

SUMMARY:

In the West many of us might naturally associate a youth movement for 'freedom and better opportunities' with a liberalization of market regulations. However, the wish for less abusive

governments does not translate into a popular desire for less bloated governments in a post-'Arab Spring' setting - but rather the opposite. In fact, many Arabs see no natural correlation between free-market policies and broader societal wealth, since they've witnessed quite the opposite in the

past. In this report, Susanne Tarkowski explores the popular attitudes towards free-market policies in Egypt and Libya. The conclusion is that change towards a free market, in the long run necessary for stability and growth in the region, will be difficult.

After the Arab Spring: From Kleptocracy to Capitalism?

BY: SUSANNE TARKOWSKI

I. KEY-FINDINGS AND RECOMMENDATIONS

INTRODUCTION. On the 17th of December 2010, a 26 year old Tunisian fruit vendor, Mohamed Boauzizi, set himself on fire to protest at the injustice of his treatment by a local policewoman and other minor state functionaries: in so doing, his actions both catalysed a revolt against, and symbolized, the poor governance, corruption and lack of economic opportunities in Tunisia and indeed throughout MENA. This event triggered mass youth-led movements against their governments, spreading within months throughout the Middle East and North Africa (MENA) to no less than fifteen countries, an uprising commonly now called the 'Arab Spring'. The 'consensus' is that the 'Arab Spring' was, in large parts, triggered by

the sense of relative economic deprivation. A large, relatively well-educated and mainly urban youth, both lacking economic opportunities and politically power, rose in anger against the 'fat cats' - the wealthy ruling elite from Algiers to Sana'a. From this crisis, an opportunity has risen to promote greater individual liberty, democracy and the diffusion of free-market reforms. That was arguably the pattern in post-Communist Eastern Europe but it is by no means clear that this will be the case in MENA countries.

Whenever people in MENA speak about the future of their economies - anyone from a Libyan rebel, to the Muslim Brotherhood scholar, to emerging 'democratic' politicians - they all envision greater redistribution of the national wealth - but very few ever mention the creation of greater free market initiatives, improved import and export regulations,

attracting foreign direct investments (FDI), etc. This fits more with the pattern that emerged in post-Saddam Iraq: most wanted 'safe' state jobs and not the free-market. For the people in MENA - the term 'freedom' does not generally translate into 'free markets'. Though the governments within the MENA region generally suffered from dysfunctional statism, including bloated administrations, heavy surveillance mechanisms, repressive and brutal limitations of political opponents, governments critics, and much more - there's a little to no wish to, as a contrast, want 'small government' - but rather - a equally big - but 'nicer' government.

Why should we 'the international community' care? Beyond the obvious reasons of wanting mutually good trade relations and opportunities to live better lives for people across the MENA region,

there is another major reason we should worry: our own national security. Perceived economic deprivation largely triggered the 'Arab Spring' --- however, if the outcome of the Arab Spring is not increased wealth, what will it then trigger? Post-revolution deception will undoubtedly hit the MENA region – and we're already seeing it emerge in Tunisia and Egypt, and it will grow increasingly worse over the years to come, unless there are tangible positive improvements in the day-to-day life of the people. According to the Institute of International Finance, Egypt's economic growth today will have fallen from a 4.4 % annual growth in 2010 to a -0.5 % growth 2011. Its economy is predicted to have contracted by 2.5% in the last year alone.¹ IRI's latest poll survey conducted in Egypt in April of 2011 found that 49% of those surveyed found the economic situation 'very bad,' and 41% have trouble feeding themselves or buying the necessary things for survival. When the growing youth population of the MENA tried, and failed, with non-violent (or in some cases violent) revolutions, the options remaining will be few. The moderates will try to leave, creating more immigration pressure on European nations, and the conservatives may turn to Islamic radicalism to channel their

¹ Ferguson, Niall. "Arab Spring tanks the economy." The Daily Beast. June 6, 2011. <http://www.businessinsider.com/arab-spring-tanks-the-economy-2011-6>

anger and deception, thus creating a recruitment paradise for Al Qaeda and other extremist organizations.

Expectations, perhaps unrealistic, have been raised.

