

Egypt & Tunisia: Material Roots of the Political Crisis of 2010-2011

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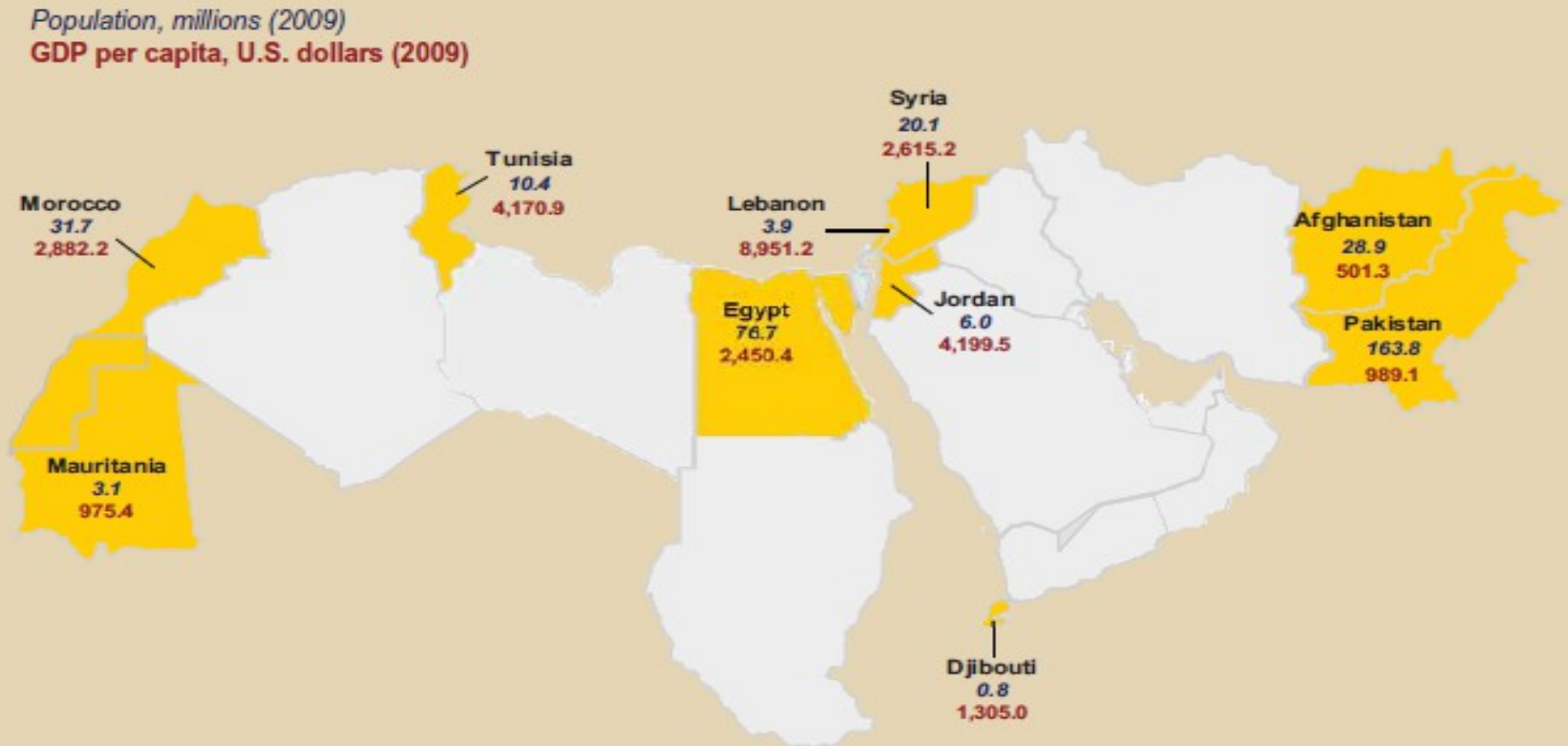
What is right and what is wrong in this quotation?

“The Arab soul is broken by poverty, unemployment and general recession ... The political problems, the majority of which have not been fixed ... have driven the Arab citizen to a state of unprecedented anger and frustration.”

Amr Moussa, Former Head of the Arab League,
at an economic summit of the League on 19 January 2011.

At a Glance

MENAP oil importers withstood the 2008–09 global financial crisis well, having effectively used their limited room for countercyclical macroeconomic policy. As their economies have gained strength, these countries are now in a position to begin consolidating their fiscal positions. The overriding longer-term challenge remains that of creating enough jobs for a rapidly expanding population. To this end, improving the region's competitiveness and reorienting trade toward faster-growing emerging markets are key, at a time when traditional European trading partners are growing more slowly.



Sources: IMF, Regional Economic Outlook database; and Microsoft Map Land.

Note: The country names and borders on this map do not necessarily reflect the IMF's official position.

Thoughts on Economic Underpinnings of Uprisings in Tunisia and Egypt

They were the big “success stories” of neo-liberalism in the Arab World, according to IMF and World Bank, and regimes allies of EU and USA

Boom, not stagnation, in the 2000-2008 era, as measured by GDP growth

Economic crisis 2008-2009 not a disaster, and growth had resumed in most dimensions by 2010.

Uprisings not due just to deprivation or to “revolution of rising expectations,” but to loss of human dignity and inequality caused by neoliberalism

Neoliberalism had same impact in Egypt and Tunisia as elsewhere (including USA)

