Four years after the start of the Arab revolutions the results are discouraging. Today, most people try to avoid using the term “Arab Spring.” Very little has been achieved in the area of democratic reforms. Instead of building vibrant and stable democracies, most of the countries of the Arab Spring revolutions have entered a phase of violence and instability. Political turmoil has been associated with macroeconomic instability, low growth, and high unemployment. The revolutionaries’ dreams for more freedom and dignity, and more bread and social justice, appear now even less attainable than before the uprisings.

Of course, country circumstances, and hence outcomes, are different. For a while, before terrorist attacks on the Bardo museum and at Port el Kantaoui near Sousse, Tunisia seemed well on its way to becoming a success story. It achieved significant progress toward democracy after a long and painful transition. Morocco, where the king is leading reform from the top, may be another exception. In general, among the revolting Arab countries, Jordan and Morocco, the two kingdoms, have been more successful in maintaining stability and economic growth than the republics.

Are the discouraging results so far surprising? Probably not. Arab societies are polarized between Islamists and secularists and are also divided along religious, sectarian, and in some countries ethnic grounds. Highly polarized societies typically have a much harder time transitioning to democracy.\(^1\) Arab countries have virtually no experience or culture of democracy. And the institutions necessary for democratic governance—for example, political parties and other civil society

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1. Grand (2014) develops the argument on why transitions are more difficult in polarized societies, using examples from third-wave transitions to democracy.
organizations—are either nonexistent or very weak. Under the circumstances, the euphoria and bubbling optimism of 2010–11 appear to have been more the result of wishful thinking than of a serious analysis of the chances for a quick transition to democracy in the Arab world.

But excessive pessimism today may also be a mistake. In 2010–11 Arab populations, especially youth, expressed their desire for more freedom and dignity as well as more bread and social justice. This marked the end of Arab exceptionalism, that is, the view that Arabs were somehow different from other peoples because they placed less value on political freedom and civil liberties.

The Arab Spring is not a season. It is a first and important step on the long road to a new political, social, and economic order. As described by Amin and others (2012), this road will be long and tortuous with several twists and turns, and even setbacks, along the way. Political transitions in the Arab world will take many years and maybe even decades, but they will ultimately succeed as they have in other parts of the world. There is no such thing as Arab exceptionalism.

For this long transition to succeed with minimum human and social costs, political reforms must be accompanied by measures intended to grow the economy and enhance equality and social justice. Economic and political inclusion need to move hand in hand. Sharp divisions over issues of selection of political systems and of national identity are likely to continue in the Arab world, and the current political polarization will not disappear anytime soon. However, consensus could be achieved over issues of economic development and inclusive growth.

Leaders of Arab countries in transition have so far put economic issues on a back burner and focused almost exclusively on highly divisive political questions such as the role of religion in politics. It is time for a change in priorities. Faster and more inclusive economic growth would help achieve political stability and create the social cohesion necessary for building consensus and succeeding in the political transition.

2. I stress here the importance of institutions and culture for successful transitions. But other analysts have emphasized different reasons for the difficulty of democratic transformation in the Arab world. Elbadawi and Makdisi (2011) stress the role of oil wealth and of the Arab-Israeli conflict in hindering the development of Arab democracy. Wittes (2008) emphasizes the role of oil rents and geopolitical rivalries in supporting the authoritarian status quo.
The Secularist-Islamist Divide

Arab democratization is particularly difficult because of the high degree of polarization between nationalist-secularists and Islamists. The two groups have very different visions of the type of country and society they want to live in. A Tunisian who believes in secularism and nationalism along the lines advocated by the late president Habib Bourguiba would develop a vision of an independent Tunisian state very close to southern European models. On the other hand, a Tunisian Islamist would dream of living in a Tunisia that is part of a greater caliphate similar to the one built by the early followers of the prophet Mohamed. Constructing a stable and liberal democracy would require that both sides make compromises to reach consensus or that one side succeeds in making the other disappear. Regardless of whether one of the options may be morally superior to the other, it is clear that neither of those options is easy, and certainly neither can be achieved in a short period of time. In view of the deep schism between nationalists and Islamists, Tunisia’s achievements over the past four years are remarkable.

Arab nationalist movements started in the late nineteenth century in reaction to European and Ottoman imperialism and continued throughout most of the twentieth century. Nationalism in the Maghreb expressed itself against French, and to a lesser extent Spanish, presence. In Algeria, Amir Abdel Kadir led an armed resistance to the French in the 1830s and 1840s. In Morocco, the revolt of Abdel Karim al-Khattabi led to the eviction of the Spanish army from the Rif Mountains in the early 1920s. Both revolts were ultimately put down by the French military.

The twentieth century, and especially the period following the First World War, witnessed the development of urban-based associations and nationalist political parties seeking independence. Those movements were heavily influenced by ideals of nationalism and socialism brought home by the thousands of Arab soldiers who served in the French army during the war.

The first such party was the Constitution (destour, in Arabic) Party in Tunisia, which was created in 1920. Bourguiba, a French-educated

3. For a detailed description of the nationalist movements in the Maghreb, see Willis (2014).
lawyer who was the first president of independent Tunisia, rose up the ranks of the Destour but ultimately managed to break up the party and create the Neo-Destour in 1934. The Neo-Destour was much more vocal in its demands for independence and more willing to directly confront the French colonial authorities.

In Morocco, the National Action Bloc was created in the 1930s and transformed itself into the Independence (istiqlal, in Arabic) Party in 1944. Like the Neo-Destour, Morocco’s Istiqlal was mostly an urban party supported by the new intellectual and business elites.

Modern nationalist sentiment in Egypt dates back to the late nineteenth century, when Ahmed Orabi, at the time head of the Egyptian armed forces, revolted in 1879 against the khedive, who represented the Ottoman Empire. Like Abdel Kadir and Abdel Karim al-Khattabi, Orabi’s revolt failed, as the British intervened to support the khedive. Orabi’s army was defeated in 1882, he was exiled, and Egypt became a British protectorate.

Orabi’s nationalist mantle was taken over by Saad Zaghloul, a civilian, who started a revolution against British colonial rule in 1919. Zaghloul established the Wafd, which continued to be Egypt’s largest party, winning 179 parliamentary seats out of 211 in the 1924 elections and 157 seats (with 89 percent of the vote) in 1936, until it was dissolved by Gamal Abdel Nasser in 1952. Throughout its history the Wafd was in constant conflict with the king and with the British, who effectively ruled Egypt despite its nominal independence in 1922.

The situation in Jordan and Yemen was different. Yemen was divided into North and South. The North became independent of Ottoman rule in 1918 and was ruled by hereditary imams until a revolution toppled the system in 1962 (with Egyptian military support). The South was under British rule and then local communist rule in the 1960s. The two parts of Yemen were united in 1990. In addition to the North-South divide, Yemen is also divided along sectarian lines between Sunnis and Shias.

Unlike Egypt, Morocco, Tunisia, and Yemen, which have a relatively long history as separate nation states, Jordan was created in 1922 as

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4. See Ghanem (2014a) for a more detailed exposition of Egypt’s political economy and history.
5. See Owen (2012).
a prize for Amir Abdullah, of the Hashemite family of Arabia, for his support to the allies against the Ottomans during the First World War. Jordan was part of the British mandate that covered Palestine and only became an independent kingdom under Abdullah in 1946. Jordan’s kings, especially King Hussein, who ruled from 1953 to 1999, led the nationalist movement with strong support from Bedouin tribes.

