3
Roots of the Arab Spring

Anyone following Arab or international media today would think that the Arab uprisings of 2010–11 were all about political issues, and particularly about defining national identity. As highlighted in chapter 1, the Arab world seems to be divided between secularists and Islamists, Muslims and Christians, Sunnis and Shia, jihadists and spiritualists, liberal democrats and militant nationalists, and so on. Economic issues have been put on the back burner. The revolutions’ demands for more bread and greater social justice have been forgotten.

This chapter argues that economic issues were at the heart of the Arab Spring. It is true that Arab economies had solid growth rates during the decade preceding the uprisings. However, that growth was not inclusive. The middle class was squeezed, youth were left out, women were pushed out of the labor market, and many regions (for example, Upper Egypt and western Tunisia) were marginalized. Limited economic opportunities and increasing inequality were key drivers of the Arab Spring.

Arab Economies Were Growing before the Revolutions

The so-called Arab countries in transition (ACTs) experienced respectable growth rates over the period 1991–2010 (table 3-1). This was especially true at the beginning of the twenty-first century—that is, in the ten years immediately preceding the revolutions of late 2010 and early 2011. As table 3-1 shows, Egypt’s growth rates during 2000–10 were in the range of 4–6 percent and Jordan’s in the range of 6–7 percent, while Morocco, Tunisia, and Yemen were growing at around 4.5 percent a year.
TABLE 3-1. Average GDP Growth Rate, ACTs, 1991–2010

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<tr>
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</thead>
<tbody>
<tr>
<td>Egypt</td>
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<td>5.8</td>
<td>3.9</td>
<td>5.9</td>
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<tr>
<td>Jordan</td>
<td>6.4</td>
<td>3.6</td>
<td>5.6</td>
<td>6.6</td>
</tr>
<tr>
<td>Morocco</td>
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<td>2.3</td>
<td>4.7</td>
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<td>Tunisia</td>
<td>4.6</td>
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<td>4.4</td>
</tr>
<tr>
<td>Yemen</td>
<td>6.3</td>
<td>5.1</td>
<td>4.3</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Source: Data from International Monetary Fund, World Economic Outlook. Author’s calculations.

How do these growth rates compare with those of the rest of the world, and were the ACTs’ income levels converging? It depends. Table 3-2 shows that ACT income levels, compared with U.S. levels, have been converging since the late 1990s but at a snail’s pace. On the other hand, compared with India and especially with China, it is significant divergence.

Table 3-2 shows the ratio of per capita GDP (in trend-purchasing-power-parity dollars) in the ACTs to U.S. per capita GDP, and it also includes three of the four emerging economies known as BRICs (Brazil, China, and India) for comparison.1 The table shows that the 1980s and 1990s were a period of divergence for most countries, including the ACTs.2 The ratio for Brazil fell from 37 percent in 1980 to 28 percent in 1990 and to 24 percent in 2000. India remained stagnant in the 1980s at 5 percent of U.S. GDP. During the 1980s, per capita GDP in Jordan, Morocco, and Tunisia fell relative to the United States, while Egypt’s per capita GDP remained more or less unchanged in relative terms, moving from 17 to 18 percent of U.S. levels. China is a clear exception to this trend, as the ratio of Chinese to U.S. per capita GDP doubled, from 2 to 4 percent, in the 1980s and doubled again in the 1990s to 8 percent.

The situation began to change in the 1990s and especially the early years of this century as most emerging and developing economies, including the ACTs, started converging toward income levels of Organization for Economic Cooperation and Development (OECD) countries. Egypt’s

1. The fourth is Russia. The analysis was also done using per capita GDP in nominal terms and gross national income in nominal as well as in purchasing-power-parity terms. The conclusions do not change.
2. For more, see Pritchett (1997).
and Jordan’s GDP per capita, which were 18 percent of U.S. GDP in 1990, rose to 22 and 23 percent, respectively, by 2010. During the same period Morocco moved from 11 to 13 percent of U.S. GDP, and Tunisia from 15 to 21 percent. However, the growth rates of convergence are very slow. At those rates Jordan would catch up with the United States somewhere around 2060, Tunisia would catch up around 2070, Morocco around 2080, and Egypt around 2090. Yemen shows virtually no convergence. Moreover, political upheaval after 2010 has led to a slowdown in the ACT economies, implying slower convergence in general and even an outright return to divergence in Egypt, Jordan, and Yemen.

Emerging economies, especially India and China, have been growing at much faster rates and therefore converging much faster to OECD levels. This also means that the ACTs are rapidly losing ground compared with those economies. In 1980 Jordan’s GDP per capita was 647 percent that of India, and Tunisia’s was 374 percent; by 2013 those ratios had fallen to 214 percent and 202 percent, respectively.3 At this rate India’s per capita GDP will surpass that of nearly all ACTs before the end of the century.

The comparison with China is even more dramatic. In 1980 Egypt’s GDP per capita was more than seven times that of China, whereas

### TABLE 3-2. Ratio of per Capita GDP to U.S. per Capita GDP, in TPPP Dollars, ACTs and BRICs, 1980–2013

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>37</td>
<td>28</td>
<td>24</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>China</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Egypt</td>
<td>17</td>
<td>18</td>
<td>18</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>Jordan</td>
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<td>17</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Morocco</td>
<td>12</td>
<td>11</td>
<td>10</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Tunisia</td>
<td>17</td>
<td>15</td>
<td>16</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Yemen</td>
<td>n.a.</td>
<td>9</td>
<td>8</td>
<td>9</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Data from International Monetary Fund, *World Economic Outlook*. Author’s calculations.