However this is not a counsel of despair but a full recognition that change will be difficult; that to effect it, we will need to work with the cultural and social norms, to understand them fully and then, like a good carpenter, 'work with the grain' to make the best out of the situation. The consequences of failure, especially for the Europeans, of this reform process not succeeding are potentially dire. Expectations, perhaps unrealistic, have been raised. We need to help the peoples of the MENA region to a better future but first we need to understand where they are, and especially, what they think. New forms of governance and economic policies must be chosen by the people of the MENA region.

KEY-FINDINGS AND RECOMMENDATIONS.

As highlighted in our introduction, it's essential for the international community to encourage free-market reforms, and the best way to do that is through working with the grassroots to create a debate about different economic models.

Informing does not mean imposing – any genuine change needs to come from the people of the MENA region themselves,

and they'll have to make their own decisions and decide how they want their future societies to be. We should understand that market reforms aggressively marketed, or apparently imposed, by 'the West' would result in a backlash. The only thing we can do, and should do, is to contribute with information on, - and examples of - different economic models and policies. Enhance the understanding of the correlation between free markets and growth.

In both countries, a political settlement is prerequisite to achieve market reforms. However, preliminary grassroots debate will help to inform decision at an early stage, and in some countries, such as Egypt, it will be a part of the political settlement.

In Egypt the elections will determine the broader economic direction of the country, hence it's important to encourage economic debate prior to the elections later this year.

In Libya, the economic reforms will mainly be set by the National Transitional Council, (NTC) in a initial stage. However, the NTC are likely to be perceptive to grassroots demands as to not endanger the fragile security situation of the country.

In Egypt, it will be key to work with the Muslim Brotherhood to achieve any reforms, as they are currently the most influential group of the society. The Muslim Brotherhood have traditionally been

more inclined to sympathize with socialist policies, however, they have a broad support base amongst the working class including merchants and entrepreneurs, hence they have been speaking more favourably about free-market reforms lately.

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In Libya, the greatest challenge will be expectation management

– work against the illusion that the energy resources alone will create a thriving local economy, and the inheritant lack of understanding of free-market dynamics due to the lack of overture to the rest of the world during Gaddafi's rule.

The difficulties with free market transitions: Many Arabs saw their living standards decrease after the free-market reforms swept through the region in the 80's and 90's – the reforms were perceived as benefitting small and corrupt business elites, but didn't trickle down to the masses. In 2005, under Mubarak's policies in Egypt, the unemployment rate soared at 9.2%² of the labor force, and with a population of 82 million with 43% residing in urban centers,³ 20% of the population lived below the poverty line with another 20% living on the poverty line.⁴ Hence,

² IMF, World Economic Outlook Database, April 2011.

³ World Bank Country Profile, February 25, 2011.

⁴ CIA Factbook.

based on their previous experience, many Arabs see no natural correlation between free-market policies and broader societal wealth, since they've witnessed the opposite in the past. Rather, the free market is perceived as a mechanism to further empower the corrupted elites through funneling more money into their already deep pockets. Hence, to be against free market is also a natural reaction towards the previous regimes of the MENA region.

Furthermore, corruption tends to trigger the desire for wider resource redistribution in another sense as well. The previous 'cake-cutting party' gave a false illusion that there is plenty of wealth – and if it was only properly divided, as opposed to enjoyed by the select few – the national wealth cake would be big enough for everybody to enjoy. The popular reasoning is that a good government is a generous government that redistributes, as opposed to a government that does not redistribute (e.g. steals) the wealth. The vision that, "If only Gaddafi would have put the oil money back into the society we would all be rich, like Qatar. Now [after Gaddafi] all Libyans will be very rich..." is commonly expressed on the streets of Benghazi. With the exception of the few very small and wealthy GCC nations like the UAE, Bahrain and Qatar, holding a view like this is very dangerous, as it bears no roots in reality, however well managed government resources

may be. Economic realism seems to be painfully absent amongst most of the grassroots of the MENA region, especially those with the double-edged blessing of oil wealth. Therefore expectation management is sorely needed, ; no one wants to be the 'bad news bunny' in these sensitive times – 'Hope' and 'Change' is a far better campaign slogans than 'Don't get your hopes up too high'. This is somewhere where some plain-speaking by the international community could come in helpful.