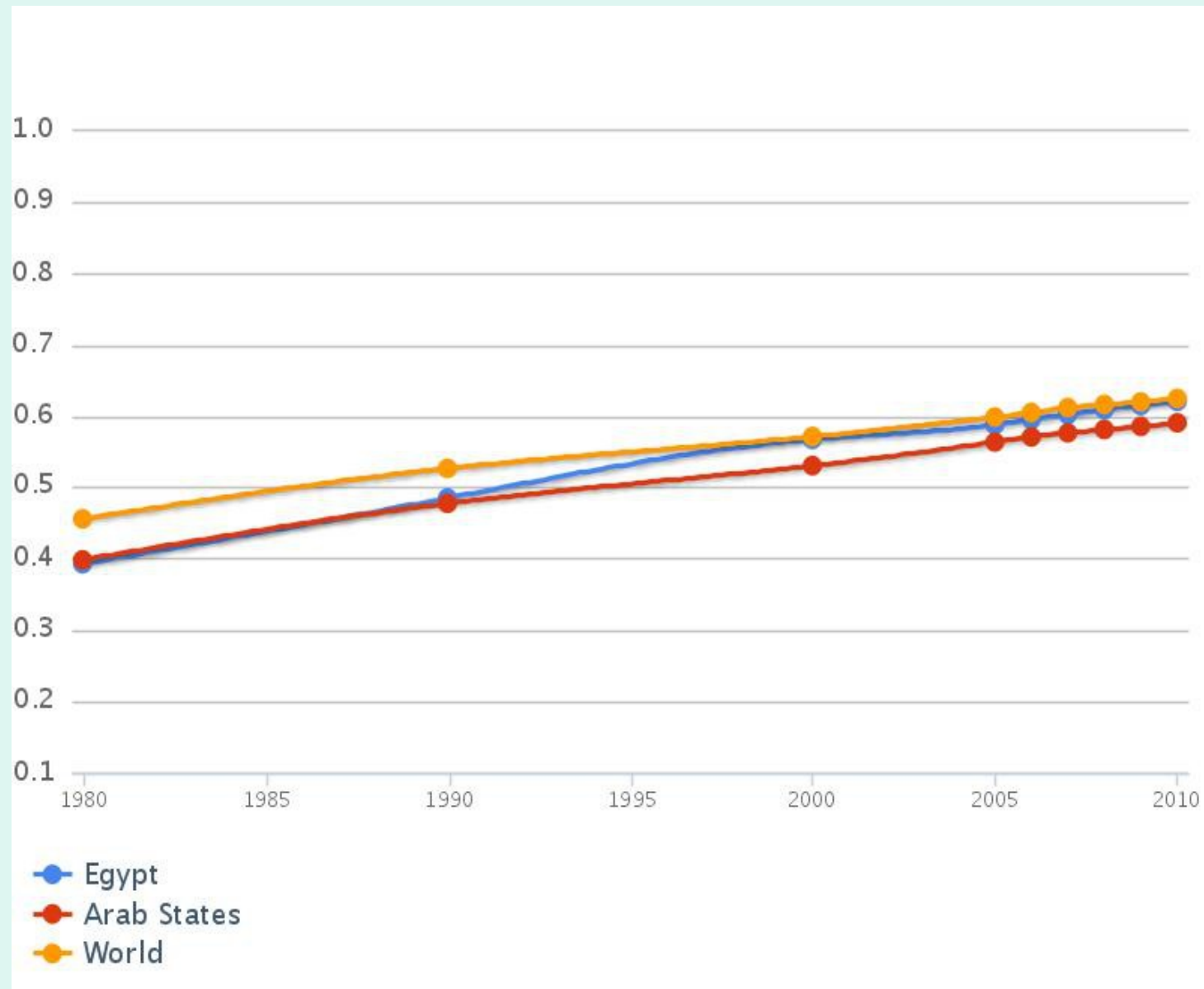
- Organized labor constricted and suppressed
- Public services like education and healthcare gutted
- Stagnant or falling wages for the majority
- Public resources reallocated to small, already wealthy elite
- Instead of government being shrunk, it was fused to the wealthy owners of capital. Lines between the state and this top bourgeoisie became blurred so “government” served mainly their interests.

Rising Inequality in the face of economic growth, flaunting of economic privileges by the elite, combined with violent suppression of civil liberties offensive to citizens who wish to be proud of their country

- Obvious corruption with integration political and economic elite – Systemic, Endemic
- Benefits of Liberalization, Privatization highly concentrated
- Middle class deprivation of freedom, but growth of civil society in spite of repression
- Rising working class resistance met with repression

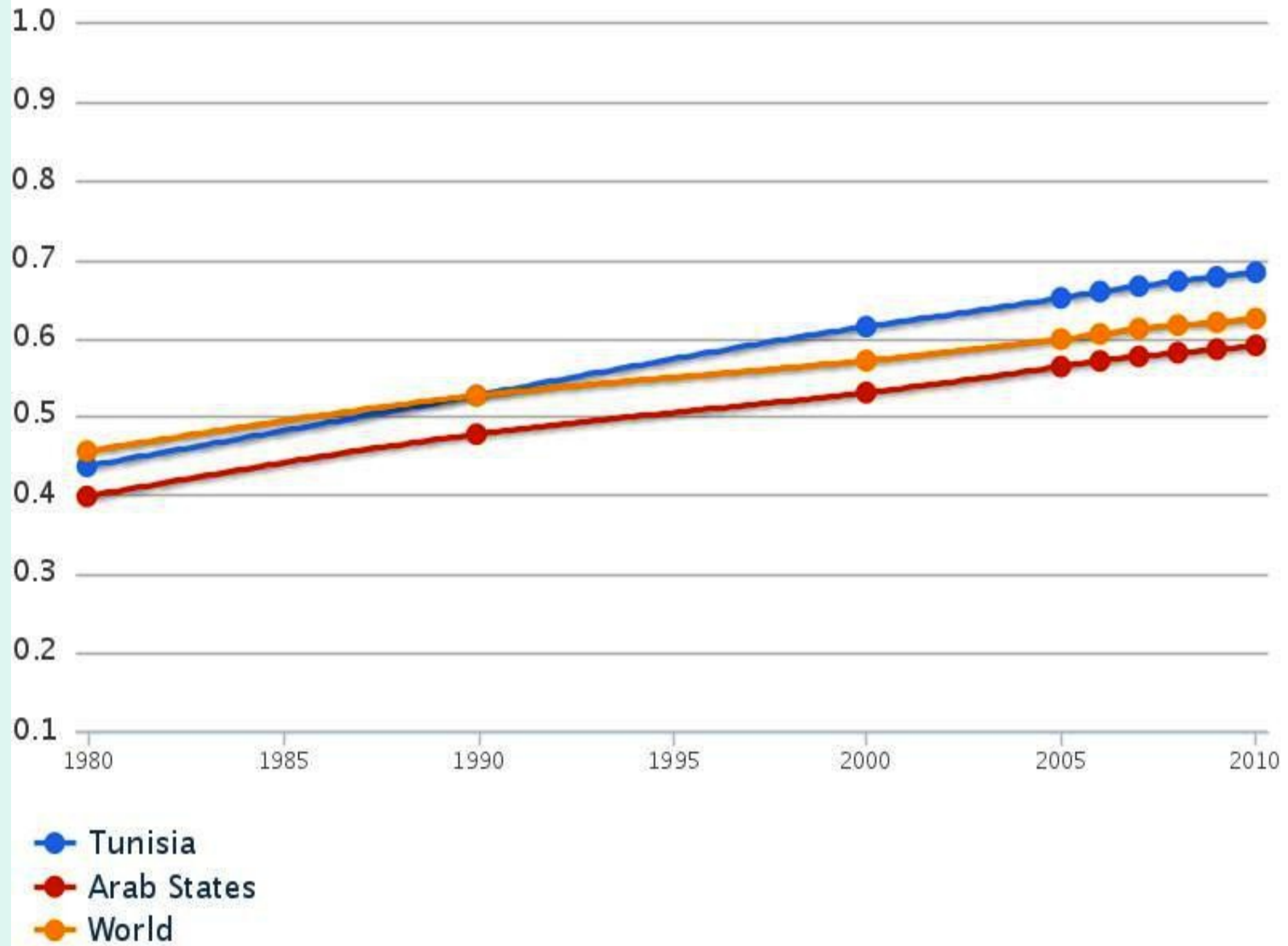
HUMAN DEVELOPMENT INDEX: Egypt in Comparative Perspective