3. Data from IMF, *World Economic Outlook*. Author’s calculations.
now it is 10 percent lower in purchasing-power-parity terms. Today, Yemen’s GDP per capita is about one-third that of China. It is hard to believe that in 1990 Yemen had a GDP per capita that was more than double that of China.

Nevertheless, with the exception of Yemen, the ACTs’ growth rates were sufficient to bring about significant reductions in extreme poverty. By 2010, $2-a-day poverty was nearly eliminated in Jordan and was cut by three-fourths in Tunisia and by nearly half in Egypt. Morocco went through a big increase in poverty in the 1990s and then a huge decline from 2000 to 2010, which I find hard to explain.⁴

Yet Arabs Were Dissatisfied

The Arab revolutions of 2010–11 took everybody by surprise. However, with the benefit of hindsight, it now appears that analysts and specialists of the region should have seen it coming. The mood in the Arab world was gloomy in spite of the good economic results.

Figure 3-1 shows data from the World Values Survey for the period just before the Arab revolutions, that is, wave 5 of the survey. I present data for the four Arab countries that participated in this wave plus four other middle-income countries that are used as comparators. Iraq is clearly an outlier, with more than 45 percent of respondents stating that they were both dissatisfied with their lives and unhappy. Given what was happening in Iraq at the time (and continues to happen today), can anyone really blame them?

But even excluding Iraq, the other three Arab countries’ level of dissatisfaction and unhappiness seems to have been very high relative to the comparators. More than 30 percent of Egyptians said that they were dissatisfied with their lives. Compare that with about 6 percent of Brazilians, 8 percent of Malaysians, 10 percent of Indonesians, and 19 percent of Indians. Looking at the proportion of people who said they were not happy yields similar results, except that India appears to be an outlier. The Arab countries have much higher unhappiness numbers than Brazil, Indonesia, and Malaysia.

⁴ World Bank, World Development Indicators. Data from the household survey closest to the year in question.
It is important to understand why the Arabs revolted in 2010–11, because failure to respond to the demands expressed by Arab youth during that time could imply political and social instability over the medium term and, in some cases, the collapse of nation states and widespread civil strife. It sometimes appears as if today’s political leaders have not yet fully internalized the lessons of the Arab Spring, which does not augur well for future economic and social developments.

There are three possible explanations for the Arab revolutions: the revolts were against political circumstances and had nothing to do with economic conditions; economic growth in the ACTs was not inclusive, and large segments of the population, especially youth, were left out; and the revolts reflected dissatisfaction with both the political and the economic conditions in those countries.

**Explanations for the Arab Revolutions**

Some of the proponents of the view that the revolts were only political point to the data shown in table 3-3, which indicate that all the ACTs
had low governance scores. Their lowest scores were in the area of voice and accountability, where the five Arab countries fell in the bottom one-third of all developing countries. And Tunisia, where the Arab Spring started, fell in the bottom 10 percent. It is argued that with economic development and higher living standards people typically start demanding more voice in the management of national affairs, and that is what the Arab revolts were all about.

According to this view, Arab countries were simply following in the footsteps of more advanced East Asian (for example, South Korea) and Latin American (for example, Brazil) countries, where economic development and an expansion of education led to greater demands for political and civil liberties and ultimately the fall of long-ruling autocratic regimes. In the case of the Arab countries, the process may have been accelerated by the revolution in information technology, and particularly the expansion of social media, which were used by revolutionary youth to organize and mobilize support.

Of course, there are also the conspiracy theorists. Some proponents of the politics-only explanation of the revolutions claim that they were the result of an international conspiracy. They point to the chaotic state in which Arab countries that went through revolutions find themselves today and the explosion of ethnic and sectarian conflicts all around the region following the Arab Spring. They conclude that the revolutions of 2010–11 were fueled by outside forces that wanted to destroy Arab nation-states and thus maintain the Arab world in a state of perpetual weakness and dependence on foreigners.5

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5. For an exposition of conspiracy theories see, Abdrabo (2015).

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### Table 3-3. Governance Scores for 2010 (percentile rank)

<table>
<thead>
<tr>
<th>Country</th>
<th>Voice and accountability</th>
<th>Political stability</th>
<th>Government effectiveness</th>
<th>Regulatory quality</th>
<th>Rule of law</th>
<th>Control of corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>13.7</td>
<td>19.3</td>
<td>43.1</td>
<td>46.9</td>
<td>51.2</td>
<td>34.3</td>
</tr>
<tr>
<td>Jordan</td>
<td>27.5</td>
<td>34.4</td>
<td>59.3</td>
<td>57.4</td>
<td>61.1</td>
<td>60.9</td>
</tr>
<tr>
<td>Morocco</td>
<td>28.9</td>
<td>33.0</td>
<td>50.7</td>
<td>51.2</td>
<td>50.2</td>
<td>53.3</td>
</tr>
<tr>
<td>Tunisia</td>
<td>10.0</td>
<td>44.3</td>
<td>63.2</td>
<td>53.1</td>
<td>59.7</td>
<td>54.8</td>
</tr>
<tr>
<td>Yemen</td>
<td>10.9</td>
<td>1.9</td>
<td>14.3</td>
<td>30.1</td>
<td>13.3</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Source: World Bank, Worldwide Governance Indicators.
Most Western observers, and some Arabs, do not take those conspiracy theories seriously. After all it is hard to see how creating chaos in the Middle East and North Africa, with the ensuing wars, exodus of refugees, increasing terrorism, and large-scale migration movements to Europe, could be in the strategic interest of the great international powers. The Arab world is important, but is it really so important that the world will invest huge resources conspiring to weaken it? Many observers believe that those conspiracy theories are just attempts by the ruling elites to blame foreigners for their own failures.