As far as political reforms go; combating corruption must be an absolute key-priority. We, as Europeans, should seek to ease the MENA region countries passage into global markets, recognizing that they may wish or need to protect their industries with tariff walls, as an intermediate step and as every developed country has done at some time in the past. Conversely, encouraging a genuine MENA region 'common market' would help intra-MENA regional growth and, as Europeans, we need to look at easing access for North African goods into European markets; if not, the unrelenting pressure of immigration will continue. There is much to do then but perversely, 'festina lente' needs to be our watchword; the people of MENA need time to work it out for themselves. Further on, when implementing free market reforms, gaps do grow initially. Over time it provides better living standards for the majority, but the

first decades of reforms generally widens already painful gaps between the super-poor and the super-rich. Hence, the newly formed governments of the MENA region may not be able to push through too many market reforms at once, as it may trigger further political instability. Too radical and too rapid market reforms will further deepen the social inequalities, which would probably lead to more political instability than the already fragile states can handle at this time. Careful reforms are likely to be more successful than 'a shock doctrine' à la South Korea.

Though possible to identify further common set of problems across the MENA region countries, each country has their own national economic narrative, based on foreign influence, geography, history, resources, and expectations. Thus, we must abstain from trying to apply regional, broad brushed solutions. We have chosen to narrow down on three different countries in this report; Libya and Egypt, and their probability for free market reforms.

II. NARRATIVE REPORT

KLEPTOCRACY

What were the Arab Spring protesters revolting against? Kleptocracy backed by state violence. If there is one common element to the uprisings across the Arab world in 2011, it is that they

were revolts against kleptocracy backed by the means of state violence. The masses who rose up in the Arab Spring were a diverse lot: they ranged from upper-middle-class university-educated youth to farmers, laborers, and street vendors like Tunisia's Mohamed Bouazizi; from Islamists to socialists to liberals; from Shia to Sunni to Christians to atheists. But what these people had in common was that they were fed up with regimes that funnel good jobs, unearned wealth, and political advantage to relatively small elites close to the government clique -- while using the suppression of dissent, torture, disappearances, executions, intimidation, rigged elections, and control of the media to enforce these arrangements.

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External influences and interventions deriving from the international arena have historically greatly shaped the Middle East's institutional and societal structures, beginning with Ottoman presence and Colonial powers, to the dissolve of the bi-polar era of the Cold War system. Greater process of globalization, modernization, and industrialization of the 19th and 20th centuries, along with new forms of capitalism and modern state

structures, have rippled across the region, bringing along new changes and stimulating various indigenous and ideological responses. This is true more than ever; the events of the Arab Spring have put into question various historical legacies of the region, both economic and political, and have triggered local responses for change. Although globalization has become a major theme in the Arab media, and as witnessed in recent events unfolding in the region, globalization is almost always raised in connection with American and Western economic penetration.⁵ Local sentiment has often reflected the frustration that Western spokesmen have repeatedly overlooked or even have defended actions and supported rulers that they would not tolerate in their own respective countries.⁶ It is not surprising, then, with the advent of modern tools of communication, which the people of the MENA region are increasingly aware of the deep and widening gulf between the opportunities of the 'free world' and the repressive world they live in.

The legacy of structural adjustment. In addition to cronyism and state violence, structural-adjustment policies that began in the 1980s and continued through the 2000s are partly to blame for the discontent. Prescriptions encouraged

⁵ Lewis, Bernard. "The revolt of Islam: when did the conflict with the west begin, and how could it end?" *New Yorker*, November 10, 2001

⁶ Ibid.

by the International Monetary Foundation (IMF) and the World Bank (WB) during the age of the "Washington Consensus" sometimes succeeded in reducing inflation and debt service in countries like Egypt and Tunisia, but at tremendous social cost. The Arab welfare-state arrangements of the 1960s and 1970s, as bureaucratically sclerotic as they often were, tended to offer broad employment and steady returns to educational attainment, creating a sense of security for the lower-middle and middle classes. However, privatization schemes, trade liberalization, and a shift in the tax structure toward consumption or value-added taxes and away from corporate and personal income taxes all contributed to increases in the gap between rich and poor, and especially to the creation of small rentier elites -- often with connections to global capital -- who benefited disproportionately from the new arrangements. Meanwhile, the erosion of social services means that lower- and lower-middle-class Arabs struggle to pay for food, transport, and health care. And as young Arabs continue to migrate to the cities in search of jobs, they are also distanced from kinship networks that traditionally provided some measure of social and economic stability.

