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Economic Freedom of the World

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Institutions and Economic, Political, and Civil Liberty in the Arab World

The Prospect for Economic Reform in the
Wake of the Arab Spring

by Fred McMahon



Chapter 3 Institutions and Economic, Political, and Civil Liberty in the Arab World

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“If we get things right, we could be Turkey in 10 years. If we get them wrong, we could be Pakistan in 18 months.”

Ahmed Heikal, Egypt’s largest private investor,
August 2011, quoted in Amin et al., 2012: 49

The Arab Spring disrupted an already turbulent region. A denial of economic freedom launched the Arab Spring. It began in Tunisia when Mohamed Bouazizi, a vegetable-and-fruit seller, set himself on fire to protest the bureaucratic police bullying he faced nearly every day in the market. His freedom to sell his wares to willing buyers was repeatedly denied.

Despite its origin, little economic thought has emerged in the wake of the Arab Spring. This lack of an economic policy vision may be under-appreciated. It will make economic reform more difficult and create barriers to fulfilling aspirations for other freedoms and democracy. As global experience has shown, economic reform is important not just for its own sake but also for promoting and enabling other reforms.

[W]hen political change is not accompanied by widespread economic change, there is a risk of reversion on the political front, as old vested interests regain control over the political process through their dominance of the economy, or else of economic stagnation as the power-politics game creates blocking conditions

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against change. When old economic structures are preserved or only modestly adapted, it cannot be expected that different outcomes on growth and equality will result. (Amin et al., 2012: 13)

That is the danger facing the Arab world. This paper will focus on economic issues, particularly economic freedom, which is simply the ability of individuals and families to make their own economic decisions. It thus also provides a strong measure of free and open markets, which puts the power to choose in the hands of individuals and families, rather than of governments or crony capitalist elites. (See ch. 1 of Gwartney, Lawson, and Hall, 2013 for a more complete description of economic freedom.)

Economic freedom has been shown to promote economic growth, job creation, civic stability and freedoms, and democracy, among a number of good outcomes much needed in the Arab world. (See Hall and Lawson, 2014, for a review of the literature.) Further, de Soysa and Vadlamannati (2014) demonstrate empirically that economic freedom lessens ethnic and other divisions, something much needed now in the Arab world.

Economic freedom is curtailed when government grows large and intrusive, limiting the free choices of individuals and families, and when powerful elites use their economic and political influence to block the freedom of the “outs” for the advantage of the “ins.” This paper will examine how factors blocking economic freedom arose in the Arab world and the many barriers—social, political, and historical—that stand in the way of removing them.

Like many other regions or groupings of nations, the Arab world is hugely varied and yet contains important links of commonality. It ranges from the Iraq and Syria in Mesopotamia, to the Levant states of Jordan and Lebanon, to oil-rich Gulf States, and to North Africa, the Horn of Africa and the Nile Valley.

Yet, it shares a dominant religion and language, and many aspects of a common culture. Most in the region would identify themselves as Arabs.¹ Today’s Arab world was largely united under the Rashidun Caliphate in the 7th century, extended under Umayyad Caliphate and its successors up to the Ottoman Caliphate, followed by a period of European colonialism, all of which created similarities across a diverse region.

Malik and Awadalla list five commonalities among Arab states:

First ... economic and political power is concentrated in the hands of a few. *Second*, the typical Arab state can be characterized as a security state ... *Third*, the broad contours of demographic change and youth bulges are fairly common across the region. *Fourth*, Arab countries are mostly centralized states with a dominant public sector and, with few exceptions, weak private enterprise. *Fifth*, external revenues—whether derived from oil, aid, or remittances—profoundly shapes the region’s political economy. (2011: 4)

The region’s history helps explain these commonalities, as well as providing the groundwork for understanding the largely economic frustrations that led to the Arab Spring, as well as its aftermath and the challenges to increasing economic freedom in the region.

¹ The Arab world is here defined as the members of the Arab League: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestinian territories, Qatar, Saudi Arabia, Somalia, Sudan, Syria (suspended), Tunisia, United Arab Emirates, and Yemen.