Nevertheless, it would be a mistake to ignore conspiracy theories simply because they seem so far fetched. This may be a case where perception is more important than reality. Many Arabs appear to subscribe to those theories. The defense of former Egyptian president Hosni Mubarak, in his trial for the killing of young demonstrators by security forces, presented the revolutionaries in Tahrir Square as agents of foreign powers intent on destroying the Egyptian state that President Mubarak was trying so hard to protect.

Most of the conspiracy theories are somehow linked to the Arab-Israeli conflict. The argument supporting the idea of a global conspiracy against the Arab nations is quite simple, maybe even simplistic. It is based on the premise that ensuring Israel’s security is a key Western, and especially U.S., priority. Therefore, it is argued, the West is always conspiring to keep the Arabs weak in order to protect Israel.

The conspiracy argument is not very convincing. The United States and its Western allies do not need to destabilize a whole region, support jihadist ideologies, and support global terrorism to ensure Israel’s security. They have sufficient technical, economic, and military superiority to do that, while avoiding the human and economic costs associated with fragile or failed Arab states and increasing terrorist attacks around the world.

Nevertheless, failure to resolve the Arab-Israeli conflict seems to complicate Arab transition to democracy. The conflict provides arguments that support extremist ideologies and conspiracy theories. Israel’s military superiority (achieved with Western help), its failure to acknowledge Palestinian rights, and the daily humiliations that Arabs endure at the hands of Israeli security forces create a feeling of victimization. As a result, Arab societies have become more accepting of violence, more suspicious of foreigners, and more willing to sacrifice
liberty on the altar of national security and the struggle against the Israeli occupiers.

It Is the Economy after All

Even if the conspiracy theorists were right and foreign powers were supporting the revolutions, it is hard to imagine that masses of young people would have taken to the streets of Tunis, Cairo, and Sana’a if they did not have real grievances. The revolutionaries called for bread, freedom, social justice, and human dignity. That is, the slogans of the revolutions included economic (bread and social justice) as well as political (freedom and human dignity) demands. But the slogan that attracted most attention was “The people want the fall of the regime.” As stated in the previous chapter, there is a difference between the so-called Arab republics (Egypt, Tunisia, and Yemen) and the monarchies (Jordan and Morocco). The people of Egypt, Tunisia, and Yemen demanded regime change, while those of Jordan and Morocco demanded changes in the existing regime. It seems that monarchs enjoy a greater sense of legitimacy than authoritarian presidents in the Arab world.

The hypothesis that Arabs revolted only for political reasons is not supported by available data. After the revolution, Arab Barometer conducted a survey asking Tunisians to state the main reason for their revolt. Figure 3-2 presents the results. About 63 percent of respondents said that the weak economy was the main reason behind the revolution. This may appear surprising at first sight, since, as shown earlier, Tunisian economic performance (measured in terms of real growth) was not weak before the revolution. However, it may be the case that many Tunisians did not benefit from growth. They were left out, and hence from their perspective the economy was weak.

The second reason given for the revolutions, high levels of corruption, could also be considered economic. Some 17 percent of Tunisians said that corruption was the main driver for the revolution. Of course, corruption is not a purely economic problem. In the case of Tunisia (and Egypt), large-scale corruption reflected a special relationship between political and economic elites, whereby some large businesses were supported by political elites and hence received special privileges and protection.
Only 14 percent of Tunisians said that they revolted because of lack of political freedom. More strikingly, a mere 4 percent of Tunisians said that they revolted because they wanted to live in a more Islamic society.

The emphasis on economic issues does not mean that Arabs do not care for democracy. In survey after survey Arabs have repeated their strong belief in democracy. The latest wave of the World Values Survey (2010–14) highlights that nearly 99 percent of Egyptians, 86 percent of Jordanians and Tunisians, 85 percent of Moroccans, and 80 percent of Yemenis said that democracy is the preferred form of government.