Further on, when modern capitalist systems were established with the discovery of oil in the Arabian Gulf in the 1930s and elsewhere in the region, they were perceived

as not being in accordance with the traditional Islam way of life. Inequalities of wealth had been limited in the "Old Society," as rich and poor were economically linked with the Q'ranic teachings of charity and tax systems (zakat).

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Modernization widened the socio-economic gaps, weakening existing social bonds, and due to modern technologies, the apparent dichotomies became visibly noticeable. It comes as no surprise, then, that socialist Islamic groups with welfare agendas have come to the forefront and have attracted large audiences. Islamic militant groups who perceive present economic problems as the outcome of the mismanagement of resources, the application of imported policies, conspicuous consumerism, the corruption of top officials, and low productivity,⁷ are highly attractive to disenfranchised groups living on the margins of society. A call for a return to a pan Pan-Islamic form of

⁷ Saad Eddin Ibrahim, "Anatomy of Egypt's militant Islamic groups: methodological note and preliminary findings." *International Journal of Middle East Studies*, 1980.

governance and economic structure is appealing to many.

EGYPT

Countries that endure colonialism have tended to be pulled in contrary directions, both politically and economically. Notions of anti-imperialism and the quest for hegemony and independence, paired with crippling poverty-stricken economies and excess populations, have pushed countries to attempt to diversify their economies through various models. Egypt underwent various phases in an attempt to balance their economy and recover from the 1952 military coup led by Nasser: dependency on the West and the USSR, Import Substitution Industrialization, and economic liberalization aimed at streamlining public sector growth and stimulating private enterprise. Egypt adopted five-year plans to stimulate public sector enterprises;⁸ in the 1980s Egypt had 391 companies employing 1.2 million workers at the market value of about 38 billion British pounds, and total public expenditures in 1980 represented 60% of Egypt's GDP.⁹

With this being said, however, the stress on heavy industry and

⁸ Hinnebusch and Ehteshami. "The Foreign Policies of Middle East States." Lynne Rienner Publishers: London, 2002.

⁹ Alan Richards and John Waterbury. "A Political Economy of the Middle East, 2nd ed." Westview Press: Boulder, CO, 1996.

import substitution did little for the goals of social justice and economic independence; ISI failed to create sufficient jobs for the rapidly expanding workforce, and coupled with the neglect on agricultural development, the need to import food increased as well as a widening food gap. Furthermore, the failure to develop internationally competitive industrial exports, as well as agricultural exports, exacerbated the deficit of trade. The public sector, ironically established in order to generate foreign exchange, ended up absorbing most of the foreign exchange.¹⁰

Although Hosni Mubarak's economic policies did contribute to economic growth, this does not and cannot translate into a raised human development index or increased standard of living. With a population of 82 million, of which 43% reside in urban centers,¹¹ Egypt's unemployment rate soared at 9.2% of the labor force.¹² High unemployment rates coupled with 20% of the population living below the poverty line, with another 20% living on the poverty¹³ line, Mubarak's policies were clearly not being felt as they should have under

the socialist banner that was being waved.

The Egyptian revolution that took place in Tahrir Square was in direct correlation with the above-mentioned statistics. A large population, two thirds of which is under the age of thirty, mass poverty and domestic unrest, exploded into the revolution Mubarak feared would

stock market capitalisation, Egypt's position as an important destination for regional foreign direct investment has been hit. The International Republican Institute's (IRI) latest poll survey conducted in Egypt in April of 2011 found that 49% of those surveyed found the economic situation 'very bad,' and 41% have trouble feeding themselves or buying the necessary things for survival. With this being said, however, 84% approved of Mubarak's resignation, and nearly 80% of those surveyed believe the current government will be able to address the main concerns of unemployment and education.