As described by Muasher (2014), Arab independence struggles took a distinctly nationalist flavor, and their leaders adopted secular values. Owen (2012) argues that for the first generation of postindependence Arab leaders, establishment and protection of national sovereignty was the most important goal. This necessitated the expansion of the military and the development of a middle-class officer cadre with an intense sense of patriotism. The military ruled directly in Egypt (under Nasser, Anwar Sadat, and Hosni Mubarak) and Yemen (under Ali Abdullah Saleh) and played a key role in protecting the regimes in Tunisia, Jordan, and Morocco, where President Bourguiba, King Hussein, and King Hassan II established themselves as leaders of the nationalist movements in their respective countries.

Arab nationalism did not embrace democracy. Postindependence governments questioned the legitimacy of democratic governance because it was supported by elites who collaborated with colonial powers. On the other hand, the nationalist movement was a force for modernization. It called for the separation of state and religion, greater social justice, women’s rights, and support for a cultural and artistic renaissance.

Islamism could be viewed as the antithesis of Arab nationalism. Modern political Islam has its roots in Egypt, where it started in 1928 with the creation of the Muslim Brotherhood by Hassan al-Banna. The Brotherhood continues to exist in Egypt today, although it has been designated a terrorist organization and banned by the administration of President Abdel-Fattah el-Sissi. It has offshoots across the Arab world. It is present in Jordan, where its political arm, the Islamic Action Front, is an important opposition actor. Morocco has two Islamist parties: the moderate Justice and Development Party is currently leading the coalition government, while the hard-line Justice and Charity Party is not a legally recognized party and does not participate in the formal political process. Inspired by the Muslim Brotherhood, Tunisian Islamists founded the Movement of the Islamic Tendency in 1981 and then changed its name to Ennahda, which means *renaissance* in Arabic, in
1989. Ennahda is participating in Tunisia’s coalition government. Islah is the Brotherhood’s offshoot in Yemen, and it joined the government and the national dialogue after the 2011 revolution.

The Brotherhood was created as a pan-Islamic social and political movement, partly in response to the fall of the Ottoman Empire and the abolition of the caliphate in Turkey by Mustapha Kemal Ataturk. This abolition was seen as an important setback by many pious Muslims, including al-Banna, who considered the caliphate a necessity in Islam. This put the Brotherhood in direct confrontation with Arab nationalists.\(^6\)

The Brotherhood was based on two important principles. The first is the adoption of sharia law as the basis for conducting the affairs of state and society. For the Brotherhood, Islam is a state as well as a religion. This is sometimes understood to imply that secular ideas are inherently un-Islamic and therefore Muslims who call for a secular state could be considered nonbelievers. The Brotherhood holds conservative views on gender equality and the role of women in society. They argue for a “modest” dress for women and the separation of the sexes at schools and workplaces. They also believe that cultural products should reflect the Islamic nature of society, and they have called for censorship of books and movies that they consider un-Islamic. Thus the Brotherhood has often been at odds with Arab cultural and artistic elites.

The second principle is to unify Islamic states and free them from foreign imperialism. Hence the Brotherhood considers any individual Arab country as just one small part of a large Islamic empire (or caliphate) stretching from Spain to Indonesia. A previous general guide (or chairman) of the Brotherhood in Egypt, Mohamed Akef, generated an outcry when he stated in an interview with the magazine *Rosa al Yusuf*, “To hell with Egypt.”\(^7\) Of course, he meant to emphasize the pan-Islamic ambitions of his organization, but nationalists interpreted his statement as meaning that the Brotherhood does not care about Egypt.

The Brotherhood has officially announced that it supports democracy and rejects violence. However, its detractors argue that it is difficult to reconcile democratic values that imply that the people have the final say regarding their affairs with an Islamic approach that

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6. For a history of the Brotherhood, see Wickham (2013).
believes that God’s word as presented in the Quran and the Hadith (the Prophet’s sayings) should be the basis of all constitutions and laws. The Brotherhood’s stated belief that Islam is a state as well as a religion seems incompatible with democratic governance.

The Brotherhood’s doctrine seems to have embraced violence and the concept of jihad, at least in its initial years. According to Hassan al-Banna, jihad was the obligation of every Muslim. In one of his tracts he states that

today the Muslims, as you know, are compelled to humble themselves before non-Muslims and are ruled by unbelievers. . . . Hence, it has become an individual obligation, which there is no evading, on every Muslim to prepare his equipment, to make up his mind to engage in jihad, and to get ready for it until the opportunity is ripe and God decrees a matter which is sure to be accomplished.  

Today’s leaders of the Brotherhood insist that they no longer espouse violence. Their nationalist detractors disagree and label them as terrorists. This debate is probably going to continue for a while and will not be resolved any time soon. However, one thing is clear. Al-Banna’s words appear to describe current positions of avowedly terrorist organizations like al-Qaeda and the Islamic State

Scholars disagree as to whether the Brotherhood has changed and has embraced democratic values. Wickham (2013) argues that the Brotherhood has evolved, especially owing to some of its members’ participation in political life. She believes that this experience has made the Brotherhood more open to political debate and dialogue and more accepting of democratic values. In a sense, the Brotherhood joined the formal political system to change it but ended up being changed by it. Nevertheless, she explains, one cannot conclude that the Brotherhood has embraced the liberal and inclusive ethos of democracy because its insistence on an Islamic frame of reference implies the existence of an authority above the electorate. Bradley (2012) is less nuanced. He argues that the belief that the Brotherhood has evolved has more to do with its recruitment of effective spokesmen who spout the virtues of its prodemocracy platform than with any real change in its position.

Regardless of the issues of acceptance of democracy and rejection of violence, the other differences between nationalists and Islamists appear irreconcilable. They include national versus religious identity, personal liberties, women’s role in society, and the role of the arts and culture. Arab and Muslim society seems to be divided right down the middle, and the polarization appears to be getting worse every day with the emergence of groups like the Islamic State and the development of jihadist ideologies among migrant populations in Europe and North America.

**Different Transition Experiences**

This polarization of Arab society greatly complicated the transition process. Nowhere is this more evident than in Egypt. Tunisia faces the same challenges as Egypt but so far has succeeded in maintaining national unity and building a democratic consensus. Yemen’s transition is in deep trouble, but it is not only owing to the secularist-Islamist divide. Yemen’s troubles are also caused by ethnic and sectarian differences. The two monarchies, Jordan and Morocco, have been more successful in maintaining stability, but the pace of democratic reforms has been slow.

**Egypt**

Egypt is by far the largest Arab country, and its transition, which has been particularly messy, has attracted world attention. Hence it makes sense to study it in some detail.

The military was put in charge of the transition in Egypt, and Marshal Mohamed Hussein Tantawi, Mubarak’s minister of defense, became the de facto head of state after Mubarak’s resignation. The first political disagreement he had to deal with was on the question of the timing of elections and the writing of a new constitution. After the dissolution of Mubarak’s National Democratic Party, the Brotherhood was the only organized group left in the country and therefore would win in any early election. They pushed for elections to take place before a constitution was written. The liberal, nationalist, Nasserist, and leftist parties wanted time to prepare and organize their bases. Therefore they argued for agreement on a new constitution before elections. At this point the Brotherhood promised not to field candidates for more
than 50 percent of the seats in parliament, so that they would rule only in a coalition government, and they also promised not to field a presidential candidate. The military sided with the Brotherhood and started preparing for elections before the constitution.