The centralized and bureaucratic Ottoman Empire discouraged the emergence of a potentially threatening private sector; business became concentrated in the hands of foreigners and minorities, which did not represent a political threat. The concentration of business among foreigners and minorities continued through the European colonial phase. The breakup of the Ottoman Empire and the post-Ottoman colonial carving up of the region established new borders, cutting traditional trade patterns and creating fragmented, small markets. With independence, foreign and minority merchants often fled or were suppressed, leaving an emaciated private sector that was uninterested in pressing for more economic freedom but instead focused on collusion with the political elite in rent-seeking (Malik and Awadalla, 2011).

At the time of independence, socialist ideas were in fashion in much of the western world. They were associated with anti-colonial rhetoric, reinforcing their popularity with the new regimes in Arab states. These ideas were also attractive to emerging elites. Socialist rhetoric was useful in cementing the state's power and the thus the privilege of the elites, and in preventing other power centers in the private sector from emerging, reminiscent of the Ottoman strategy. “[S]tates ... were principally created for redistributive and interventionist purposes, [and] were closely connected to the patronage of a ruling elite ...” (Amin et al., 2012: 80).

The attractiveness of socialist ideas, a powerful state, and elite control was not limited to the Arab world in the post-colonial period but several factors increased their potency in the region. One was the heritage of a weak and dependent business elite tied to the political elite. This was supported by the fragmentation of local markets and protectionism, thus enabling rent-seeking by the elites behind trade barriers that limited competition. The business and political elites were also sheltered by complex and discretionary regulatory structures, which strongly favoured members of the elite who had the contacts to navigate them (Malik and Awadalla, 2011).

The Arab world was cushioned from the economic necessity that ultimately led to market reforms in most corners of the world. Large external revenues—directly through oil or from significant flows of foreign aid (including from oil-states to oil-poor states) or from remittances from large workforces in oil states—gave the state-dominated model extended life. Both oil revenues and aid could be captured by elites and used to buy off the population.

A standard-model security state developed, but augmented by an economic deal. The usual arrangement is that the state provides security in exchange for limited political and civil rights. In addition, in much of the Arab world, economic security was added to personal security, as oil and aid allowed states to provide rich subsidies for essentials such as food and fuel and “guaranteed” state jobs. The public grew to believe that government had a duty to provide both jobs and subsidies.

Amin et al. (2012: table 2.1, pp. 34–37) list 18 constitutional provisions that guarantee employment, often specifically state employment, in 15 Arab nations. They also note the public expectation of subsidies: “The provision of cheap goods, usually food and energy, is accepted as a key responsibility of Arab governments. For many years, Arab citizens accepted dictatorship, the flaunting of human rights, inefficiency, corruption, and even devastating wars, without calling for regime change” (2012: 86).

Despite the flow of outside funds, the economic deal became increasingly expensive as the region experienced a youth bulge. Arab population has increased 59% since 1990 compared to a world average of 31% and high-income OECD average of 14%. Population growth is declining but still large: 32.8% of the Arab population is under the age of 14, down from 42.7% in 1990. Just over a quarter of the

world population is under the age of 14, compared to 33% in 1990. For high-income OECD nations, 16.8% of the population is under the age of 14, compared to 20.3% in 1990 (WDI data). Even with the external financial flows, states became unable to provide government jobs to a rapidly increasing number of new entrants into the workforce.

In the 1990s, governments through the region embarked on a period of market-oriented reform. Yet, this era of reform proved to be largely illusionary, with Arab nations doing little better than the world average (table 3.1). “Whether it is the Tanzimat reforms under Ottoman rule, nationalization of the 1960s, or neo-liberal economic reforms ... they have all served as vehicles for refurbishing the state power” (Malik and Awadallah, 2011: 28).

The historic weakness of the Arab entrepreneurial class and the strong overlap between the political and economic elites led to effective resistance to reforms that reduced rent-seeking opportunities or the power of the elites. These factors also created a business elite more comfortable with rent-seeking than in developing competitive products. One result of the failure to reform and the collusion between the political and business elites is the region’s experience of “creative destruction”—in fact, there is not much creation or destruction, leading to a business sector that lacks dynamism (Gatti et al., 2013: 17–18). Registered businesses per 1,000 people in the Middle East is less than a third of that in Eastern Europe and Central Asia, and the average age of firms is almost 10 years older (Malik and Awadallah, 2011: 16).