How receptive will Egyptians be to free-market ideas following the 2011 revolution?

Receptiveness to free-market ideology will vary significantly across the Egyptian political spectrum. Despite the fact that Egypt as been a de facto one-party state (with Hosni Mubarak's National Democratic Party being the authoritarian centrist party) for decades, Egypt has a relatively well-developed political class with a wide array of economic ideologies. The political spectrum ranges from a newly formed "socialist front" of leftist groups (including communists, revolutionary international socialists, and a workers' party) to economically rightist secular liberals to an array of Islamist

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But the revolution has yet to resolve issues of both inequality and economic growth. According to the Institute of International Finance, Egypt's economic growth today will have fallen from a 4.4 % annual growth in 2010 to a -0.5 % growth in 2011. Its economy is predicted to have contracted by 2.5% in 2011.¹⁴ As well as experiencing serious disruption to its tourism and construction sectors, coupled with sharp falls in consumer spending and

10 Ibid.

11 World Bank Country Profile, February 25, 2011.

12 IMF, World Economic Outlook Database, April 2011.

13 CIA Factbook.

14 Ferguson, Niall. "Arab Spring tanks the economy." The Daily Beast. June 6, 2011. <http://www.businessinsider.com/arab-spring-tanks-the-economy-2011-6>

groups, including the Muslim Brotherhood and Salafist groups.

In general, the Egyptian left — although certainly energized by its involvement in the 2011 uprising, including the important role played by workers' groups — remains a small minority. Secular liberals, who tend to have free-market views, are also a relatively small group. The strongest political force to emerge from the Egyptian middle class will be the Muslim Brotherhood.

Conveniently for free-marketeers, the Muslim Brotherhood has made great efforts since the March 2011 uprising to portray itself as a pro-market organization. This has partly been the result of self-conscious public-relations efforts to assuage fears about Islamists among foreign investors. However, it also reflects a budding consonance between free-market positions (such as support for stock-market investment and freedom from heavy state involvement in the economy) and the Brotherhood's base of small-business owners and pious middle-income professionals. As an example of this consonance, the Muslim Brotherhood's new political party, the Freedom and Justice Party, issued a call for fiscal austerity in order to deal with Egypt's budget deficit. The Brotherhood combines the Islamic ideal of a debt-free economy with the liberal vision of economic accountability and a fiscally responsible state: its deputy leader, Khairat el-Shater, stated that "it's

always better for any country to build on the basis of investment and not loans" (Bloomberg 2011¹⁵). Other populist Islamist figure, such as the famous salafist leader 'Hazem Salah Abou Ismaael' have also expressed support for a freer economy with less taxation.¹⁶

Thus it appears that debates over market ideology will, for the time being, take a back seat to debates about the appropriate role of religion in politics.

But as of September 2011, the initial political battles to structure the post-Mubarak government are forming not along the fault lines of economic ideology, but simply in terms of "the Muslim Brotherhood versus the rest." Leftists, social-democratic, liberal, and even a Sufi Islamist party have joined to form the Egyptian Bloc, which will contest the November 2011 elections with the purpose of preventing the Brotherhood's Freedom and Justice Party from securing a parliamentary majority. Thus it appears that debates over market ideology will, for the time being, take a back seat to debates about the appropriate role of religion in politics.

Among Egyptian youth, there is also a diverse range of opinions

¹⁵ <http://www.bloomberg.com/news/2011-07-05/egyptian-debt-spurs-islamist-call-for-austerity-arab-credit.html>

¹⁶ http://www.weeklystandard.com/articles/islamist-president-egypt_592143.html?page=1

about the market. Egypt's massive population of unemployed young people feel left behind by the policies of the Mubarak era, which included liberalization and openness to foreign capital, and which primarily benefited élites with connections to Mubarak. Many university-educated youth of middle-class upbringing also remain skeptical of neoliberal economic prescriptions, having invested extensively in education and yet being unable to find good jobs or afford marriage or good housing. At the same time, however, many would view working for a foreign corporation as a dream. The prominence of Google executive Wael Ghoneim as an opposition activist may have put some sheen on the idea of Egyptians rising into prominent roles in the international economy, but aside from a small (though disproportionately

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- Egypt's economic growth today will have fallen from a 4.4 % annual growth in 2010 to a -0.5 % growth in 2011.
- Egypt's economy is predicted to have contracted by 2.5% in 2011.

influential) elite class of globalized youth, such career trajectories remain chimerical. As Mina Rezkalla, a young Egyptian political scientist expressed it “*Now I only see people screaming for the state to feed them and create jobs*” during an informal conversation with our research team.