In spite of a boycott by the revolutionary youth and continued demonstrations and unrest, elections for the lower house of Parliament took place in three stages between November 28, 2011, and January 8, 2012. As expected, the results were catastrophic for the secularists. The Brotherhood won 37.5 percent of the popular vote, which translated into 45 percent of the seats in Parliament. The Salafists came in second, winning 27.8 percent of the popular vote and 25 percent of the seats in Parliament. Thus Egypt’s first postrevolution parliament had a crushing Islamist majority of 70 percent. Elections for the upper house were carried out on January 29 and February 22, 2012. They elicited little enthusiasm, and voter turnout was low. Islamists won nearly 80 percent of the seats, with the Brotherhood holding an absolute majority of about 58 percent.

The Brotherhood-dominated parliament elected a constituent assembly to start drafting Egypt’s postrevolutionary constitution. It included 66 Islamists out of 100 members. It had only 6 women and 5 Copts. Secular parties boycotted the assembly, and ultimately the courts declared it unconstitutional because members of Parliament elected themselves to the assembly. Agreement was reached between secularists and Islamists on the structure of the second constituent assembly, but the secularists claimed that the Islamists broke that agreement. Many secular parties followed the call of Mohamed el-Baradei (liberal) and Hamdeen Sabbahi (Nasserist) to boycott the second constituent assembly. Other groups, including Coptic Church representatives, also joined the boycott. According to a poll carried out by Al-Ahram news agency, more than 80 percent of Egyptians wanted the constituent assembly to be reformed to better reflect all forces in society. The schism between the Islamists and the rest of society appeared to be getting wider.

In the meantime, a presidential election was held in two rounds, the first round on May 23 and 24, 2012, and the second on June 16 and 17, 2012. The Brotherhood broke its second political promise and fielded a presidential candidate. In fact, it fielded two candidates. Its preferred candidate was Khayrat al-Shatter, a millionaire businessman and deputy general guide of the Brotherhood. However, al-Shatter had
legal problems that could disqualify him. That is why the Brotherhood also fielded a second candidate, Mohamed Morsi, president of its political party (Freedom and Justice). This earned Morsi the nickname “the spare-tire candidate.” In the end, the Brotherhood was right: al-Shatter was disqualified, and Morsi became the official Brotherhood candidate.

The military stated that it was not supporting any political group or candidate. However, most Egyptians felt that it supported Ahmed Shafik, a former general of the Egyptian air force and the last prime minister under Mubarak. The choice of Shafik as the standard-bearer of the liberal-nationalist-military alliance was unfortunate. He was too closely associated with the Mubarak regime. It would have been difficult for the people of Tahrir Square to vote for him. Another liberal candidate, Amr Moussa (a former minister of foreign affairs and secretary general of the Arab League) presented himself in the elections, but he did not receive much support from the military and its followers.

Morsi won the first-round presidential elections and Shafik came in second (table 2-1). Thus the second round was a runoff between those two. In that first round, Islamists (Morsi and Abul Foutouh) obtained 42.3 percent of the vote. The liberals (Shafik and Moussa) won 34.8 percent, and the Nasserist Sabbahi 20.7 percent. Sabbahi’s strong showing demonstrates that the Nasserist and leftist message still attracts substantial support in Egypt, particularly among the working class. It is noteworthy that Sabbahi won pluralities in Egypt’s two largest cities, Cairo and Alexandria.

Morsi won the second round of presidential elections with 51.7 percent of the vote to Shafik’s 48.3 percent. Many secularists voted for Morsi because they did not want to support someone they considered to be a Mubarak clone. Others simply stayed home on election day. It is hard to predict what the outcome of the elections (and hence of the overall transition) would have been had the liberal-nationalist-military coalition selected someone other than Shafik as their standard-bearer. But an opinion poll by Al-Ahram indicates that had the second round of presidential elections been between Mohamed Morsi and Amr Moussa, Moussa would have won with 77.6 percent of the vote to only 22.4 percent for Morsi.

Egyptians of all political leanings, who were worried that the elections might get rigged in favor of Shafik, celebrated Morsi’s electoral victory. His inauguration on June 30, 2012, was reminiscent of the day that
Mubarak resigned. Tahrir Square was filled with huge crowds representing all political forces. A few weeks later Morsi fired Field Marshal Tantawi from his post as minister of defense and replaced him with General el-Sissi. He also appointed a new chief of staff of the armed forces. This move was widely supported. Democracy seemed to be working, as the elected civilian president was taking control of the military.

Morsi promised to be the president of all Egyptians and to appoint two vice presidents, a woman and a Copt. But those promises were not kept, and the euphoria following Morsi’s election quickly dissipated as Egyptians slowly came to believe that he was only the Brotherhood’s president.

The Brotherhood’s worst mistake occurred on November 22, when Morsi issued a seven-article constitutional declaration. Article 2 stated that all decrees, constitutional declarations, or laws issued by President Morsi since his inauguration on June 30 could not be appealed or canceled by any authority of the country (effectively ending parliamentary and judicial oversight) and that all pending lawsuits against his decisions were void. Article 6 authorized the president to take any measure he saw fit to protect the revolution and safeguard national unity (effectively giving him unlimited dictatorial powers). Reaction against this declaration was quick and vehement. The president was forced to retract and annul his ill-fated declaration, but the damage to his stature and to the Brotherhood’s democratic image was already done.

The Brotherhood decided to quickly push through a new constitution before the judiciary could dissolve the second Islamist-dominated constituent assembly, which was being boycotted by nearly all secular groups. The new constitution was passed by referendum that

TABLE 2-1. Results of First-Round Presidential Elections, Egypt, 2012

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Political current</th>
<th>Share of vote (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mohamed Morsi</td>
<td>Muslim Brotherhood</td>
<td>24.8</td>
</tr>
<tr>
<td>Ahmed Shafik</td>
<td>Liberal</td>
<td>23.7</td>
</tr>
<tr>
<td>Hamdeen Sabbahi</td>
<td>Nasserist</td>
<td>20.7</td>
</tr>
<tr>
<td>Abdel Moneim Abul Fotouh</td>
<td>Moderate Islamist</td>
<td>17.5</td>
</tr>
<tr>
<td>Amr Moussa</td>
<td>Liberal</td>
<td>11.1</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>2.2</td>
</tr>
</tbody>
</table>

Source: Egyptian Supreme Committee for Elections.
was carried out in two stages on December 15 and 22, 2012. It was approved by a 63.8 percent majority, but voter turnout was only 32.9 percent, and a majority of voters in Cairo (the capital and largest city) voted against the constitution. The new constitution reflected an Islamist vision of Egypt rather than a broad societal consensus. Copts were against this constitution because it did not sufficiently protect minority rights. Women’s groups opposed it because it did not ensure equality of the sexes, and the media opposed it because it did not protect freedom of the press.

An open confrontation emerged between the Brotherhood and nearly all sections of Egypt’s elite: the judiciary, the media, artists, intellectuals, and of course the deep state (key civil servants and security personnel). Large segments of Egyptian society felt that President Morsi and his supporters were imposing their vision of postrevolution Egypt without sufficient consultation. For many among them it became an existential struggle. Two political parties that historically have been sworn adversaries, Sabbahi’s Nasserists and el-Sayyid al-Badawi’s New Wafd, agreed to coordinate and join el-Baradei’s Salvation Front against the Brotherhood. Even Abul Foutouh’s moderate Islamists joined forces with the secular parties in the Salvation Front.