Source: Human Development Report Online, 2011



HUMAN DEVELOPMENT INDEX: Tunisia in Comparative Perspective

Source: Human Development Report Online, 2011



Egypt as of 2010:

- Population 80 million, with 33% aged 14 or younger, 50% under 30
- Literacy rate over 71%, with males at 83% and females at 59%
- More than 20 million Internet users, ranking the country 21st in the world, and 55 million cell phone users, which is 19th in the world.
- Labor force of 26 million, with 32 % working in agriculture, 17% in industry, and 51% in the service sector.
- Unemployment rate of 9.7%
- 20% of the population below the poverty line, and 20% more “near poor”
- Experienced a three-fold increase in the number of malnourished children under the age of five since 2000, to 1.5 million in 2008

• Source: Henry J. Reske, [Egypt's Poverty, Unemployment, Push Youths to Breaking Point](#)
Newsmax.com, 31 Jan 2011

Hypocrisy of Neoliberal Policies and IFIs: World Bank Programs to reform agriculture in Tunisia in 1990s

- Led to increased concentration of land ownership in rich farmers' hands
- Privatized cooperatives under control of rich farmers
- Promoted agriculture for export, which then failed due to Tunisia's dependence on EU market, because EU did not liberalize its imports of agricultural goods

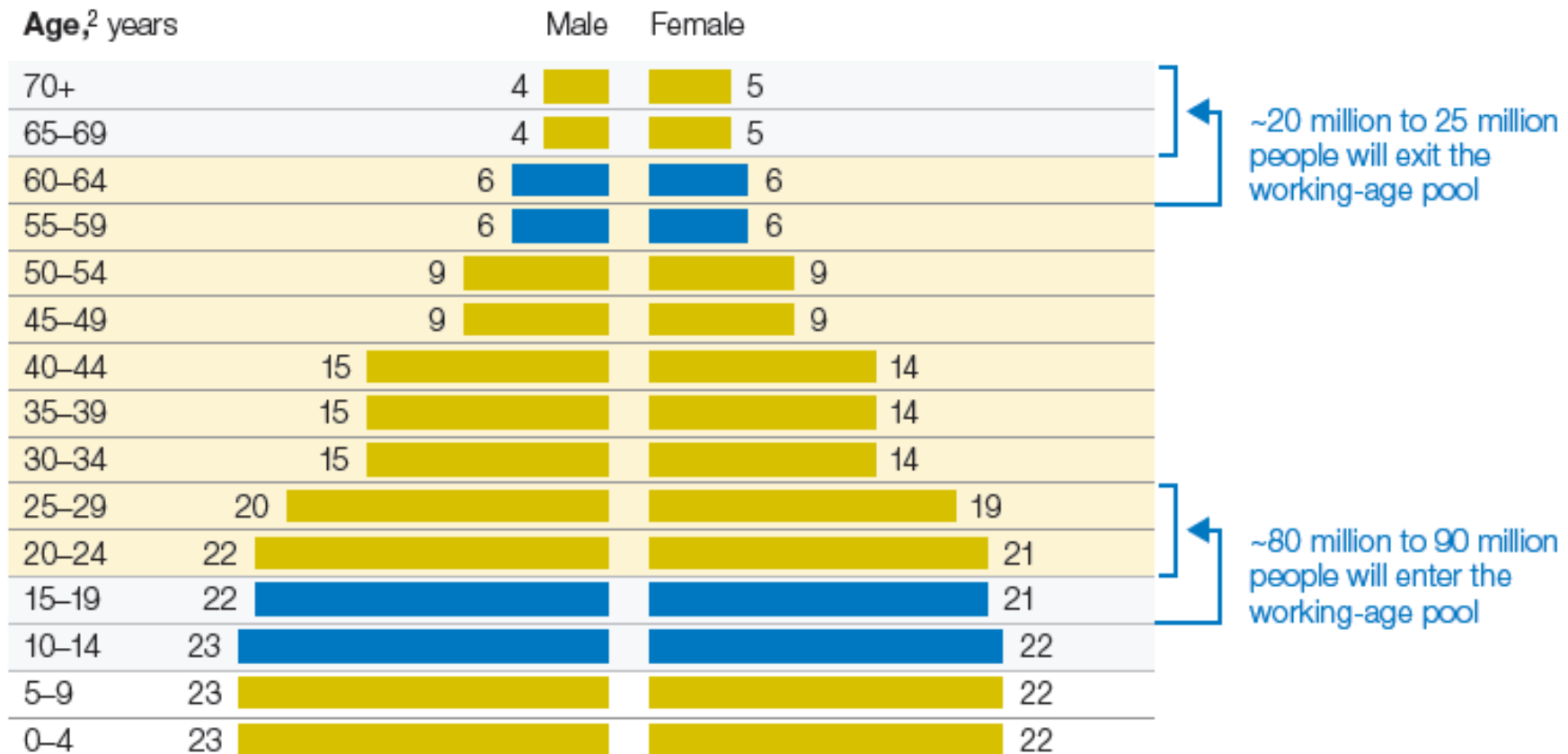
Class and region in Tunisia

(Source: Usher in Nation 9/21/11)

- Tunisia's overall unemployment rate:
 - 12.4% 2007
 - 13.3% mid-2010
- Unemployment in urban and coastal regions, about 7%
- In Sidi Bouzid (home Bouazizi), 30%
- In Gafsa (mining town in south), 40%, with $\frac{1}{4}$ families in poverty
- Among those under 30 years old: 26%
- Among graduates: $170,000 / 400,000 = 42.5\%$

The Arab world's employable population will grow dramatically over the next 10 years.