In sum, then, the largest and most important audience for free-market ideas — aside from the relatively small secular-liberal camp — will be the socially conservative Egyptian middle class, represented by the Muslim Brotherhood.

LIBYA

Libya, similar to Egypt in that a population frustrated by unequal distributions of wealth and resources due to corruption, as well as high unemployment, will endure an equally frustrating process to determine what economic policies the new government should pursue. Libya’s economy is centrally planned, and depends primarily upon revenues from the petroleum sector, which contributes practically all export earnings and over half of the Libyan GDP.¹⁷ With a population of 6.56 million and a GDP of 74.232 billion USD, Libya has the highest nominal per capital GDP in Africa.¹⁸ Under Gaddhafi, the bloated public sector employed 75% of the working

population,¹⁹ and private investments had been calculated at a low 2% of the GDP.²⁰ This illustrates how miniscule job creation in the private sector was under Gaddhafi, and how difficult it may be to stimulate the private sector in Libya.

With this being said, however, the oil industry that had already flourished and began to grow again alongside new developments that began to take place in an attempt to regenerate the economy. With businesses seeking new markets to offset the impact of the 2008 real-estate crash, an emerging Libya had featured prominently on many companies’ growth plans. A \$54 billion program, managed by the Economic and Social Development Fund and the state-run National Oil Corporation²¹ had aimed to transform the Sirte basin into an ‘energy hub,’ with the ultimate goal of attracting international companies and foreign investments. Also, since the lifting of the UN sanctions in 2003, two bodies, the National Economic Development Board (NEDB) and the Privatisation and Investment Board (PIB) began to spearhead a privatization programme. Both boards, essentially, helped entrepreneurs in Tripoli, Benghazi, and Sebha to set up and finance their

own companies.²² Since 2000, the PIB had privatized 100 companies, and the NEDB had supported 500 projects in less than five months of the programme’s launch.²³ Although these developments do appear optimistic, the Libyan banking culture needs to rapidly reform and collaborate with foreign banks to encourage entrepreneurship and

Despite the lifting of UN sanctions in 2003, Libya has suffered an enormous brain drain and loss of civil society. And despite the initiatives taken to promote entrepreneurship as mentioned above, forty years of isolation from the global economy and its new trends will slow down those educated Libyans returning to Libya hoping to establish businesses.

dispense loans where necessary.

The legacies of the 1989 UN and US sanctions placed on Gaddhafi’s Libya due to the Lockerbie bombing, however, will also have severe repercussions for popular expectations and the social cleavages that were created. Despite the lifting of UN sanctions in 2003, Libya has suffered an enormous brain drain and loss of civil society. And despite the initiatives taken to promote entrepreneurship as mentioned

17 IMF, World Economic Outlook Database, April 2011.

18 IMF World Economic Outlook Database, April 2011.

19 Naylor, Philip C. North Africa: A history from antiquity to the present. University Texas Press: Austin, TX, 2009.

20 IMF 2005 Global Statistics.

21 Thompson, Richard. “A region divided.” Middle East Economic Digest. 55.10, 2011.

22 Evans, Sophie. “Banking reform gathers momentum.” Middle East Economic Digest. 53.35, 2009.

23 Ibid.

above, forty years of isolation from the global economy and its new trends will slow down those educated Libyans returning to Libya hoping to establish businesses. As the writer Ahmida Abdullatif observes, “The regime seems to have exhausted its revolutionary zeal and faces major domestic problems, including a lack of institutionalization, weakened civil associations, brain drain of the best-educated Libyans, and an inability on the part of its leadership to deal with a changing, complex international system.”²⁴ All these concerns may be pertinent today: the NTC will need to foster civil societies and open barriers to civil leadership, incentives will need to be created to re-attract the brain drain that has left Libya, Foreign Direct Investment will need to be lured back into the country, and the NTC will need to manage how to deal properly with the “changing, complex international system” mentioned above.