By early 2013 Morsi’s position was starting to look shaky. He was facing a united opposition of secularists and moderate Islamists who were supported by the revolutionary youth, the judiciary, the media, and the cultural elite. Those running large businesses also joined the ranks of Morsi’s opponents because the economy was quickly heading toward a major crisis. Officially, the military, the police, and the civil service were neutral. However, it was an open secret that those intensely nationalist institutions, filled by Mubarak appointees, did not trust the Brotherhood.

Thus when a group of revolutionary youth started the Tamarod (rebellion, in Arabic) movement and began collecting signatures on a petition for early presidential elections, they received tremendous moral support from political, cultural, and media elites as well as financial support from the business community. They claimed to have collected 22 million signatures on the petition, far more than the 13 million votes that Mr. Morsi obtained on the second round of elections. They then organized massive anti-Morsi demonstrations in all Egyptian cities. At this point the military stepped in with an ultimatum to both sides in the confrontation (but clearly mainly directed at Morsi) to reach a
compromise. Otherwise, they said, they would impose their own road map for a new transition.

Morsi rejected opposition demands for early elections as well as the military’s ultimatum to reach a compromise that would be acceptable to the Egyptian street. He insisted that he was the legitimate president of Egypt and would complete his four-year term in office. With the benefit of hindsight it would have made much more sense for Morsi to negotiate a compromise with the opposition and with the military. It was clear that Egypt’s transition was in trouble and a change of direction was needed. It may still have been possible for him to lead this change and start a process of healing and national reconciliation. But he chose not to, and on July 3, he was deposed. At least as many people swarmed into Tahrir Square to celebrate his fall as had celebrated his election a year earlier.

The military was once more made responsible for managing Egypt’s transition. It quickly appointed the head of the constitutional court, Adly Mansour, as interim president, and he appointed a government of technocrats headed by a well-known economist, Hazem al-Biblawi, as prime minister. The military also announced a road map for a return to normal governance that included a referendum on a new constitution and presidential and parliamentary elections.

The first step on the road map was concluded when a new constitution, prepared by a committee chaired by Amr Moussa, was approved by referendum on January 14 and 15, 2014. The participation rate of nearly 39 percent and the 98 percent yes vote were higher than those obtained by the Muslim Brotherhood–backed 2012 constitution.

Transparency International’s team that observed the referendum stated that “the political context in the run-up to the referendum impaired conditions to hold a fair and free referendum when compared with international standards.” The assessment pointed out that the interim authorities took some steps that limited freedom of expression, association, and assembly and that civil society’s capacity to represent the voice of the people had thereby been greatly reduced. According to Transparency International, government officials as well as public and private media outlets campaigned vigorously for a yes vote and did not

provide an opportunity for the opposition to express its views. Moreover, activists who called for a no vote or for boycotting the referendum faced repression.

In spite of those problems, nearly all foreign observers agreed that the referendum reflected the will of the Egyptian people. How could one explain Egyptians’ supporting two very different constitutions in a space of a few months? The answer probably is that it was not the same Egyptians who went to vote each time. Participants in the Brotherhood-organized referendum were mostly young and male, while those who participated in the second referendum were mostly female and middle aged. According to this view, the schism between secularists and Islamists in Egypt has a gender as well as a generational dimension. It also seems to have a rural-urban dimension, with the Brotherhood usually garnering more support in rural areas.

The second step of the road map was completed in May 2014, when Field Marshall el-Sissi was easily elected president in a contest in which his only adversary was Sabbahi, leader of the Nasserist Party. Thus Egypt chose a popular officer as its new president, and people started immediately to compare him with Gamal Abdel Nasser, who led the revolt against the king in 1952 and who suppressed the Muslim Brotherhood in the 1950s and 1960s.

The third and last remaining step of the road map is the parliamentary election, which is now expected to take place by late 2015. According to the new electoral law, only 20 percent of the 540 elected seats in parliament will be assigned to party lists, while 80 percent will be assigned to individuals running in their constituencies. It is expected that this arrangement will hinder the development of a strong and unified opposition block in Parliament.

The struggle between nationalists and Islamists continues, even as the road map is being implemented. The Brotherhood was designated a terrorist organization, its assets were confiscated, and its leaders, including Morsi, were put in jail. Brotherhood activists and demonstrators face severe repression as they could be prosecuted as members of a terrorist organization. Demonstrations and street violence have become a common occurrence, and many deaths have been reported.

Islamists are fighting back, often using violence and terrorism, but the Brotherhood itself denies involvement in those acts. The security situation remains volatile, as Islamist groups carry out armed attacks.
against police and military targets as well as against some civilian targets. Perhaps the new regime’s greatest challenge is in northern Sinai, where the group Ansar Beit al-Maqdis, which has sworn allegiance to the Islamic State of Iraq and Syria, is active and is targeting security personnel and economic installations.

As could be expected, the cycle of violence and counterviolence had a negative impact on human rights. Amnesty International states on its website that

[in] the years following the “January 25 revolution” the human rights outlook in Egypt remains grim. . . . Egypt has suffered a number of human rights setbacks, not least since the removal of Mohamed Morsi from the presidency in July 2013, including the killing of up to 1,000 people on August 14, 2013, during the dispersal of sit-ins by his supporters by the security forces. . . . Some of the names strongly associated with the “January 25 revolution,” including one of the founders of April 6 Youth Movement, Ahmed Maher, and blogger and opposition activist Alaa Abdel Fattah, find themselves behind bars for breaking the repressive new assembly law.10

What will happen next in Egypt? There are at least two possible scenarios. The more pessimistic scenario would be that the violence will continue so that the el-Sissi administration will find that it needs to maintain repressive measures that curtail political and civil liberties. Hence under this scenario Egypt’s democratic transition fails and the country remains more or less where it was before the Arab Spring. The second and more optimistic scenario likens Field Marshall el-Sissi to General de Gaulle of France. Under this scenario el-Sissi succeeds in stabilizing the security situation and then proceeds to implement democratic reforms. Thus Egypt could gradually evolve into a full-fledged democracy. At this point it is not clear which scenario is more likely. Supporters of el-Sissi believe that he will lead the country toward full-fledged democracy, while his detractors, especially from

the Brotherhood, argue that Egypt is turning into a military dictatorship even more repressive than the one under Mubarak.

**Tunisia**

Tunisia’s transition has been very different from Egypt’s, and much less messy. The first difference concerns the role of the military. The Tunisian army avoided confrontation with demonstrators yet played a pivotal role ensuring security and minimizing violence. Most important, it did not intervene directly in the political process and created enough space for the civilian politicians to manage the transition.

Thus whereas in Egypt the minister of defense became the de facto head of state after Mubarak’s resignation, in Tunisia the president of Parliament played that role, but the real power remained with the prime minister. Initially Mohamed Ghannouchi, who was prime minister under Zine al-Abidine Ben Ali, remained at this post, but faced with increasing protest he had to step down a month after Ben Ali’s departure.

The second major difference between the Egyptian and Tunisian experiences is that Tunisia decided to agree on a constitution before electing a permanent government and head of state. On February 27, 2011, Beji Caid Essebsi, who had held several ministerial positions under President Bourguiba, was selected as transitional prime minister to replace Ghannouchi. He formed a government of independent ministers on March 7, with the clear objective of electing a constituent assembly. He declared that no member of his government would be allowed to run in the forthcoming constituent assembly elections.