2010 population of Arab world¹ (estimated), millions



¹ Arab world comprises the 22 nations in the League of Arab States.

² For age groups where data are not given in 5-year increments, an even split was used as an estimate.

Source: Global Insight

The Six Arab Diversified "Emerging Market" Economies in the Med Region Need to Create More than 18 Million Jobs by 2020 to bring down their unemployment rates and absorb new labor market entrants.

<u>Countries</u>	<u>Unemployment Level in 2008, mns</u>	<u>New Entrants, 2008-2020</u>
Egypt	2.3	7.1
Jordan	0.2	0.7
Lebanon	0.1	0.1
Morocco	1.7	2.3
Syria	0.8	2.0
Tunisia	0.5	0.5
TOTAL	5.6	12.7

Grand Total Jobs Needed: 18.3 million

Egypt alone needs 9.4 mn new jobs, with a 7% annual real GDP growth rate just to absorb new entrants and a 10% annual GDP growth rate to absorb new entrants and bring down unemployment to a "frictional" 3%.

Informal Economy Large and Growing

- In both Tunisia and Egypt, informal economic activity = about 30% of formal
- Percentage of labor force that does not contribute to either public or private pension programs:
 - Egypt 43%
 - Tunisia 51%

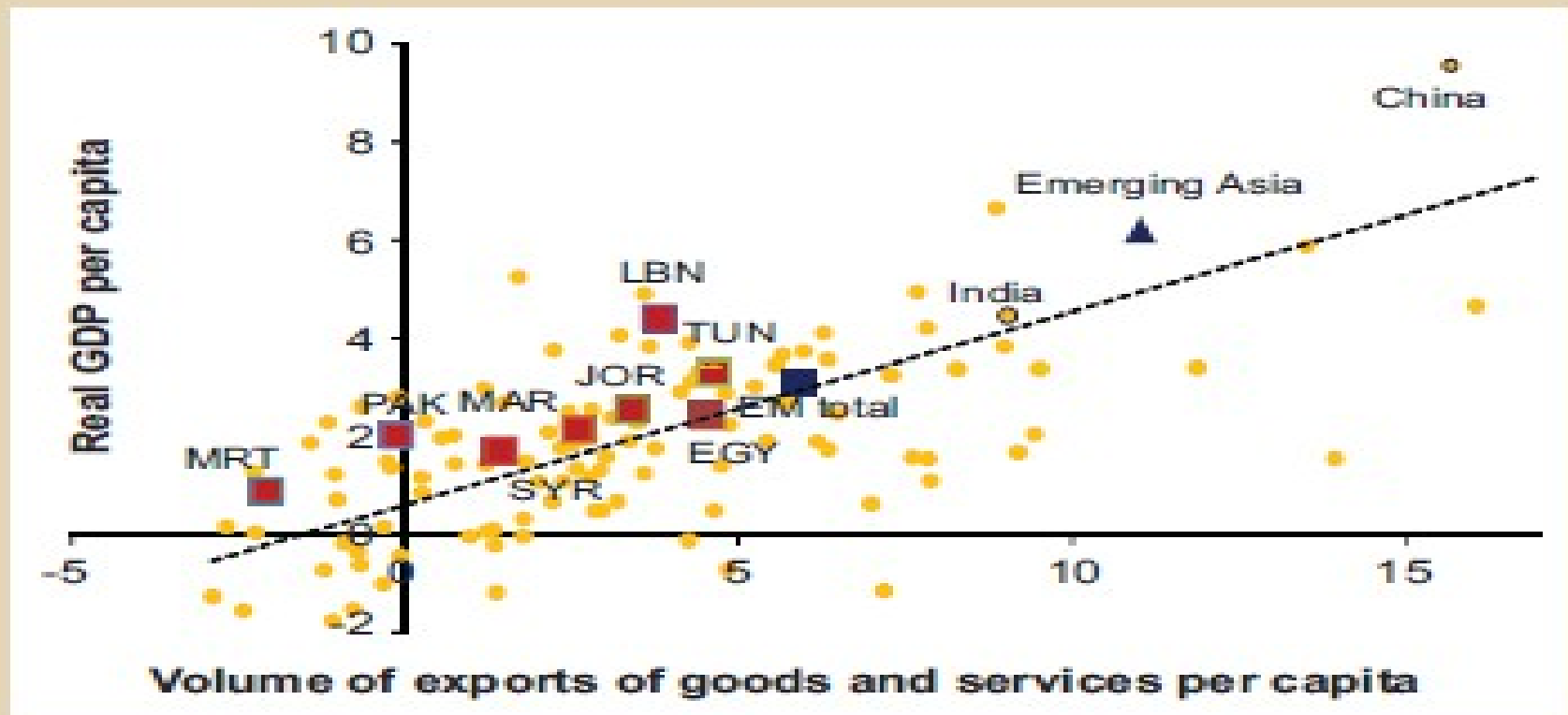
Neoliberal Policies vs Reality

- IFIs attribute the too-low growth of jobs to need for even more neoliberal “reforms,” for example to open even more to trade and especially to export more and to change regulations to attract FDI
- But dependence on export to Europe and growth, then rapid drop, of FDI were major factors in transmitting the West’s economic crisis to Tunisia and Egypt!

Figure 2.7

Lagging Output and Export Growth

(Average annual percent change, 1990–2009)