The incentives in the region help explain this. Business prefer rent-seeking as a sure path to high profits. This makes innovation and productivity improvement a lower priority than building and rewarding contacts. Clientelism protects elite businesses from more competitive firms while the interconnected government and business networks discourage new entrants.² “[F]irm dynamics in the MENA region are stagnant. The region experiences lower firm entry and exit as well as lower growth of incumbent firms than relevant comparator countries in other parts of the world. This lower turnover significantly limits the scope for creative destruction” (Gatti et al., 2013: 123).

The lack of dynamism limited opportunity and job creation in the private sector. At the same time, the use of the public sector as a guaranteed employer, with more generous pay, benefits, and security and less challenging work than the private sector, led to the overwhelming preference across the region for public sector jobs, further weakening dynamism. “Despite waiting lists that stretch up to 13 years, large percentages of Arab populations prefer government jobs to employment in the private sector ... Many parents are willing to support young people through the waiting period, due to societal norms” (Amin et al., 2012: 43, 59).

The long wait is possible because of subsidies, welfare webs, and broad patronage networks and because, while privileged jobs are rare, a large number of households benefit from them, for example, six in 10 in Egypt and Jordan (Gatti et al., 2013: 8). The number of dependent households creates public pressure to maintain such jobs and public support for the distorted labor market, making reform more difficult.

2 Repression of creative destruction through rent-seeking incentives is hardly limited to the Arab world (McMahon, 2000: Chapter 6, Policy and the Business Sector). Vast net financial inflows into Atlantic Canada from the federal government created a business sector largely focused on government contracts and subsidies rather than competitiveness. Rich support programs for the unemployed also created many of the labor market distortions common in the Arab world.

Table 3.1: Average economic freedom, chain-linked index

	Area 1. Size of Government	Area 2. Legal System and Property Rights	Area 3. Sound Money	Area 4. Freedom to Trade Internationally	Area 5. Regulation	Summary
Average for World—101 nations						
2012	6.49	5.82	8.15	6.86	6.80	6.84
2011	6.50	5.87	8.13	6.94	6.76	6.85
2008	6.55	5.95	7.92	6.95	6.66	6.81
2000	6.24	6.03	7.84	7.12	6.40	6.72
1990	5.70	5.30	6.53	5.61	5.79	5.78
Average for Arab World—9 nations						
2012	6.28	5.95	7.90	6.68	6.00	6.58
2011	6.28	6.10	8.09	6.99	6.12	6.72
2008	6.16	6.45	7.83	6.93	6.10	6.70
2000	5.83	6.45	7.96	6.54	5.50	6.46
1990	5.55	3.97	6.94	4.27	5.21	5.27

According to 2004 data, in the Middle East and North Africa region, the public sector represented some 29% of total share in employment, or the salaries and wages paid some 38% of current expenditures, in sharp contrast to other countries in the world. This is almost the double of the world average (excluding China). The corresponding figures for Korea are 4.5% and 16.3%, respectively, for Brazil 11.5% and 25.1%, and for Mexico 16.4% and 19.2%. (ILO, 2008: 16)

Aversion to private-sector jobs is reinforced by, in many countries, a culture of distaste for manual labor, including skilled and high paying manual labor. “[S]ocial-cultural shame [is] associated with manual labor in some Arab countries [where citizens] expect high-paying jobs with low strenuous labor” (Momani, 2013: 5). Chaaban (2010: 22) shows that Jordan’s efforts to create jobs between 2000 and 2005 was successful, generating between 23,900 and 44,500 jobs per year, but that most of the jobs were filled by non-Jordanians, despite youth unemployment of over 30% and overall unemployment at around 15% for this period (WDI data). This is probably an underestimate of real youth unemployment because of high rates of discouragement from the job market (Gatti et al., 2013: 63). Yet, foreign workers compose 20% of Jordan’s workforce (Malik and Awadallah, 2011: 3).

The preference for public-sector jobs has pushed up the private-sector reservation wage—the wage people are willing to accept over unemployment. This damages the competitiveness of the private sector and is part of the explanation for the region’s weak manufacturing performance.

As a share of GDP, manufacturing is less than half of what would be expected at the Arab world’s stage of development (Amin et al., 2012: 118, 22). Nations on the

road to development have typically developed a significant manufacturing sector that provides a source of relatively high-paying private-sector jobs, new technology, and skill enhancement. The Arab world's weakness in this area is exacerbated by the region's fragmented markets, which would take time to respond even to genuine reform, as intraregional trading structure is now largely lacking. Malik and Awadallah (2011: 19) note that it can be more expensive to ship goods between neighboring Jordan and Lebanon than importing them from Britain.