Essebsi succeeded in his mission. Elections were held in October 2011 and were considered a model for the rest of the Arab world. They were held peacefully, and the participation rate was high, as 51 percent of eligible voters actually cast their ballots. Foreign and domestic election monitors praised the process for its transparency and fairness.

A third important difference with the Egyptian experience is that the Tunisian electoral system of a one-round proportional representation made it difficult for any single party to obtain an outright majority. Thus the Islamists in Tunisia did not control a majority of the seats of the assembly, as they had in Egypt, even though they got most votes. The Ennahda Party obtained 89 seats out of the assembly’s 217 and had to form a coalition with two secular parties, the Congrès pour la République, which won 29 seats, and Ettakatol, which won 20 seats.
Thus it was agreed that Ennahda’s Hamadi Jebali take over as prime minister, while the Congrès’s Moncef Marzouki become president and head of state and Ettakatol’s Mustapha Ben Jaffar become speaker of the constituent assembly.

As in Egypt, the period 2011–15 was marred by protests, violence, and several political assassinations. Tunisia had to carry out its own war on terror at a time when the economy was either stagnant or declining and social tensions were mounting. Moreover, instability in neighboring Libya and the increase in Libyans’ seeking refuge in Tunisia and the transfer of weapons through porous borders rendered the situation even more challenging.

Tunisia faced the same disagreements over the constitution as Egypt had. Islamists wanted sharia to be the basis for all laws, and they favored a parliamentary form of government. However, unlike Egypt, Tunisia has a vibrant and powerful civil society, particularly labor unions. Union interventions succeeded in pushing Islamists as well as secularists to make concessions and reach a consensus on the constitution. Ennahda also proved itself much more flexible and open to compromise than the Muslim Brotherhood in Egypt. In addition to reaching consensus on a constitution, Tunisians also agreed to select a neutral government of technocrats to manage the constitutional referendum and the ensuing parliamentary and presidential elections.

Parliamentary elections were held in October 2014, and a secular party, Nida Tounes, led by Beji Caid Essebsi, won most seats in Parliament but not an outright majority. In December Essebsi won the presidential elections. He appointed a respected politician, Habib Essid, as prime minister, and Essid formed a broad coalition government that included Ennahda, who came in second in the parliamentary elections. Thus Tunisia will continue to be governed by consensus between its strong secular and Islamist forces. Maintaining this coalition will certainly be difficult, but the country appears to be well on its way to becoming a full-fledged democracy, the first in the Arab world. However, Tunisia’s transition is being threatened by terrorism. Attacks on tourists at the Bardo museum in Tunis and on a beach in Sousse

11. It is sometimes argued that the fall of the Brotherhood government in Egypt was at least one of the factors that prompted Ennahda to make serious concessions to secular parties.
have had a devastating effect on Tunisia’s important tourism sector and hence its overall economy. These attacks underline the fragility of Tunisia’s transition to democracy.

**Yemen**

The problems facing Yemen’s transition are more related to sectarian and regional differences, as well as interference by al-Qaeda in the Arabian Peninsula (AQAP), than to the secular-Islamist divide. Hence they are even more complicated than the problems faced by the Egyptians and Tunisians. The transition in Yemen has gotten so out of hand that it is not only the future of democracy in the country that is threatened but also Yemen’s continued existence as a unified state.

The Arab Spring spread from Tunisia to Egypt and then to Yemen, where President Ali Abdullah Saleh had been in power for almost thirty-four years. Saleh initially refused to step down and resisted for many months until November of 2011, when he finally signed an agreement brokered by the neighboring countries of the Gulf Cooperation Council under which he agreed to hand over power to his vice president, Abdel-Rabbuh Mansour Hadi, in return for amnesty for himself and his inner circle. During the long months before the agreement there were sustained demonstrations and unrest and the country was pushed to the brink of civil war.

The protracted political battle in Sana’a (Yemen’s capital city), and the inevitable power vacuum during those long months, led to power grabs by different factions and tribal groups. The extreme north of the country fell under the control of the Houthis, a Zaydi rebel group, and the southern secessionist movement (Hirak) gained more ground. Armed groups and tribal forces controlled different parts of Sana’a. Perhaps most dangerous, the power vacuum and general chaos allowed AQAP to expand its operations in Yemen and to use Yemen as a base for attacking other countries.

Hadi was elected president on February 21, 2012 (his was the only name on the ballot), to lead a two-year transition that was to include agreement on a new constitution and the organization of free elections. Former president Saleh remained in Sana’a and continued to represent an important political force, which tended to complicate things.

12. Zaydis are a sect that emerged in the eight century out of Shia Islam.
for his successor. A new coalition government was formed headed by Mohamed Salim Basindwa, a prominent opposition figure and a former minister of foreign affairs who resigned from the ruling party in the early 2000s. Cabinet posts were evenly divided between the opposition Joint Meeting Parties (which includes Islah) and Saleh’s General People’s Congress. The government started to organize a national dialogue in which all stakeholders participated to prepare a new constitution.

The National Dialogue conference proved inclusive and tackled all the important issues, but it was not able to complete its work by September 18, 2013, as initially planned. The status of the South in a new Yemen was a key stumbling block. Southern representatives, supported by the northern Houthis, argued for a federal structure in which the South and the North would have equal status. But the General People’s Congress opposed the idea. Saleh, who remained head of the party, even called it treason.

In the meantime the security situation continued to deteriorate. There was an attempt to assassinate the prime minister as well as an attack on the ministry of defense in which fifty-six people were killed and hundreds were injured. Al-Qaeda in the Arabian Peninsula continued its operations in Yemen, and in a widely publicized event the United States closed all of its embassies in the region because of a threat that reportedly emanated from Yemen.

Protests erupted in Sana’a in the summer of 2014 after the government removed fuel subsidies. Those protests and the violent police reaction to them provided a reason for Houthi forces to march into Sana’a in September 2014. The Houthi capture of Sana’a faced so little resistance that some observers argued that Saleh was implicitly supporting them to take revenge on the Islah Party, a Sunni Islamist group that is naturally opposed to the Zaydi Houthis. The Houthis were also seen as a threat to AQAP, another Sunni organization.

Naturally, Hadi was greatly weakened by the Houthi capture of the capital city. Moreover, he was expelled from the General People’s Congress because he supported United Nations sanctions against Saleh that bar him from political office. This meant that in addition to losing control of Sana’a, he lost his political base. The UN brokered an agreement between the victorious Houthis and the other political factions. A new prime minister, Khaled Bahah, a former ambassador to the UN,
was named to lead a broad coalition government in which both the Houthis and Hirak were represented. However, with a weakened president Hadi, it was inevitable that this arrangement would be short lived.

On February 8, 2015, the Houthis announced the takeover of the Yemeni government, dissolving Parliament and replacing it with a 551-member National Transitional Council, which will elect a five-person presidential council. In the interim it was decided that an eighteen-member security commission will act as Yemen's executive branch. The Houthis also replaced the heads of offices of the president and the prime minister.

At present, Hadi and his government are in exile in Saudi Arabia. The Saudis are leading a coalition that is bombing the Houthis in Yemen. This is clearly not the end of the story in Yemen.