If democracy is so popular in the Arab world, why is democracy having such a difficult time taking hold? Egyptian president el-Sissi shed some light on this question in a paper he wrote in 2006 while he was attending the U.S. Army War College. In this paper he describes the constraints on democracy in the Arab world, namely poverty, lack of a democratic culture, religious extremism, Arab-Israeli conflict, and the negative perception Arabs have of the West, particularly the United States. He clearly sees democratization as a long-term process. El-Sissi states,
It is one thing to say that democracy is a preferred form of government, but quite another to adjust to its requirements and accept some of the risks that go along with it. The economic, religious, education, media, security and legal systems will be affected. As a result, it will take time for people and the nation’s systems to adjust to the new form of government. In my opinion democracy needs a good environment like a reasonable economic situation, educated people and a moderate understanding of religious issues.6

According to el-Sissi, to develop democracy in the Middle East four things need to happen. First, the education system should be strengthened and the media should play a bigger role in spreading a culture of democracy. Second, a consensus needs to be reached on the appropriate role of religion in government. Third, there needs to be greater regional integration and exchange of lessons and experiences. Fourth, as the Middle East develops, the rest of the world needs to assist in promoting democratic values, perhaps by supporting education.

Finally, it is important to note that Arabs support democracy for economic as well as political reasons. Table 3-4 shows the results from the World Values Survey for the question concerning the essential characteristics of democracy. Unsurprisingly, the ability to choose one’s leaders through free elections received the most votes as an essential characteristic of democracy. However, neither protection of civil liberties nor equal rights for women ranked second. The second most commonly cited characteristic of democracy, according to Arab respondents, is that governments provide unemployment benefits. In Morocco, more people picked unemployment insurance as an essential characteristic of democracy than free elections. According to this survey, the third most important characteristic of democracy is that governments tax the rich to subsidize the poor. In Jordan, 31 percent of respondents picked this as an essential characteristic of democracy, while only 22 percent picked free elections and just 13 percent picked the protection of civil liberties.

This is not to say that the desire for greater political and civil liberties was not an important driver for the Arab Spring. I am only pointing

out that polling data indicate that economic factors may have been even more important drivers. The data from Tunisia, the first Arab Spring country, show that while 63 percent of Tunisians felt that the weak economy was the main cause of the revolution, only 14 percent said the same about lack of political freedom (see figure 3-2). Moreover, while huge majorities of Arabs believe that democracy is the preferred political system, most of them seem to support democracy because they believe that it would bring about economic benefits in terms of greater equality and more protection for the poor and vulnerable.

The Middle Class Felt Left Out

Recent research has stressed the important role the middle class plays in economic development. The middle class is seen as important for the political stability that is necessary for economic growth. It is also a source of entrepreneurship and new ideas that are necessary for the small businesses that fuel the world’s economy. Middle-class values also emphasize education and savings. Thus the middle class is a key source of investment in human and physical capital. Finally, the middle class represents the most important source of demand for consumer goods and services, and therefore it is an important driver of development for domestic industries.

7. For example see Kharas (2010) or Banerjee and Duflo (2008).
There are several definitions of the middle class. I use two different definitions to test the robustness of my conclusions. I start by using the definition developed by Kharas (2010), who defines the global middle class as those people who live on $10–100 per capita per day in purchasing-power-parity terms. He calculates the size of the middle class separately for 145 countries, using distributional parameters from household surveys and adjusting the mean of the distribution to reflect the consumption level from the national income accounts. I then use the definition developed by Banerjee and Duflo (2008) and define the middle class solely using household surveys, with the middle class comprising people living on $2–10 a day.

Table 3-5 presents the proportion of the population that is in the middle class, according to the Kharas definition, for the five ACTs as well as Brazil, China, and India. It shows that the relative size of the middle class has been increasing gradually in the ACTs and that this increase accelerated in the twenty-first century. In Egypt and Jordan, the relative size of the middle class more than doubled between 2000 and 2010, while in Morocco and Tunisia over the same period it increased by more than 60 percent.

The comparison with Brazil is interesting, because it shows that, except for Tunisia, the ACTs are still far from achieving the level of Brazil, where 45 percent of the population is middle class. In relative terms the Brazilian middle class is more than double that of Egypt and

<table>
<thead>
<tr>
<th>Country</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>7.7</td>
<td>11.3</td>
<td>22.4</td>
</tr>
<tr>
<td>Jordan</td>
<td>11.7</td>
<td>15.8</td>
<td>36.0</td>
</tr>
<tr>
<td>Morocco</td>
<td>5.7</td>
<td>6.2</td>
<td>10.7</td>
</tr>
<tr>
<td>Tunisia</td>
<td>15.7</td>
<td>25.5</td>
<td>41.1</td>
</tr>
<tr>
<td>Yemen</td>
<td>1.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>24.7</td>
<td>31.0</td>
<td>45.2</td>
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<td>China</td>
<td>0.0</td>
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<td>12.0</td>
</tr>
<tr>
<td>India</td>
<td>1.0</td>
<td>1.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Brookings database.
is 2.5 percent larger than that of Jordan. The comparison with China and India shows the difference in the speed of development of the middle class. During 2000–10 China increased the relative size of its middle class sixfold, while India increased its fivefold. Of course, they both started from a very low base—from where Yemen was ten years ago and where it still is today.

In spite of the increase in the proportion of the population that is middle class in the ACTs, the absolute number of people who are below middle class continued to increase everywhere except in Tunisia. In Egypt, Jordan, and Morocco the number of people below middle class rose from 52.5 million, 3.0 million, and 23.4 million, respectively, in 1990 to 63.0 million, 4.0 million and 28.5 million in 2010. The number of people below middle class in Yemen nearly doubled, from 11.8 to 23.5 million, over the same period. Tunisia has been doing better than the other four Arab countries. Nevertheless, the absolute number of Tunisians living below middle class did not fall significantly and remained around 6 million people. Moreover, those people who were left out tended to be concentrated geographically in the country’s interior.

