the political elites remained in power. The failure of economic reforms in the Arab region was a prelude to the Arab Spring. The legacy of socialism is not necessarily a negative one, but there is significant intra-societal mistrust; with high mistrust and high unemployment, there will be problems redistributing wealth. Current trends of democracy in the Arab world ask the question: "How do we split the existing pie?" Instead of, "how do we grow the pie?"



From left to right: Dr. Atif Kubursi, Dr. Ibarahim Elbadawi, Dr. Marcus Marktanner

Discussion

Dr. Ghassan Dibeh commented on the two presentations.

On the Arab-Israeli conflict; it could lead to economic development. There is a link between war and development, why have the Arab countries not mobilized? There has been a constant arms race—therefore it is not the Arab-Israeli conflict which poses the problem. The Arab world has negative investment and there is a poor relationship between market reforms and inequality. The new rulers in Egypt have tried to drive a wedge between political and economic reforms; recognizing that economy issues are more important.

Dr. Marktanner responded by saying there will be more frustration, given the fact there is no evidence of economic reforms benefiting people as a whole.

Dr. Atif Kubursi contested that the region has been elevated to a frontier of conflict between the West and China, Iran, and Syria. Despotic regimes in the Gulf favor Israel in a way because of its potential to confront their enemies.

4. Conclusion

Regional conflicts, extreme economic disparity coupled with political and economic rents; and the lack of a consolidated intellectual movement appear to be the major hindrances to democratic reform in the Arab Spring. The conference provided

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valuable insight to the likely outcomes in several countries in the region.

While at first, observers and participants alike were optimistic, it appears that the exuberant spirit of the phenomenon has been overshadowed by a bleak reality. The seeds of democracy must be sown with a plan. Successful revolutions are only the beginning; but the responsibility to reform and to sustain a system of democracy lies in the hands of the victors. At present, there is little promise that those will be achieved.