How receptive will Libyans be to free-market ideas following the 2011 revolution?

It is more difficult to prognosticate about the prospects for free-market ideologies in Libya than in Egypt because Libya has a much less developed history of public-sphere discussion about economic policy. This is partly because Egypt, with its much larger population centers and longer history of ideological mixing

²⁴ Ahmida, Ali Abdullatif. *Forgotten Voices: Power and Agency in Colonial and Post-colonial Libya*. New York: Routledge, 2005.

between Western and local ideas, has a much more robust tradition of debate about the economy. But it is also because Muammar Gaddafi’s Green Book socialism was so universally taught in Libya for four decades that deviation from its tenets — at least in theory, if not always in practice — was politically unacceptable. This stifled public discussion about the form

While painting with a broad brush is dangerous, conversations on the Libyan street suggest that Libyans are likely to have a view of markets that is shaped by their self-conscious status as oil producers and by their negative experiences under Gaddafi.

the economy ought to take. Most Libyans have very little experience engaging in debate on the topic.

Furthermore, in practice, questions about stewardship of the Libyan economy have long centered on the question of how to allocate the country’s oil revenues. Oil and gas account for 95 percent of Libya’s export revenue and 75 percent of government revenue. While painting with a broad brush is dangerous, conversations on the Libyan street suggest that Libyans are likely to have a view of markets that is shaped by their self-conscious status as oil producers and by their negative experiences under Gaddafi. On one hand, the facts that Gaddafi

described his mode of government as “socialist” and that the state played a huge role in directing investment (especially toward pet projects of the ruler, his children, and his clique) have given many Libyans a negative picture of socialism, and of the idea of major state intervention in investment decisions. Many Libyans also complain about the difficulty of setting up a business in Libya or of conducting overseas trade; the country is full of petty traders and small businesspersons who chafed under the red tape, corruption, and preferential treatment that characterized business under the Gaddafi regime. Further on, free-market ideas appearing to be ‘western ideas’ will face less rejection amongst the populace in contrast to Egypt, due to the sentiment of gratefulness towards NATO’s interventions and western governments diplomatic support during the February 17th Revolution.

On the other hand, most Libyans are very unlikely to agree — especially in practice — with the American neoliberal mantra of

- Under Gaddhafi, the bloated public sector employed 75% of the working population, and private investments had been calculated at a low 2% of the GDP.
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“small is beautiful” when it comes to government. This is particularly true of the welfare state because Libyans have come to see free medical care, free education, and other welfare services as their right — as citizens of an oil-producing country. In fact, one of the most common complaints that Libyans make about the Gaddafi days is that the Gaddafi regime should have been providing a higher standard of living to its people given the amount of oil the country produces — including not just education and health care, but also better housing, and sometimes even free cars. Where does this sense of entitlement come from? It is partly a legacy of the fact that Gaddafi often distributed housing and cars preferentially to certain groups. This created the illusion that a lavish welfare state was economically feasible in Libya, even though — even under highly efficient management — Libya’s oil-production levels suggest that it is not. But it is also a reflection of the fact that many Libyans look to the energy-richest GCC states (Qatar, the UAE, and Kuwait) as models — and probably unrealistic ones — of how Libya could and should be.