I get similar results using the Banerjee and Duflo definition. Since the lower limit for middle class according to this definition is set quite low at $2 a day, there is no increase in the number of people living below middle class (that is, poor), as described earlier, and, in fact, poverty decreased in the Arab countries before the revolutions. The middle class has grown steadily according to this definition. However, there is an increase in the number of people stuck in lower-middle-class status, consuming between $2 and $6 a day. That is, people did get out of poverty but remained very close to the poverty line. Of course, there are variations by countries. While the number of people stuck in lower-middle-class status increased from 36.5 million in the early 1990s to 57.2 million right before the revolution in Egypt and from 14.4 million to 19 million in Morocco, it remained virtually unchanged at about 4.5 million people in Tunisia during the same period.

Thus I could propose one possible explanation for popular dissatisfaction in the ACTs despite economic growth. The number of people

9. For more on this point see Boughzala (2013).
10. Data from PovCalNet. Author’s calculations.
living below middle class (according to the Kharas definition) or in the lower middle class (according to the Banerjee-Duflo definition) and therefore feeling left out from the benefits of growth has been increasing in absolute terms. There was an increasing group of unhappy citizens willing to go into the streets to express their dissatisfaction and demand what they considered to be their rights.

Of course, one could always argue that with continued strong growth people who are initially left out would have ended up benefiting as the middle class expanded further. This is probably true. However, it is not politically realistic. With the benefit of hindsight, it would probably have made more sense for Arab governments to adopt active policies aimed at expanding the middle class rather than waiting for trickle-down to work.

**Youth Felt Excluded**

Within the middle class it appears that youth felt more excluded from the benefits of growth than their elders. Conventional wisdom has it that youth unemployment was the main driver of the Arab Spring. There is probably a lot of truth in that, but a careful analysis of the data leads to more nuanced conclusions. Overall, youth unemployment does not appear to be particularly high in the Arab region. But there are three important issues relating to the youth job market. First, female unemployment is exceptionally high and female labor force participation is exceptionally low, which makes it difficult for young couples to create middle-class families with two working adults. Second, unemployment seems to rise with education level, which leads to greater dissatisfaction on the part of unemployed graduates and their families. Third, those who do find jobs are often dissatisfied because they end up finding only precarious and poorly paid employment.

Table 3-6 presents unemployment rates in seven Arab countries and compares them with Indonesia, Malaysia (Muslim-majority countries), Brazil, and South Africa (two BRICs). Looking at the overall youth unemployment rates, it is noted that individual country experiences differ; for example, unemployment rates in Saudi Arabia and in Tunisia are higher than in other Arab countries. At the same time, it is difficult to conclude from these data that youth unemployment is a significantly
bigger problem in Arab countries than in the comparators. Youth unemployment appears to be a global problem, not just an Arab one. However, as shown in chapter 5, Arab youth have the lowest labor force participation rate in the world. Hence the unemployment rate may not be a good measure as discouraged youth leave the labor market.

It is clear from table 3-6, that young Arab females face a much more serious unemployment problem than their Arab brothers and certainly a more serious one than their sisters in the comparator countries. A young Egyptian male has a significantly lower probability of being unemployed than a young Indonesian male. However, a young Egyptian female’s probability of being unemployed is more than twice as high as that of an Indonesian woman of the same age.

High female unemployment rates are coupled with very low female labor force participation rates. Figure 3-3 plots female labor force participation rates against GDP per capita and shows that the countries of the Middle East and North Africa are clear outliers.

Low female participation rates, together with the high female unemployment rates, mean that only about 18 percent of working-age Arab
women actually have jobs.\textsuperscript{11} Obviously this implies a waste of resources, especially since many of these women are educated. It also makes it much harder to develop a middle class. Today most middle-class families around the world depend on two breadwinners. This is still not the case in the Arab world, which appears to be stuck in mid-twentieth-century paradigms of family structures and gender roles. That situation would not have been a major problem if productivity and wages in the Arab world were so high that a working man could ensure a middle-class life for his family. But this is not the case.

The result is severe frustration, as young men are unable to earn enough to get married, find a place to live, and raise a family, and young educated women stay at home waiting to get married. As described by Assaad and Barsoum (2007), this has led to a whole generation in waiting: waiting for better jobs, waiting for housing, and waiting to get married and raise a family. Some of the social ills observed in some Arab countries today could probably be explained, at least in part, by this situation.

\textsuperscript{11} See Steer, Ghanem, and Jalbout (2014).
Being young, educated, and unemployed is a major source of frustration. Boughzala (2013) studies the relationship between education and unemployment in Tunisia, which is quite representative of other Arab countries. He shows that between 2005 and May 2011, the unemployment rate rose from 6.5 percent to 8 percent for people with no education and from 14 percent to 29.2 percent for people with a higher level education.

There are at least two possible explanations for this situation. The first stresses inadequate demand for labor. Educated Arab youth have traditionally been employed by the public sector. In fact, in many Arab countries youth with higher education were guaranteed a public job. As budgets got tighter and governments reduced (or even froze) hiring, the demand for qualified labor (or the supply of high-paying, secure jobs) declined sharply, especially since the private sector did not expand quickly enough. Thus many young people remain unemployed for extended periods of time waiting for a job opening in the public sector.