*Jordan*

Like Egypt, Tunisia, and Yemen, Jordan was rocked in January 2011 by street demonstrations and widespread protest. But unlike in the three republics, the people called not for a regime change but rather for a reform of the existing regime. Jordan’s king Abdullah II is a descendant of the prophet Mohamed and is seen as a legitimate ruler. In addition, he garners huge support from the tribal areas and from the military. Muasher (2014) argues that because the Muslim Brotherhood has always been allowed to operate legally in Jordan as a charitable organization, it adopted moderate policies and saw itself as part of the regime. On the other hand, Jordan has a large population of Palestinian origin, and tensions between it and the Jordanians could create some instability. More recently a huge influx of Syrian refugees further complicated the country’s economic, social, and political situation.

The king reacted to the protest movement by deciding to lead a process of reform from above. He set up a royal committee to consider constitutional changes. However, the committee was dominated by conservatives and came up with little in terms of recommendations. Perhaps the greatest achievement from this exercise was the creation, for the first time in Jordan, of a constitutional court. The king also decided to limit the scope of the state security courts, dominated by military judges, which earned him rare praise from the opposition.
Most observers agree that the reforms carried out so far have been very limited, and that there is a risk of more protests and instability. Because of his legitimacy and popularity, King Abdullah II is in a position to implement gradual reforms so as to steer his country toward full democracy while avoiding the huge human and economic costs caused by turmoil and instability experienced in Egypt, Tunisia, and Yemen.

**Morocco**

Like King Abdullah II, King Mohammed VI of Morocco is a descendant of the prophet Mohamed, is popular, and is seen as legitimate by the majority of the population. Faced with a similar wave of protests in 2011, King Mohammed VI went further than his Jordanian counterpart in implementing political reforms. As in Jordan, a committee was created to amend the constitution. But the amendments proposed by the Moroccan committee went much further than those proposed and implemented in Jordan.

The new constitution was adopted by referendum in July 2011. It strengthened the powers of the prime minister and of Parliament, as well as the independence of the judiciary. It enshrined more political and social rights and called for a more open and decentralized governance system, laying the groundwork for more-inclusive economic growth. As prescribed by the new constitution, the king appointed the leader of the party that won most seats in Parliament (Abdelilah Benkiraine, leader of the moderately Islamist Justice and Development Party [PJD]) as prime minister.

The new Moroccan constitution went further than the Jordanian one, but it did not significantly reduce the powers of the king, who continues to be the dominant political figure in Morocco. King Mohammed VI will continue to lead the transition. Evolutionary change carries the risk of a slowdown, or even a halt, in the reform process as powerful interest groups feel threatened and attempt to block the transition. This could lead to disappointment and frustration among the population, especially the youth, and hence to political unrest. That is why King Mohammed VI will need to remain one step ahead of the Moroccan street, implementing reforms at a pace that is fast enough to maintain

13. For example, Muasher (2014).
public support for the evolutionary process, while at the same time avoiding abrupt changes that could result in instability and disruption.

The Arab Spring’s Disappointing Political and Economic Results

From the review of country experiences presented above one cannot expect the Arab Spring to have resulted in much improvement in terms of greater democracy and freedom, except maybe in Tunisia. And this is exactly what the Freedom House data, comparing results from 2010 and 2015, presented in figure 2-1, show. Egypt and Jordan, which were rated as not free with a freedom index of 5.5 in 2010, continue with the exact same rating and index level in 2015. Similarly, Morocco’s rating as partly free and its index of 4.5 in 2010 remain unchanged in 2015. Yemen’s freedom rating actually deteriorated, moving from 5.5 to 6.0.

14. The freedom index is an average of an index for political freedom and one for civil liberties. It goes from 1.0, which is the best rating, indicating greatest freedom, to 6.0, which is least free.
Does this mean that the Arab Spring has had no impact on freedom in those countries? Not exactly. Tunisia moved from a rating of 6.0 and a classification of not free to a rating of 2.0, which means that it is now classified as free. That is a great achievement for Tunisia, and it also provides an example for other Arab countries. Tunisia has shown that it is possible to move toward greater freedom and democracy in spite of the secular-Islamist divide, the lack of a democratic tradition and culture, weak or nonexistent institutions.

In all five countries the Arab Spring was associated with an increase in political instability, terrorism, and violence. Table 2-2 presents the index on political stability and absence of violence and terrorism from the Worldwide Governance Indicators. This indicator moves from $-2.5$ (most unstable) to $+2.5$ (most stable). Note that all five countries had a negative index in 2010. This means that even before the Arab Spring the five countries were in the relatively unstable range. The situation worsened after the revolutions, and the indexes became more negative for all countries except Yemen. The index for 2014 has not been published yet. However, one can guess that, with the Houthi capture of Sana’a, the counterattacks, the activities of AQAP, and the Saudi-led military intervention, Yemen’s index for 2014 will probably show further deterioration.

There seems to be a difference between the republics and the monarchies in the group. While the level of instability increased in the two monarchies, they ended up in 2013 being more stable than any of the three republics. For example, compare Jordan’s $-0.62$ with Egypt’s $-1.62$ or Morocco’s $-0.50$ with Tunisia’s $-0.91$, or compare them both with Yemen’s $-2.35$. 

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**TABLE 2-2. Index of Political Stability and Lack of Violence, Arab Countries in Transition, 2010 and 2013**

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>(0.91)</td>
<td>(1.62)</td>
</tr>
<tr>
<td>Jordan</td>
<td>(0.31)</td>
<td>(0.62)</td>
</tr>
<tr>
<td>Morocco</td>
<td>(0.38)</td>
<td>(0.50)</td>
</tr>
<tr>
<td>Tunisia</td>
<td>(0.04)</td>
<td>(0.91)</td>
</tr>
<tr>
<td>Yemen</td>
<td>(2.42)</td>
<td>(2.35)</td>
</tr>
</tbody>
</table>

Source: World Bank, Worldwide Governance Indicators.

a. Negative values in parentheses.
More violence and instability is obviously not conducive to economic growth and development.\textsuperscript{15} Table 2-3 presents real GDP growth for the five countries for the period 2010–14. In 2010 the Arab economies were starting to recover from the impact of the global financial crisis, but with the instability brought about by the revolutions, GDP growth soon fell again. For example, Egypt was growing at 5 percent a year before the Arab Spring but saw its growth fall to about 2 percent the following year. Tunisia and Yemen even saw their GDP slip into negative growth in the year following the revolutions. The two monarchies seem to have done a little better than the three republics, with growth rates of 3.5 percent in 2014.

Low growth was associated with increasing unemployment. By 2014 the unemployment rate had reached 13.4 percent in Egypt and 9.3 percent in Morocco. Youth unemployment in Tunisia rose to 36.4 percent. Paradoxically, revolutions that were started by youth who demanded better job opportunities (in addition to freedom, justice, and dignity) ended up, at least initially, creating more unemployment and worse living conditions.

The four years following the Arab revolutions witnessed increasing fiscal imbalances in all five countries (see table 2-4). This happened because governments tried to jump-start GDP growth by increasing public spending, and at the same time they had to give in to political pressures and provide increased benefits to different groups. Thus

\begin{table}[h]
\centering
\caption{GDP Growth Rates, Arab Countries in Transition, 2010–14\textsuperscript{a}}
\begin{tabular}{lccccc}
\hline
\hline
Egypt & 5.1 & 1.8 & 2.2 & 2.1 & 2.2 \\
Jordan & 2.3 & 2.6 & 2.7 & 2.9 & 3.5 \\
Morocco & 3.7 & 5.0 & 2.7 & 4.4 & 3.5 \\
Tunisia & 3.0 & (1.9) & 3.7 & 2.3 & 2.4 \\
Yemen & 7.7 & (12.7) & 2.4 & 4.8 & 1.9 \\
\hline
\end{tabular}
\end{table}

Source: International Monetary Fund.
\textsuperscript{a} Negative values in parentheses.