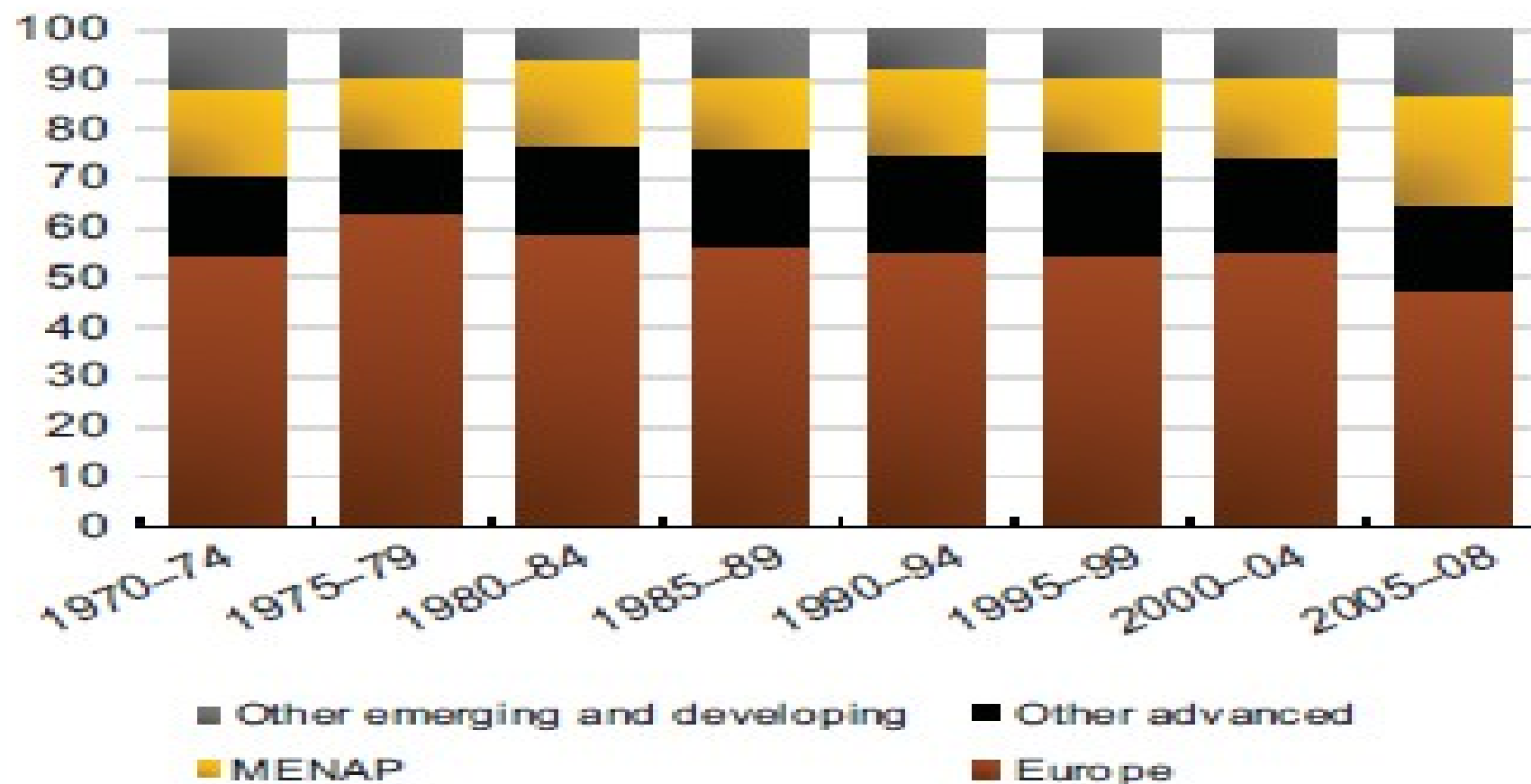


Source: IMF, World Economic Outlook database.

Note: Emerging Asia refers to China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan Province of China, Thailand, and Vietnam.

Figure 3

MENAP Oil Importers: Goods Export Destinations (Percent of total exports)

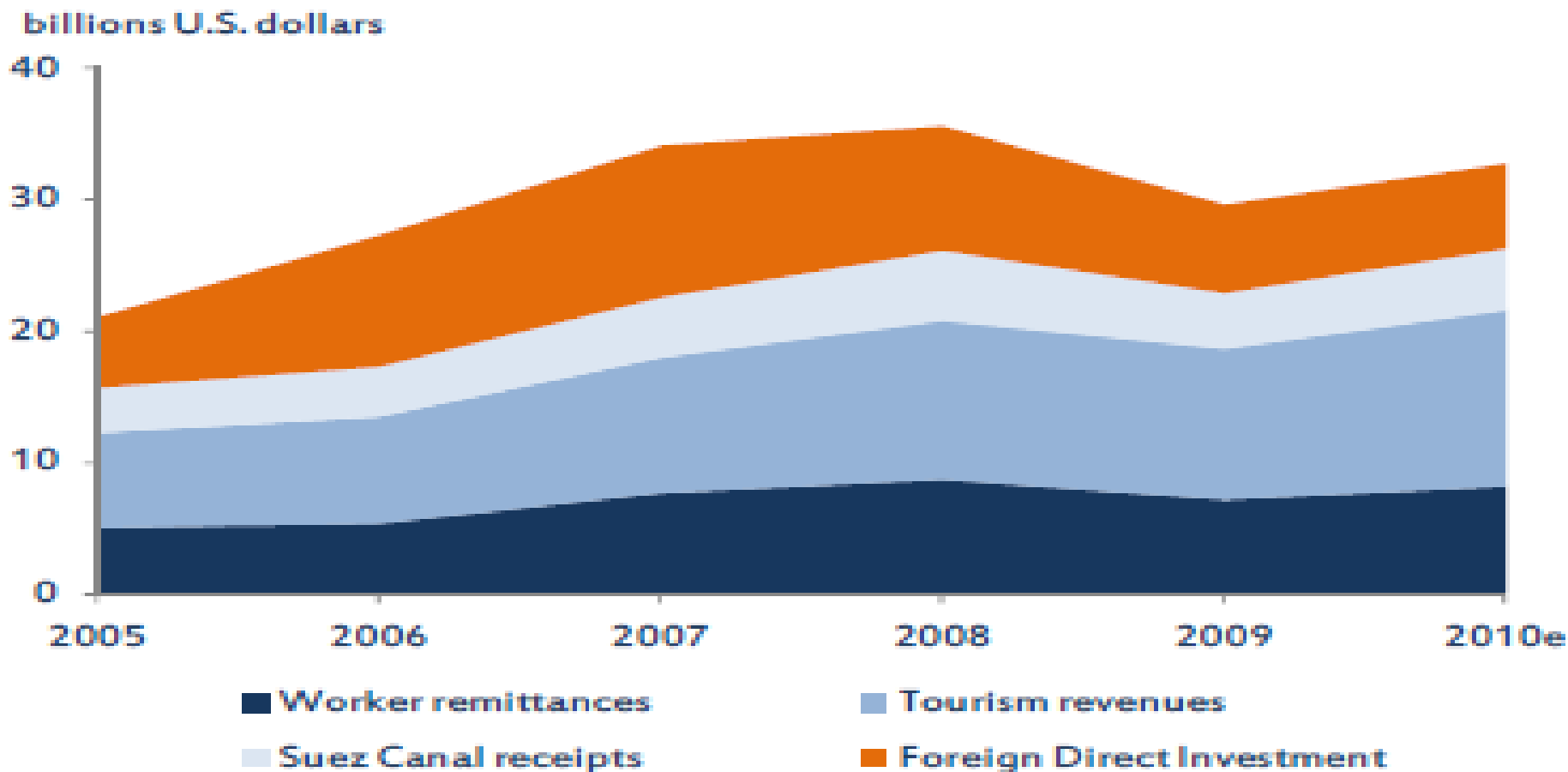


Source: IMF, *Direction of Trade Statistics*.