The second explanation stresses the mismatch between available skills and the skills demanded by a globalized labor market. It highlights two types of weaknesses in Arab education systems. The first concerns the quality of curricula. It is argued that education curricula in Arab countries rely too heavily on rote learning and do not help students acquire twenty-first-century skills, such as problem solving and working with a team, that are demanded by the labor market. The second concerns the delivery of the curricula. Results from international tests for mathematics and sciences indicate that too many Arab children are not learning, even though they attend school regularly.

Table 3-7 presents unemployment rates for Jordan disaggregated by education level and sex. It shows a similar relationship between education and unemployment as in Tunisia, except for the big spike in unemployment for men who have less than a secondary degree. Their unemployment rate is 60 percent compared with a 23 percent rate for those with higher education.

The relationship between education and unemployment for Jordanian women is particularly interesting. Female unemployment rises from 0.1 percent for illiterate women to nearly 70 percent for women with higher degrees (table 3-7). This could be explained by the fact that female labor force participation rates (which overall are only about 15 percent in Jordan) rise with education levels. Thus few illiterate women actually enter the labor market, hence their low unemployment
rate. On the other hand, many highly educated women enter the labor market, and their unemployment rate is three times as high as the unemployment rate for men with the same qualifications.

As shown in figure 3-4, most Arab youth who do find work end up having what is normally considered to be precarious employment, as self-employed, unpaid family workers and private informal wage earners. The public sector is still a significant employer in many Arab countries, but the formal private sector is still too small. For example, in Egypt, of the young men and women who do find jobs, only 38 percent find formal sector jobs—27 percent in the public sector and 11 percent in the formal private sector. The vast majority, 62 percent, end up working in the informal sector, often as unpaid family workers. For those who are paid, most have no labor contract, no job security, and no social benefits.

Table 3-8 shows that Arab youths’ access to regular full-time employment is much lower than in all other regions of the world except for sub-Saharan Africa. Only 34 percent of young Arab males have full-time regular employment, compared with a world average of 47 percent. Similarly, only 31 percent of young Arab females have full-time employment, compared with a world average of 37 percent.

Table 3-8 also shows that the difference between Arab males and females in access to full-time regular employment is quite small (34 compared with 31 percent) and is smaller than what is observed in most of the other regions. Even in Europe the difference is much higher, with 60 percent of young males having regular full-time employment compared with only 49 percent of young females.
How could the data in table 3-8 be reconciled with the huge gender gap observed in overall employment? The explanation lies in the big share of informal employment in overall employment and in Arab women’s apparent belief that the informal sector is an unsafe environment for women. For example, in Egypt nearly all of the women working in the informal sector are in agriculture, working on the family farm with their husbands and children, and usually are not paid. Many Egyptian women explained that if they could not get a formal sector job, preferably in government, they prefer to “respect themselves” and stay at home. This means that expanding formal employment will also have a positive impact on gender equality in most Arab countries.

Lack of economic opportunities naturally led to increased youth dissatisfaction and was one of the drivers of the revolutions. Gallup polled youth across the Arab world between February and April 2009

and showed that only 28 percent of Egyptian youth and 33 percent of Yemeni youth were satisfied with efforts to increase the supply of quality jobs in their countries. In Jordan and Tunisia, the figure is closer to 50 percent. In all of the Arab Spring countries, with the notable exception of Jordan, no more than 40 percent of youth felt that their countries’ leadership was trying to maximize youth potential.

Young people suffered economic exclusion, and most blamed their countries’ leadership for that state of affairs. This came on top of their feeling of social and political exclusion. Assaad and Barsoum (2007) studied the situation in Egypt and describe the constraints on self-expression faced by young men and women and the controls placed on student activities by the security apparatus. The result was that most young people refrained from any civic activities or volunteer work. They felt that their voices could not be heard. Many activist youth in Arab countries joined Islamist movements, which, according to Bayat (1998), provided them with an alternative moral and cultural community. Islamist organizations also provided youth with services, such as libraries and sports facilities, that the public sector was unable to deliver.

### Inequalities Persist across Regions and between Rural and Urban Areas

The lower middle class and youth were not the only groups who felt excluded from the benefits of growth. Entire regions in the various

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**TABLE 3-8. Share of Youth, Fifteen to Twenty-nine years, Working Full Time for an Employer**

<table>
<thead>
<tr>
<th>Region</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Americas</td>
<td>56</td>
<td>40</td>
</tr>
<tr>
<td>Asia</td>
<td>48</td>
<td>41</td>
</tr>
<tr>
<td>Europe</td>
<td>60</td>
<td>49</td>
</tr>
<tr>
<td>Former Soviet Union countries</td>
<td>58</td>
<td>60</td>
</tr>
<tr>
<td>Arab world</td>
<td>34</td>
<td>31</td>
</tr>
<tr>
<td>World average</td>
<td>47</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: Silatech Index Brief, 2013.
countries, mostly in rural areas, felt excluded as rural-urban and regional inequalities increased. This could explain why the Arab Spring started in Sidi Bouzid, a relatively underdeveloped and poor region in Tunisia.

