

# Rethinking the Arab Spring - A Road Map for G20-UN Support?

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## Abstracts

Over the course of the past ten months, the Arab world has been thrown into the greatest pan-regional turbulence than at any other time since the 1950s. At stake in this regional gamble is the fate of millions of people from North Africa to the Levant, as well as the fortunes of several key ruling dynasties and massive international interests—public as well as private. We are witnessing a critical and profound reshaping of the Arab world psyche, potentially including in its relations with Israel.

Only one outcome is clear: the Arab realm has a narrow window of opportunity to transform old un-representative political structures and clique-dominated distribution of oil wealth. It is an enormous challenge. This report argues that nothing less than major, meaningful change across government systems, economies and society will provide the tools to chart a viable course.

By early 2011, most observers would have been forgiven for thinking that the misleadingly named 'Arab Spring' had the legs to precipitate profound structural change to political, security and socio-economic relations across the Arab realm. However, these four distinct Arab contexts (Levant, Gulf, North Africa and Egypt) cannot be compared to Eastern Europe either culturally or contextually - and will not follow the same history of democratic transition.

Where overthrow has occurred, new interest groups have captured what remains a partial reform process with uncertain ends (except for Libya whose fate still hangs in the balance). In countries not directly affected by the uprising, it has nonetheless catalyzed modest reforms as leaders bid to forestall discontent and open their governments to greater broad-based representation. In addition, the Palestinian bid for full state membership at the United Nations has become a serious complicating factor for new

leaders and their international supporters. Whatever the outcome, it is likely to prove pivotal in shaping the Arab world's internal and external relationships at this fragile moment.

Given the scale of the challenge at hand, international support has fallen way short of expectations. The support promised by G8 at the May 2011 Deauville summit has to a large extent not materialized; and the impact of the now US\$100 billion in support through the Breton Woods organization will, from a grassroots perspective, be 'trickle down' at best. Assistance is loan-based, focused on macroeconomic stabilization and limited to Libya, Egypt, Morocco and Jordan – a carrot-and-stick approach to regional stabilization. The slow pace of broad European financial support for the range of Arab countries in turmoil is largely explained by the following three factors: 1) the 'entente cordial' between France and the UK over Libya<sup>3/4</sup> which has tied up resources and strained strategic focus; 2) an unprecedented fiscal crisis sweeping Europe on the back of a decade of expensive military campaigns in Afghanistan and Iraq; and, 3) the absence of a clear road map to facilitate EU and U.S. engagement.

Given the widespread and ongoing loss of life (3,000 in Syria alone according to the UN Human Rights Commission), it should be deeply concerning to all stakeholders that the benefits of the uprising remain as intangible as the indicative support provided by the international community so far - contributing to regional destabilization

This report by Geopolicity<sup>3/4</sup> an independent economic intelligence consultancy advising institutions and governments worldwide and specializing in post-conflict transitions<sup>3/4</sup> identifies the major drivers of change in the 'Arab Spring' and the economic impact so far. It aims to provide a viable framework for strengthening international support towards a strategic shift in approach—a view towards 'changing-the-channel'.

The risks are clear. Unless the drivers of change in each country are strategically engaged, and a region-wide support program conceived and led by Arab states, the outcome of the uprisings will remain unknown and could potentially be regressive. Moreover, the international community currently needs smarter and more regionally tailored instruments to expedite support or sufficient on-the-ground influence to leverage sustainable reforms.

Is this the opening of a new chapter of Arab history, or will these events diminish into a footnote of an old story? Revolutions may easily default to recidivism in the Arab governing psyche - as great Arab historian Ibn Khaldoun describes. Yet, the opportunity

for a more positive outcome has never been greater. The Arab world—which has in recent years stood up and embraced Western economic ideology<sup>3/4</sup>has now reached a crossroads: adopt a regressive stance which sacrifices reform for special interests, or embrace greater transparency, social equity and global integration. The former route is a clear dead-end street. The latter may be long and arduous towards, as yet, unknown ends; but millions of Arabs have already set off and deserve appropriate help along the way.

## **ABOUT THIS REPORT**

This report outlines the rationale for rethinking national, regional and international ‘Arab Spring’ support and suggests alternatives to be implemented over the short, medium and longer term by Arab states and their partners.