Tunisia's Dependence on External Revenues especially EU, Data as of 2008

- Exports/GDP: 42.7%
- Tourism/GDP: 6.1%
- Remittances/GDP: 4.4%
- EU accounted for
 - 77% of Exports
 - 85% Tourism Revenues
 - 88% Remittances
 - 58% FDI

Figure R4.6 Egypt's ancillary revenues more than offset average trade deficits



Source: World Bank, Government of Egypt, UNCTAD

Figure R4.4 For diversified group varied production outturns for 2010

industrial production, ch%, (2010 is available year-to-date)

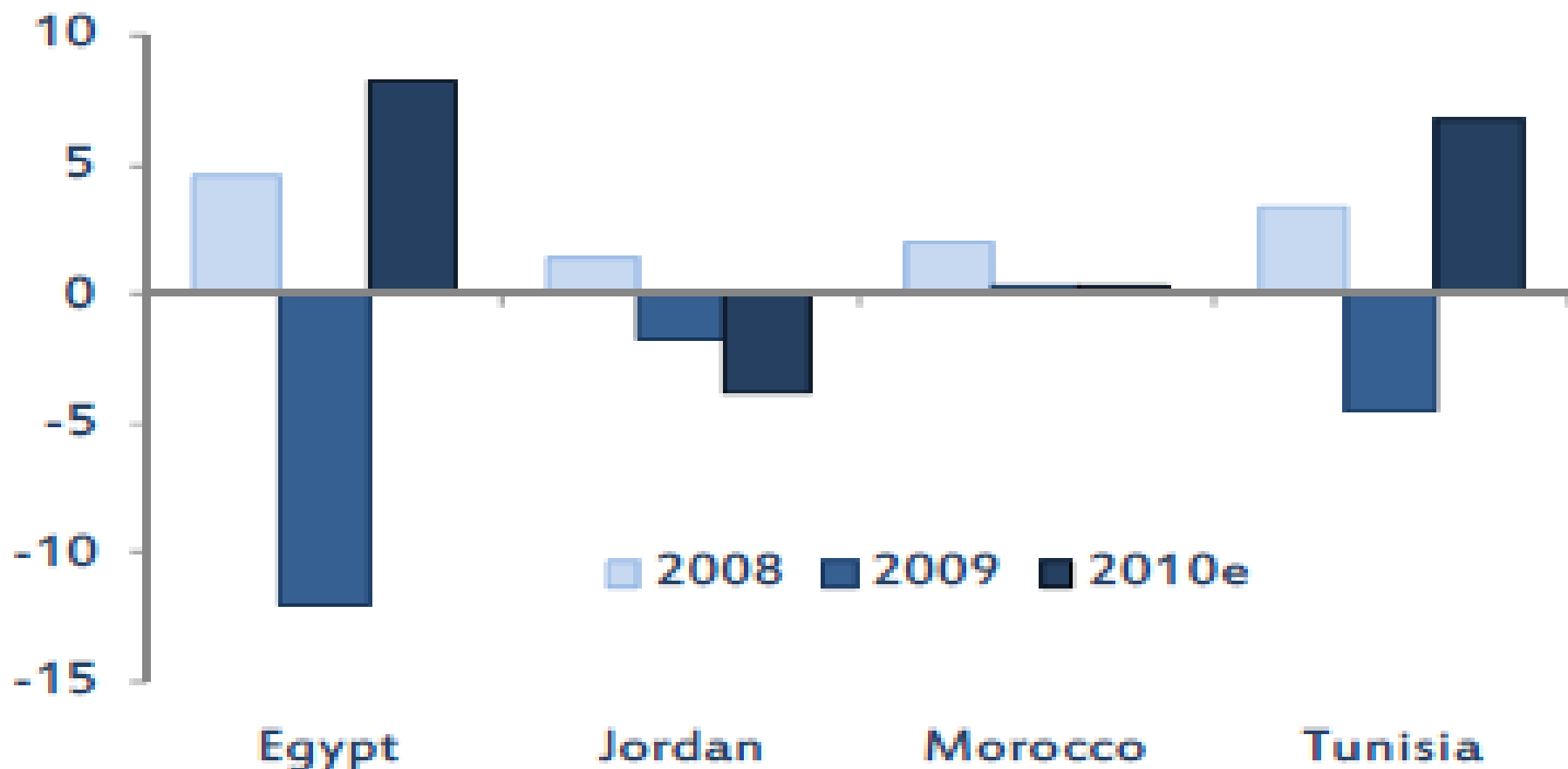


Figure R4.1 Developing Middle East and North Africa region less adversely affected by crisis and recession than many others