Agriculture’s role in most ACT economies and societies is much more important than is revealed by simply looking at its share in GDP. As shown in table 3-9, agriculture’s contribution to GDP varies from a low of 3 percent in Jordan to 17 percent in Morocco. But this masks agriculture’s important contribution to employment. As also shown in table 3-9, almost 40 percent of Morocco’s labor force and 30 percent of the Egyptian labor force are employed in agriculture. Moreover, more than 40 percent of the Arab region’s population (including 67 percent in Yemen and 57 percent in Egypt) lives in rural areas, and livelihoods are therefore either directly or indirectly affected by agriculture. Jordan is the outlier in this table, with a rural population that is only 17 percent of total population and with agricultural employment representing only 2 percent of total employment.

Agricultural yields in the ACTs are low by international standards. Low yields imply low labor productivity, low incomes, and high levels of rural poverty. World Development Indicators show that poverty in the ACTs is mostly a rural phenomenon. In Morocco, rural poverty is about three times higher than urban poverty, while in Egypt and Yemen it is twice as high.13 In that sense the ACTs are not different from other developing (and even developed) countries, where large differences in

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13. World Bank, World Development Indicators. Data from household surveys carried out at different times. The latest available year was used for each country.
living standards between urban and rural areas lead to migration out of rural areas and a process of urbanization. In the case of the ACTs the formal private sector has not been generating sufficient jobs. Hence the rural youth who migrated to cities ended up either unemployed or working in the informal sector. Thus they joined the ranks of the excluded and the dissatisfied.

In addition to the rural-urban differences, poverty in the ACTs also varies by region. Egypt and Tunisia provide good examples. In analyzing the incidence of poverty in Egypt it is useful to divide the country into four regions: metropolitan Egypt, which includes the large cities, especially Cairo and Alexandria; Lower Egypt, which includes the fertile delta region north of Cairo; Upper Egypt, which includes the Nile valley south of Cairo; and border regions, which include the desert areas along the border with Libya and in the Sinai. Each of these regions (except the metropolitan region) is divided into rural areas and urban centers.

Upper Egypt represents a special problem. It has about 50 percent of the country’s population but 83 percent of the extremely poor and 67 percent of the poor. The problem in Upper Egypt is especially serious in the rural areas. Urban Upper Egypt has 11.6 percent of the extremely poor and 11.3 percent of the poor. On the other hand, rural Upper Egypt has 71.5 percent of the country’s extremely poor and 55.8 percent of its poor.14

Table 3-10 presents the human opportunity index for the various Egyptian regions. This index was developed at the World Bank based on the idea that outcomes in terms of income and consumption are affected by the opportunities available to people, particularly to children. The concept behind the index is that people should be given an equal opportunity in life. The index can be aggregated into four groups describing access to different types of services: education (primary, secondary, and so on); adequate housing (water, sanitation, and so on); early childhood (prenatal and postnatal care, immunization, and so on); and nutrition (protection from wasting, stunting, and so on). Table 3-10 shows that Upper Egypt is the most lagging region in terms of education and adequate housing (particularly access to sanitation) and is the second most lagging in early childhood development and nutrition.

People in Upper Egypt appear to have been excluded from the benefits of growth. This could explain, at least in part, the relative instability of that region and the spread of extremist ideologies among its youth.

In Tunisia, the western regions of the country are less developed than the eastern and coastal regions. Table 3-11 presents average annual consumption per capita across regions. It shows large inequalities with the level of per capita consumption in the richest region (Grand Tunis) more than double that of the poorest region (Midwest). In general, all the western regions (the interior) have lower per capita consumption than their eastern (coastal) counterparts. For example, average per capita consumption in the Northwest is only 76 percent of average per capita consumption in the Northeast. Moreover, per capita consumption has been growing at a slower rate in the West than in the East, implying increasing inequalities in spite of migration from West to East.

The lower average consumption levels in Tunisia are correlated with higher poverty. In the western regions, the poverty rates are indeed much higher than in the rest of the country: 32.3 percent, on average, in the Midwest and 25.9 percent in the Northwest, and again higher in the rural areas, about 50 percent higher than the national average and more than twice the poverty rate of big cities. Boughzala (2013) shows that all poverty rates, including those in the western regions, decreased significantly between 2000 and 2010, the decade before the revolution. However, the regional differences remained unchanged, which may explain the dissatisfaction felt by people in western Tunisia.

Sidi Bouzid, in midwestern Tunisia, is an example of a disadvantaged region in Tunisia and probably the rest of the Arab world. Agriculture is the main pillar of Sidi Bouzid’s economy. Until the 1970s most of this agriculture was based on extensive cereal production and semi-nomadic sheep herding. Only a few small sedentary communities

<table>
<thead>
<tr>
<th>Category</th>
<th>Metropolitan</th>
<th>Lower Egypt</th>
<th>Upper Egypt</th>
<th>Borders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>76</td>
<td>78</td>
<td>70</td>
<td>77</td>
</tr>
<tr>
<td>Housing</td>
<td>89</td>
<td>77</td>
<td>68</td>
<td>75</td>
</tr>
<tr>
<td>Early childhood</td>
<td>77</td>
<td>69</td>
<td>65</td>
<td>55</td>
</tr>
<tr>
<td>Nutrition</td>
<td>77</td>
<td>77</td>
<td>75</td>
<td>65</td>
</tr>
</tbody>
</table>

had mastered vegetable growing. Within decades, a state-initiated process led to a deep transformation that turned the area’s semi-nomadic people into peasants and farmers. The government adopted a three-pronged approach. First, tribal land was divided into private lots to provide the new private owners with an incentive to invest in agriculture. Second, the government built the first water systems based on ground water and deep aquifers and facilitated farmers’ access to financial resources and to subsidized agricultural inputs, including seeds and fertilizers. Third, important public projects in infrastructure, roads, and electrical and safe-water networks were also completed to the benefit of the poor agricultural community.