## **REPORT HEADLINES:**

1. Arab Spring Costs to GDP are projected to be US\$15.873 Billion for 2011: The costing exercise undertaken by Geopolicity, based on data from the International Monetary Fund, shows that GDP losses in Libya, Egypt, Tunisia, Syria, Yemen and Bahrain will total some US\$15.873 billion in 2011 alone. The costs to Public Finance for the same countries totals some US\$18.89 billion over the same period:
2. Emerging Winners Among Wealthy Oil Producers. The overall economic Impact of the Arab Spring is mixed with wealthy oil exporters such as the UAE, Saudi Arabia, Qatar and Kuwait seeing significant increases in GDP over the same period. These countries have forestalled major internal protest and their economies are more progressive and growth oriented;
3. Impact on Public Revenues Worst in Poorest Countries. Libya, Egypt and Syria have so far paid the highest price—both human and economic. Public revenues have fallen too, – by 77 percent in Yemen and 84 percent in Libya, damaging ability to deliver basic and essential services. Wealthy countries able to avoid protest and afford large public handouts have seen a positive impact on public coffers. Revenues in Saudi Arabia and the UAE have increased with, outside of Yemen and Libya, oil exporters being winners and oil importers losers;
4. Arab Leadership Essential for an Arab Renaissance: Any Arab Renaissance must be led by the leaders of the Arab realm directly, including through the League of Arab States, and supported by the international community, with a focus on strengthening

political freedoms and transparency over the utilization of natural resources. Leadership by the Arab League and Gulf Cooperation Council (GCC), as well as countries spearheading regional change such as the UAE and Qatar, are key to developing a carefully-sequenced political, security and economic road map for the region as a whole. Qatar, the UAE and Kuwait are already playing central roles, with the strategic military alliance between Saudi Arabia and the U.S. made complicated by the need for stability first and reforms second;

5. A Regional Road Map for a Realistic Transition: Analysis in this report suggests three essential outcomes are most likely to assure mutual benefits: (i) stable, inclusive and sustainable economies based on solid regional integration; (ii) resilient and accountable governance systems balancing rights and responsibilities; and (iii) homegrown and open socio-political frameworks creating an organic democratic process. Unless a regional road map is established around which G20/G7 can provide financial support towards these goals, country-based loans through the World Bank and IMF will have little impact on the reform process. Further, international loans will do no more than support macroeconomic stabilization objectives. It will also be essential to create mechanisms for policy-based lending in support of social transformation goals;

6. Minimizing the Risk of Regressive Political and Security Shifts: Increasing political freedoms in the Arab world will necessarily increase freedom to criticize Western and Israeli policy. Should this lead to a dramatic deterioration of political relationships once stable, regional security would suffer. The challenges are particularly high in Egypt, where Mubarak's tight lid on expression of ill feeling towards Israel has now been lifted. It will be critical for both Israel and its international supporters to take a measured approach and differentiate between a perhaps necessary outpouring of repressed public sentiment with a real increase in risk to regional security. Reactions to the outcome of the Palestinian application for UN membership currently being discussed at the United Nations Security Council (UNSC) and full state recognition will be key in this regard. While nations have a responsibility to prevent violence towards international property and persons, a return to repressive policies would be ill conceived from a longer-term security perspective. Any road map towards regional stabilization and peace must, therefore, also involve a process of reconciliation;

7. Changing the Way the UN Does Business in the Arab Realm: The United Nations, which is organized on a country-by-country basis without synchronized regional hubs across agencies (the Secretariat and World Bank), lacks the institutional framework for a regional approach and this shortfall needs to be addressed urgently. Aligning strategic UN investments and interests with the Arab League, in coordination with G7 would

appear a logical starting point;

8. “Top-to-Bottom” Indicators of Success: Political freedoms, improved political representation, greater transparency over the utilization of revenues from the extractive industries, improving basic indicators (particularly for child health and education), gender and press freedoms are going to be critical proxies of long term structural-change; and,

9. Building on Regional Design for Greater Economic Diversification: Arab countries striving to move away from oil dependency must open themselves up for business, to foreign direct investment and often foreign workers. Strengthening the private sector also affects capital rights and voice in relation to national policy.

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- World Bank
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- International Monetary Fund (IMF)
- United Nations (UN)
- United Nations Security Council (UNSC)
- Wikipedia Commons
- North Atlantic Treaty Organization (NATO)
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- Wood Mackenzie Energy Consultancy

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