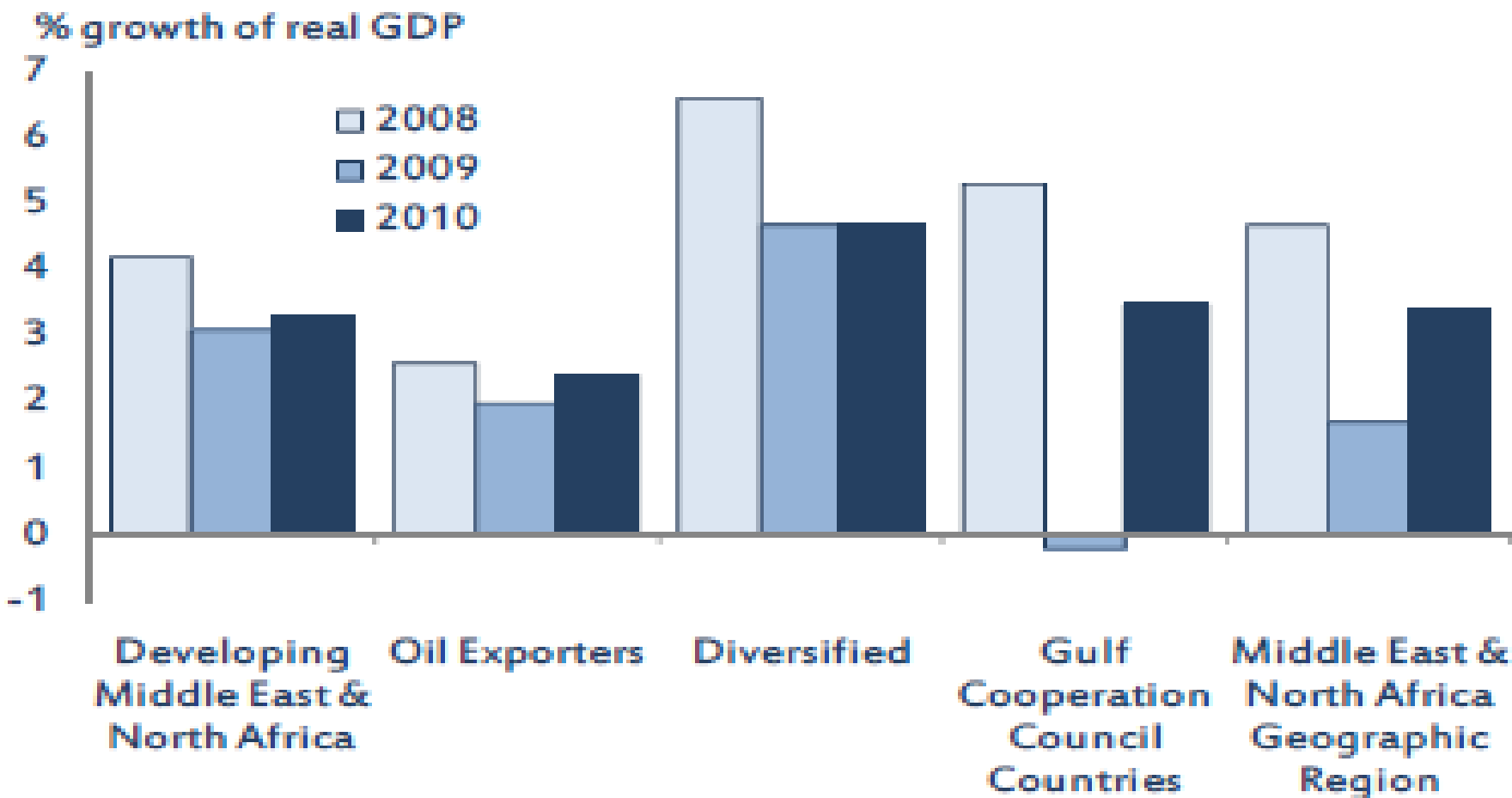
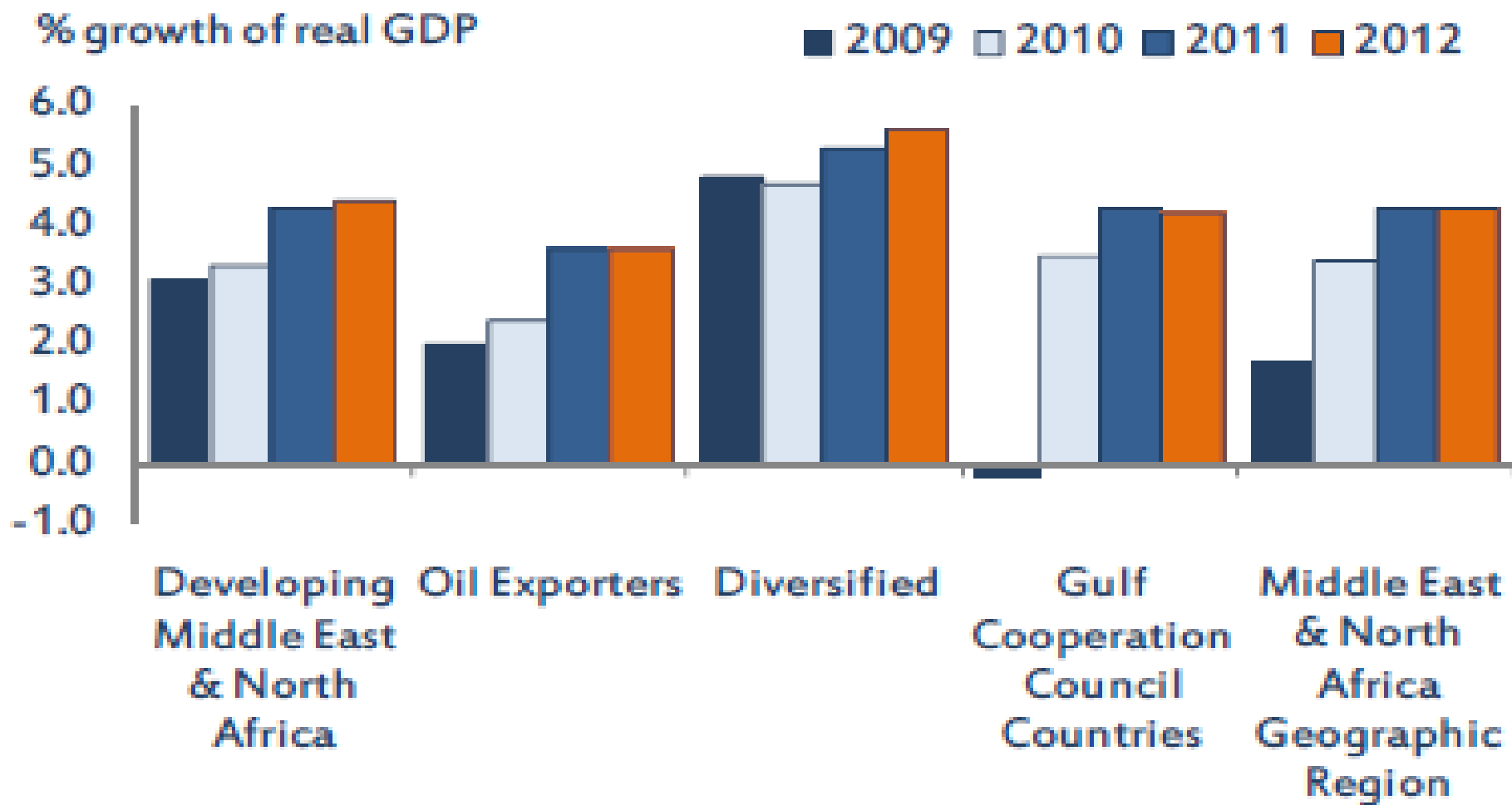


Figure R4.8 Growth in developing Middle East & North Africa region to reach 4.5% by 2012