Farmers responded quickly to the state’s intervention. They invested in irrigation facilities even after the state, starting in the early 1990s, slowed down its interventions and stopped or reduced the subsidization of most of the inputs. Thus almost 90 percent of the irrigation investments—48,000 hectares of irrigated land—were the outcome of private investment. The total area has more than doubled since 1995; it increased from 223,000 hectares in 1995 to 488,000 hectares in 2012. This growth was mainly a private sector achievement. Thus by 2005 Sidi Bouzid had become a major producer of olive oil (9.5 percent of national production), almonds (23.8 percent), tomatoes (8.8 percent), and pomegranates (10 percent).

### Table 3-11. Per capita Consumption, Tunisia, by Region, 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Per capita consumption (dinars; 2005 prices)</th>
<th>Annual growth rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Tunis</td>
<td>2,000</td>
<td>2,331</td>
</tr>
<tr>
<td>Northeast</td>
<td>1,320</td>
<td>1,547</td>
</tr>
<tr>
<td>Northwest</td>
<td>1,127</td>
<td>1,292</td>
</tr>
<tr>
<td>Mideast</td>
<td>1,707</td>
<td>1,902</td>
</tr>
<tr>
<td>Midwest</td>
<td>968</td>
<td>1,034</td>
</tr>
<tr>
<td>Southeast</td>
<td>1,126</td>
<td>1,574</td>
</tr>
<tr>
<td>Southwest</td>
<td>1,068</td>
<td>1,338</td>
</tr>
<tr>
<td>Tunisia</td>
<td>1,441</td>
<td>1,696</td>
</tr>
</tbody>
</table>

Source: Boughzala (2013).
Incomes rose and living conditions improved in Sidi Bouzid, but many people, especially youth, did not benefit from this growth. Investors from outside the region, mainly from Sfax, developed large modern farms concentrated in the most fertile part of Sidi Bouzid. Small local farmers felt excluded.

Young people in Sidi Bouzid benefited from secondary and tertiary education. They expected this would be the key to better employment, but for a large number of them this did not happen. Few employment opportunities were available. In 2010 the average unemployment rate for university graduates in Sidi Bouzid was around 40 percent. It was even higher for young women, many of whom simply exited the labor market. The only jobs available were for seasonal, low-paid farm laborers, jobs that do not interest educated youth. Young people were also unable to start farming businesses because they lacked the financial resources and had no access to land. Sidi Bouzid’s youth were forced to join a long waiting list for a government job.

**It All Started in Sidi Bouzid**

The educated youth of Sidi Bouzid were frustrated and ready to express their anger by all available means. Their anger peaked on December 17, 2010, when police confiscated the cart and scales of a twenty-six-year-old informal vegetable seller, Mohamed Bouazizi. When he tried to argue with them because he needed the cart and the scale to support his mother and six siblings, a policeman slapped him in the face. He went to complain to the municipality and the governorate but was turned away. Humiliated, angry, and frustrated, he burnt himself in front of the governorate headquarters. This sparked a rebellion in Sidi Bouzid and ignited a massive uprising in Tunisia that quickly spread to the rest of the Arab world. Mohamed Bouazizi died of his burns on January 4, 2011.

Bouazizi’s action and consequent revolutions in Tunisia and elsewhere obviously had a political and governance dimension. This was not the first time that the police harassed Bouazizi: they had done that occasionally to extort payments from him. But this time he apparently refused, or maybe he did not have enough to pay them off. The authorities had no respect for human rights or citizens’ dignity. The policeman
slapped him. Bouazizi felt that he did not have any voice. He tried com-
plaining to the municipality and to the governorate but he was ignored.
Government officials, particularly the police, were not accountable for
their actions. They could confiscate Bouazizi’s property and even slap
him without being questioned about their actions.

But didn’t Bouazizi’s action and the consequent revolution also have
an economic and social dimension? Would that incident have occurred
if Bouazizi had had a regular full-time job? Would it have occurred if
he had been the owner of an officially sanctioned small business rather
than an informal enterprise operating in the shadows of legality and
thus vulnerable to police extortion? Would this incident have occurred
if his mother or one of his sisters had a job so that the weight of sup-
porting the entire family did not fall on his shoulders alone?

It seems to me that economic issues were central to the Arab Spring.
This also means that social and political stability in most Arab coun-
tries will remain elusive until those socioeconomic issues are resolved.
Returning to past policies, generating growth and waiting for it to
trickle down to the middle class and the poor, is not good enough. The
Arab world needs to consider a change in economic policies, focusing
on inclusive growth—that is, growth that expands the middle class,
enhances social justice, and increases opportunities for all citizens.