Looking to Qatar and the UAE as models to emulate is a common practice among Libyans, thanks especially to the rise of Arab

satellite channels that constantly broadcast images of “the good life” in the Gulf, replete with massive shopping malls and eight-lane highways. This admiration for the economies of the Gulf suggests that many Libyans are likely to view a state-directed-investment model with approval — to the extent that it provides dramatic and tangible advances in development. However, since such advances are unlikely to come soon, it is possible that disillusion could set in within five to ten years, fueling domestic conflicts. However, some regional experts, such as Justin Marozzi, the author of “**South from Barbary** – Along the slave routes of the Libyan Sahara” expressed optimistic views, citing

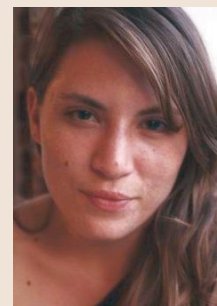
the influence of the Libyan diaspora “They have certainly been isolated from the global business community, though that will be offset by the large number of Libyans returning from the diaspora, especially from the UK, US and Canada. I would argue the prospects of economic development in Libya outweigh those of other Arab countries in transition. Geography, demography and resources have singularly blessed Libyans. They have a small population without the ruinous sectarian divide that has plagued Iraq for almost 1,300 years.” Like in Egypt, the transitional period will be key to shape the economical development to come, with political stability being the key-enabler.

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LIST OF ACRONYMS

AA – Area Assessments	MoP – Measurement of Performance
ACF – Anti-Coalition Forces	NATO – North Atlantic Treaty Organization
AFRICOM – U.S. DOD African Command	NFIAT'T – No Further Information At This Time
AU – African Union	NGO – Non-Governmental Agency
AGE – Anti-Government Elements	NPCC – National Police Command Center
AKA – Also Known As	NSC – National Security Council
AP – Anti Personnel	NORTHCOM – U.S. DOD Northern Command
AQ – Al Qaeda	NTC – National Transitional Council
ATM – Atmospherics Collection	OPSEC – Operational Security
BV – Best Value	OSINT – Open Source Intelligence
CENTCOM – U.S. DOD Central Command	PA – Public Affairs
CF – Coalition Forces	PACOM – U.S. DOD Pacific Command
CI – Counter Intelligence	PD – Public Diplomacy
CIA – U.S. Central Intelligence Agency	POI – Point of impact
CN – Counter Narcotics	POO – Point of origin
COA – Course of Action	PSYOPS – Psychological Operations
COIN – Counter Insurgency	RFI – Request for Information
COMPUSEC – Computer Security	RFP – Request For Proposal
COMSEC – Communications Security	RFQ – Request for Quotation
CT – Counter Terrorism	ROE- Rules of Engagement
DOS – U.S. Department of Defense	SACEUR – Supreme Allied Commander Europe
DOD – U.S. Department of State	SC – Strategic Communication
EC – European Commission	SD – Surveillance Detection
ECM – Electronic Counter Measures	SF – Security Forces
FBI – Federal Bureau of Investigation	SP – Social Psychology
FGD – Focus Group Discussion	SHAPE – Supreme Headquarters Allied Powers Europe
FISA – Fused Information Space Analysis	SIGINT – Signal Intelligence
FOB – Forward Operating Base	SNA – Social Network Analysis
GOA – Government of Afghanistan	SNS – Social Network Sites
HCN – Host Country National	SOR – Statement of Requirement
HUMINT – Human Intelligence	SOUTHCOM – U.S. DOD Southern Command
HVT – High Value Target	STRATCOM – U.S. DOD Strategic Command
IA – Intelligence Analyst	TA – Target Audience
IAG – Illegally Armed Group	TAA – Target Audience Analysis
IDF – Indirect Fire	TBD – To Be Defined
IDIQ – Indefinite Delivery Indefinite Quantity	TCN – Troop Contributing Nations
IED – Improvised Explosive Device	TIC – Troops in contact
IMF – International Military Forces	TOC - Tactical Operations Center
INS – Insurgents	TOO – Target of Opportunity
IO – Information Operations	TTP – Tactics, Techniques and Procedures
KIA – Killed in Action	UI – Unidentified
KLE – Key-Leader Engagement	UN – United Nations
KLP – Key-Leader Profiling	UNDP – United Nations Development Program
LN – Local National	UNHCR – United Nations High Commission for Refugees
LPTA – Lowest Price, Technically Acceptable	USAID – United States Agency for International
LIFG – Libya Islamic Fighting Group	Development
MI – Military Intelligence	USE – United States Embassy
MIA – Missing in Action	WH –The White House
MLCOA – Most likely Course of Action	WB – World Bank
MoE – Measurement of Effectiveness	