Current Economic Situation

Economic growth plunged in 2011,

Egypt from 5.1% in 2010 to just 1.2% IN 2011

Tunisia from 3.1% in 2010 to just about 0.0 in 2011

due to

- Weakening in world economy, anemic growth in demand for exports
- Decrease in tourism and foreign investment inflows, partly response to uprisings
- Higher world-wide food and fuel prices
- Rising borrowing costs due to uncertainty in financial markets
- Fiscal deficits, national debt, unemployment have all risen, while capital expenditures are down, due to falling growth rates

Impact of Neoliberalism, 1990s-2000s

- IFIs played role through debt crises, SAPs (curb state econ role) and World Bank dev projects, e.g., in agriculture, and promoting ever more liberalization and privatization
- Private capital emerging out of “junior partner” role and asserting influence in state; liberalization and privatization; more FDI
- State-capital alliance: political power concentrated in exchange for crony Kism
- Labor market “reform” broke the ‘social compact’ in most obvious way
- Civil society and human rights groups crushed and repressed, but still grew in middle class

Fraud in Politics

- Tunisia: Fraudulent election after election, but Ben Ali trying to make self president for life, turn over rule to his son-in-law was last straw for the public,
- Egypt: November 2010 election fraud led to almost complete elimination of any opposition in parliament; ballot-box stuffing caught on video and publicized on You-Tube; Mubarak trying to turn over rule to his son Gamal, among the most corrupt of the politician/business elite was last straw for the public

Examples of Crony Capitalism

The Ben Ali Family controlled 1/3 of Tunisian economy, including key sectors of banking, telecom, import-export, cars agriculture and food distribution, petroleum, tourism, real estate and other sectors.

National Solidarity Fund (“26-26”). Founded by Ben Ali in 1993 ostensibly as program of rural development, for electricity, roads, health clinics. Funded by state budget plus “contributions” from the public: civil servants, farmers, business owners, trade unions. But funds distributed in unfair, clientelist manner, the work done is shoddy, when done at all, and the fund’s income and spending are unaccounted for, pocketed by Ben Ali clan

(Kallender MER Online 26jan11).

Tunisian Protesters angry at great wealth and lavish life of President Ben Ali's second wife, Leila Trabelsi, and extended family, most notably their son-in-law, the billionaire businessman Mohamed Sakher El-Materi.

In WikiLeaks cable US ambassador describes dinner at “beachfront compound decorated with Roman artifacts; ice cream and frozen yoghurt flown in from St. Tropez, France; a Bangladeshi butler and South African nanny; and a pet tiger in a cage.”

(BBC News 2/2/11, and spread on Facebook and Twitter).

Corruption in Egypt

- Minister of Parliament Talaat Mustafa purchased public lands for elite housing complex, with no competitive bidding, and government provided infrastructure free (roads, sewer system, utilities)
- Naguib Sawiris, a self-proclaimed “wise man” who tried to take over the uprising, made fortune with government construction contracts and was given first mobile phone license in Egypt by Mubarak without competitive bidding

Labor Rights Undermined under Neoliberalism in Egypt

Privatization of public enterprises gave employers right to hire and fire with little restriction and cut public sector enterprise labor force in half.

But Labor's side of the Lib/Priv bargain not kept

- Right to organize

- Right to strike

- Undermining of working conditions, wages and job security

Growth of informal sector as private sector did not provide jobs for workers expelled from public enterprises

Fall in unemployment rate in 2000-2008 due to growth of informal

Reduction of public commitment to human development – education, healthcare, pensions, social services

Role of Labor Crucial to Uprising in Egypt

- In Egypt, since 1998, strikes and sit-ins to protest liberalization and privatization, to demand rights under new labor law since 2003, but no national leadership
- April 6 movement (leaders of uprising) formed to support a big textile workers strike in Muhalla al Kubra in 2008; used social media to win wide public support
- Brought to public attention problems of rising job insecurity, rising poverty, despite “growth” of economy in 2000s

Labor Unrest Continues – in Egypt in spite of April law criminalizing strikes

- Farmers forming independent unions for the first time, without state control
- Suez Canal workers demanding equal pay and treatment all along the Canal
- Textile factory workers in Mansoura blocked traffic to demand back pay and severance pay from closing factory
- First half 2011: 338 sit-ins, 158 strikes; August 2011 new wave of strikes for living wages, medical insurance, and less dangerous working conditions

Role of Labor Crucial to Tunisian Uprising

- Jan 2008 street demonstrations in Gafsa (important mining town) for fair hiring, plus full jobs program.
- Won support of teachers, youth, diaspora Tunisians working in Europe, and opposition media
- Led by rank-and-file workers, brutally repressed, but did not give up
- Dec 2010, self-immolation of Mohamed Bouazizi led to massive general strikes and to labor support for the uprising in Tunis

The Power of Civil and Labor Rights Coalition in Tunisia

“From January 14, a grassroots national/popular coalition of trade unions, leftists, lawyers associations, human rights organizations and Islamists mainly but not only from Nahda laid siege to Casbah Square and other sites in the capital to protest any and all attempts by the ancient regime to push back the revolution. ...

Rolling campaigns of civil disobedience swept away two cabinets, forcing the resignation of Ben Ali-appointed governors in the provinces; the dissolution of his ruling Constitutional Democratic Rally (RCD); and the disbanding of the state security apparatus, including the hated political police. Banned parties like Nahda were legalized, and amnestied political prisoners were allowed to run for office. And finally, the granting of the coalition’s core demand: to hold elections for a constituent assembly that would be empowered to draft a new Constitution and convene parliamentary and presidential elections.”

- “The success of the Arab Awakening movement correlates well with the strength of their labor contingents: the more workers involved, the more likely a democratic outcome ... But workers have rarely demanded democracy in the abstract. As a February 19 declaration of Egypt’s emerging EFITU proclaimed,

“If this revolution does not lead to the fair distribution of wealth it is not worth anything. Freedoms are not complete without social freedoms. The right to vote is naturally dependent on the right to a loaf of bread.”

Discontent bubbling for years, not sudden, but what alternative for viable economy?

- Neither return to state-led growth nor more liberalization/privatization
- Rule Law, regulation, etc, for *everyone*
- Management of conflicting interests
- Indicative Planning
- Development banks
- SMEs, but licensed and regulated
- Workplace democracy, workers' cooperatives
- How to absorb the informal sector: wages, working conditions, health insurance, pensions
- Social infrastructure
- How to benefit from equitable FDI and fair trade?