\textsuperscript{15} For a detailed discussion of macroeconomic developments in Egypt and Tunisia, see Ghanem and Shaikh (2013).
Tunisia’s fiscal deficit, which was only 1.1 percent of GDP in 2010, grew nearly sixfold to reach 6.4 percent of GDP in 2014. Egypt and Jordan already had high deficits of 8.2 and 7.7 percent of GDP, respectively, before the Arab Spring. Those deficits ballooned to about 12 and 15.6 percent of GDP in 2014. Yemen had a deficit of 4 percent of GDP in 2010; it rose to more than 12 percent of GDP in 2012. Even Morocco saw its fiscal deficit rise, from 4.6 percent of GDP in 2010 to 7.4 percent in 2012 and 6.3 percent in 2014.

High budget deficits led to big increases in public debt between 2010 and 2014 in all five countries (see figure 2-2). Egypt’s public debt rose from 73 percent of GDP in 2010 to nearly 94 percent in 2014, and Jordan’s debt rose from 67 to 90 percent of GDP in the same period. Increased government borrowing led to higher interest rates and crowded out private investment. This was particularly true because in most countries, notably Egypt and Jordan, most of the borrowing was done domestically. In Egypt, external debt only increased from 12.4 percent of GDP to 18.4 percent, and in Jordan from 24.6 percent to 30 percent of GDP during the same period. This means that most of the increased government borrowing was happening in the domestic market; between 2010 and 2014, Egypt’s domestic debt rose from about 60 percent of GDP to 75 percent, while Jordan’s domestic debt rose from about 42 percent of GDP to 60 percent.

Governments were sucking liquidity from domestic banking systems and leaving very little to the private sector. At some point in 2012 domestic interest rates in Egypt were 16 percent at a time when international rates were close to zero. It is therefore no surprise that private

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>(8.2)</td>
<td>(9.8)</td>
<td>(10.6)</td>
<td>(13.7)</td>
<td>(11.9)</td>
</tr>
<tr>
<td>Jordan</td>
<td>(7.7)</td>
<td>(11.7)</td>
<td>(10.4)</td>
<td>(13.7)</td>
<td>(15.6)</td>
</tr>
<tr>
<td>Morocco</td>
<td>(4.6)</td>
<td>(6.9)</td>
<td>(7.4)</td>
<td>(6.2)</td>
<td>(6.3)</td>
</tr>
<tr>
<td>Tunisia</td>
<td>(1.1)</td>
<td>(3.5)</td>
<td>(5.7)</td>
<td>(6.2)</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Yemen</td>
<td>(4.0)</td>
<td>(5.7)</td>
<td>(12.4)</td>
<td>(7.8)</td>
<td>(6.8)</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund.

a. Negative values in parentheses.
investment, and hence growth and job creation, slowed down. High interest rates, together with political uncertainty and civil strife, were a strong disincentive for economic activity.

Two or three years into the transition, governments in all five countries started dealing with their budget problem; they quickly discovered that they must reduce or even eliminate some subsidies, especially those on energy products. In 2012 Tunisia spent about 4 percent of GDP on subsidies, and Egypt spent close to 9 percent of GDP. The Egyptian government allocated about 6–7 percent of GDP on fuel subsidies and some 2 percent of GDP on food subsidies. Combined, they were roughly equal to the entire sum the government (including health and education ministries) paid in wages and salaries and more than double the amount the government invested in infrastructure.

Two other arguments were made against fuel subsidies. First, they encourage the overconsumption of energy, which has environmental as well as economic implications. The energy intensity of the Egyptian economy is estimated to be 2.5–3.0 times higher than the average for advanced countries. Second, it is argued that fuel subsidies are regressive in nature. In Egypt, most subsidy benefits are captured by the
richest two-fifths of the income distribution. In Tunisia, the households with the highest income benefit about forty times more from energy subsidies than the poorest households.

Nevertheless, removing subsidies is unpopular and politically difficult. Morocco succeeded in removing all fuel subsidies without much political opposition. Tunisia also reduced fuel subsidies in spite of some opposition. In Egypt, President el-Sissi used the honeymoon period right after his election to reduce subsidies. In Jordan, subsidy reduction was met with street demonstrations. In Yemen, the demonstrations against subsidy cuts paved the way for the Houthi invasion of Sana'a.

The present crisis should lead to a rethinking of Arab policies on price subsidies and social policies in general. It is time for Arab countries to overhaul their archaic safety-net system and develop a new social contract that reflects the realities of the twenty-first century.

Over the past two decades, many middle-income countries (for example, Brazil and Mexico) shifted to social protection systems based on targeted cash transfers, but Arab countries maintained their system based on generalized price subsidies. This is the system adopted by President Nasser in Egypt more than fifty years ago, and it involves subsidizing prices of a number of commodities (including fuel, electricity, bread, rice, edible oil, tea, and sugar).

Social protection based on generalized price subsidies may or may not have worked in the 1960s, but it is certainly not working now. Generalized price subsidies are part of what has come to be known as the autocratic bargain or the autocratic social contract. This has included free health care and education, government jobs for all graduates, and low prices for necessities but limited political and civil liberties. The Arab Spring revolutions demonstrated the limits of that arrangement and highlighted the need to develop a new social contract—one that is consistent with a market economy and responds to youth demands for freedom, dignity, and social justice.

The idea of putting in place a social protection system based on targeted cash transfers has been studied in the Arab world for several years and could be quickly implemented. Experience from around the world indicates that such a system is much less expensive, more efficient, and fairer than price subsidies. Arab governments should consider moving ahead quickly to put such a system in place. It makes economic as well as political sense. It would be one way of responding to demands
for greater social justice, and it would make implementation of future reforms and further subsidy reductions much easier.

Political instability in the Arab world was also associated with a deterioration in external accounts. Tourism declined, foreign direct investment fell, and capital flight increased. The result has been a fall in foreign reserves (table 2-5). The decline in Egypt’s foreign reserves has been the most marked, as they fell from the equivalent of about 6.9 months of imports in 2010 to only 2.7 months of imports in 2014, which is slightly less than the three months that are usually considered the minimum prudential requirement. As shown in table 2-5, the other four countries also experienced significant declines in their reserve covers, though not as dramatic as that experienced by Egypt.

As a result, the credit ratings of all of the Arab countries in transition (ACTs) suffered. In 2010 Tunisia’s debt was rated by Moody’s as Baa, which means that it was considered medium grade and subject to moderate risk. In early 2015 it is rated as Ba, which means that it is speculative and subject to substantial risk. Egypt’s debt was rated as Ba before the Arab Spring and is rated as Caa in 2015, which means that it is now of poor standing and subject to very high credit risk. Jordan also saw its credit rating deteriorate from Ba to B, meaning that it is considered a high credit risk.

The decline in credit rating and increased sovereign risk make it more difficult for the private sector to engage in international business, particularly to obtain credit on the international market. This complicates international trade and makes it more difficult for the country to import. Some Egyptian businessmen complained to me in 2013 that it

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>6.9</td>
<td>4.7</td>
<td>2.7</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Jordan</td>
<td>7.4</td>
<td>5.9</td>
<td>3.6</td>
<td>5.1</td>
<td>5.8</td>
</tr>
<tr>
<td>Morocco</td>
<td>5.7</td>
<td>5.0</td>
<td>4.2</td>
<td>4.3</td>
<td>4.5</td>
</tr>
<tr>
<td>Tunisia</td>
<td>4.4</td>
<td>3.4</td>
<td>3.9</td>
<td>3.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Yemen</td>
<td>6.0</td>
<td>3.9</td>
<td>5.6</td>
<td>4.6</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund.
took about six weeks to open a letter of credit to import goods, while it took only three days before the revolution.

**Increased Fragility and Risks Going Forward**

Where are the ACTs heading? Are they moving toward more chaos, terrorism, and civil strife, or are they going to succeed in building stable and prosperous democracies? The jury is still out on this question. However, it seems clear that the ACTs are facing serious risks going forward. In the Arab world today, Yemen, Syria, and Libya are looking more and more like failed states. Will others follow them?

Yemen presents a worst-case scenario in which the dreams of liberty and better living standards have turned into a nightmare of civil war, increasing tribalism and sectarianism, escalating terrorism, lack of human rights, increasing poverty, and greater injustice. The country seems to have entered into a vicious circle where frustration over the lack of concrete political and economic results from the 2011 revolution lead to civil unrest, which, in turn, leads to more violence and repression and even worse economic and social conditions. Yemen seems to have become a failed state that could break up into two or more entities at any time.

Tunisia is probably the best-case scenario. After four long years the country’s political elite was able to reach a historic compromise on a constitution and to carry out free and fair elections whose results were accepted by all parties. The Tunisian political forces were also able to agree on a broad coalition government that includes Islamists as well as secularists. Therefore, it seems that Tunisia is on its way to meeting the revolution’s demands for freedom and democracy while maintaining political stability and national unity.

But Tunisia’s impressive achievements are still fragile, and the country remains vulnerable to extremism and violence. It is threatened by terrorism from groups who continue to dream of turning Tunisia into a theocracy. Ansar al-Sharia is a Tunisian terrorist group that was created in 2011. It is suspected of having been behind the attacks on the American embassy and the American School in 2012. It is also suspected of assassinating two secular political figures, Chokri Belaid and Mohammed al-Brahimi, in 2013. Al-Qaeda in the Islamic Maghreb has also been operating in Tunisia since 2011, particularly targeting
security personnel. For example, on July 16, 2014, fourteen Tunisian soldiers were killed and more than twenty were injured during a terrorist attack on Mount Chaambi, a closed military zone where the Tunisian army has been tracking terrorist groups since the end of 2012. In 2015 the Bardo museum and Sousse attacks were crucial blows to tourism. Moreover, significant numbers of Tunisian youth are in Syria fighting with extremist groups, such as the Islamic State. How will those young men fit into Tunisian society when they return?

Building national consensus in Egypt has proved to be more difficult than in Tunisia. The year during which the Muslim Brotherhood was in power has left deep marks on the Egyptian body politic, and hardly anyone is willing to restart a dialogue with the Brotherhood to work toward national reconciliation. Moreover, there is a divide among secular politicians, and many of the democracy activists who led the 2011 revolution feel excluded from current political processes.

Egypt has been plagued by terrorist attacks—mostly targeting government officials, Coptic Christians, and tourists—for many decades. But the number and intensity of those attacks increased dramatically after the ouster of Mohamed Morsi in July 2013. According to government sources, more than five hundred soldiers, police officers, and civilians have been killed in terrorist attacks since 2013. Perhaps the greatest terrorist challenge has been in the Sinai Peninsula, where the group Ansar Beit al-Maqdis, which has recently sworn allegiance to the organization of the Islamic State, has been active attacking army and police installations and personnel. It also claimed responsibility for an assassination attempt against the minister of interior, for attacks on police headquarters in Cairo, Ismailia, Dakahlia, and Sharqiya, and for a suicide attack against a tour bus of Korean tourists near Taba. As the security forces focused their efforts on curbing activities of Ansar Beit al-Maqdis in Sinai, smaller attacks on police checkpoints and individuals in Egypt’s urban centers have continued.

16. Nearly all the terrorist groups operating in Egypt since the 1970s have been inspired by the work of Sayyid Qutb, a Muslim Brotherhood leader who was executed in 1966 after an assassination attempt against President Nasser. Qutb’s most famous book (Maalim Fi al-Tariq, translated into English as Milestones) is a manifesto for armed jihad to bring about the kingdom of God on earth (Qutb 1990).

17. For more on the terrorism data in Egypt, see Gold (2014).
The two monarchies have so far been more stable than the republics, but they too face some challenges and risks. Ethnic differences between Transjordanians and Palestinians in Jordan or between Berbers and Arabs in Morocco represent an important challenge to national unity. Moreover, both monarchies, but especially Jordan, have to deal with important external threats. They are both situated in dangerous neighborhoods.

The crisis in Syria has had direct impacts on Jordan, which has received 600,000 registered refugees and an estimated 1.3 million refugees in all. Jordan’s population is about 7 million, which means that Syrian refugees represent more than 15 percent of the population. Imagine if the United States had to receive 57 million foreign refugees. In relative terms this is what Jordan is dealing with, and obviously it has economic, social, and political implications. But there are other crises on Jordan’s borders. The crisis in Iraq has impacted Jordan’s economy because Iraq is Jordan’s main export market, receiving more than 18 percent of Jordanian exports. Moreover, the Israeli-Palestinian conflict directly impacts Jordan because of its long borders with the West Bank and its large population of Palestinian origin.

Morocco is also impacted but to a lesser extent, given its geographical location. Moroccan officials estimate that there are more than one thousand Moroccans fighting with jihadist groups in Iraq and Syria. In July 2014 they announced a tightening of security measures for fear that returning jihadist fighters would carry out attacks on Moroccan soil or use Morocco as a launching pad for terrorist attacks on other countries. In addition, the group al-Qaeda in the Islamic Maghreb operates in neighboring Algeria and in the Sahel. Reports that the group is working with the Polisario Front, which rejects Morocco’s sovereignty over the Western Sahara, are cause for concern as they indicate additional risks of attacks against Morocco.

20. For example, see Le Polisario aux côtés d’AQMI au Mali,” Sahel Intelligence, March 1, 2013.
The Need for Action on the Economy

It is obvious from the preceding discussion that building stable democracies in the Arab world will require action on the security and political fronts. This has been the focus of Arab governments and their foreign partners. In Yemen, Syria, Iraq, and Libya the international community has focused on supporting negotiations and national dialogues while also strengthening security arrangements and waging a war against terrorist groups like the Islamic State of Iraq and Syria, al-Qaeda in the Arabian Peninsula in Yemen, or al-Qaeda in the Islamic Maghreb in North Africa. It appears that there has been a decision, conscious or otherwise, to postpone dealing with economic and social issues, except for relief operations for refugees and displaced people, until the political and security situation is stabilized. I believe that this is a mistake.

Peace and stability—and hence successful transitions to democracy—cannot be achieved as long as large segments of the population suffer from economic and social exclusion. Hence an economic program to achieve inclusive growth—together with actions on the political and security fronts—should be an integral part of any policy package that aims at building stable and prosperous democracies in the Arab world.

To be credible, and to attract widespread support for the political process, such an economic program needs to be broad enough to touch large segments of Arab society. The countries of the Arab region are facing similar threats, and therefore it would make sense for them to cooperate on developing a regional program for inclusive growth.