Education is another problem that would hold the region back even with reform. Educational institutes across the region have responded to demand, albeit demand deeply distorted by policy. The preference for public-sector jobs has led education to emphasize the "credentialism" required for public-sector jobs and created a lack of signaling between private-sector needs and educational institutions. This has also led to Arab nations scoring very low scores on international tests in science and mathematics (Amin et al., 2012: 60–69).

The costs of a dysfunctional labour market, rent-seeking elite, damaging economic policy, and the resulting sluggish growth became unsustainable. This led to another effort at market-based economic reform across the region in the 2000s, unleashing a torrent of praise from international institutions. The 2008 IMF report on Egypt is typical of the acclaim heaped on Arab reforms by international institutions. "Economic performance since 2004 has been impressive, underpinned by the structural reform program that has included tax reform and fiscal consolidation, the liberalization of foreign trade, investment, and the exchange market, the privatization of state entities, and measures to strengthen bank balance sheets and banking supervision. The reforms have raised Egypt's potential output ..." (IMF, 2008).

In fact, free-market reform was largely illusionary, as an examination of the country tables later in this chapter will show. Even worse, the "reforms" reeked of crony capitalism, the transfer of state assets, and privileges to members of the elite. It left the same elites in the same favored position, despite the praise of international institutions for the region's economic "reform". For example, Grin, discussing Egypt, Tunisia, Syria and Libya lists "problems such as crony capitalism, heavy regulatory burden, massive subsidies, corruption, unequal distribution of the gains of growth, both socially and geographically, increases in the cost of living, deficient educational systems and massive unemployment" (2012: 3).

Despite the supposed reforms preceding the Arab Spring, the elite remained deeply entrenched; the mass of regulations and market distortions that protected the elite largely stayed in place; and economic freedom was not extended to the broad public. The deal on public-sector jobs was breaking down in the face of a massive youth bulge, which continues to present a huge challenge. Just to maintain current unacceptably high unemployment rates, Arab nations will need to create nearly 100 million jobs by 2030 (Momani, 2013: 4). Even where some real reform was taking place, creating improved conditions, as in Tunisia, it was unhappy improvement, with life evaluations plummeting (Gallup, 2011). The economic-security deal was unraveling.

These frustrations—phony reform, elite capture, and the failure of the jobs and subsidies deal—exploded in the Arab Spring. The people taking to the streets wanted several things: most importantly opportunity (often thought of as a government job), personal freedoms, and democracy. Yet, most either supported state intervention in the economy (to provide them the jobs they sought) or lacked any

economic reform agenda that could increase economic opportunity in the long run. The emphasis on economic issues is reflected in a poll of Egyptian demonstrators: 64% cited “low living standards/lack of jobs” as the most important issue compared to 19% who cited political reform (Campante and Chor, 2012 : 178).

The demonstrators were often largely those who expected government guaranteed employment and felt betrayed when it was not available. “In many transition countries, the Arab Spring was not instigated by the poor underclass of the Arab world; instead, it was the educated, unemployed, disenfranchised, and likely lower middle class youth of the region that took to the internet and streets to protest” (Momani, 2013: 1). Rather than rejecting the failed economic model of an economy controlled by government and elites, many demonstrators simply wanted the government jobs they believed they had been promised. “Long-time outsiders might see the current political transformation as the opportunity to finally become the new insiders, thus generating a mere alteration of elites” (Gatti et al., 2013: xxxi).

This makes future reform to increase economic freedom all the more difficult. When communism fell, a good part of the public and much of the elite in former communist states understood one thing—communism had failed—and they wanted nothing to do with it and desired to move to free markets. Alsir Sidahmed argues that, after the fall of communism, Eastern European nations turned to

dismantling of public sector control on the economy, speed[ing] up privatization of public companies and creat[ing] conducive business environment in terms of regulations, transparency and fiscal reform ... [T]he main reason for the success of the recipe then was the existence of a successful model in terms of Western countries willing to help. That is not the case with the Arab Spring where countries affected did not have a guiding, inspiring model. (Sidahmed, 2014)

For example, economic policy discussion was virtually absent in the Egyptian Presidential election of 2014 (Gardner, 2014, May 18). In the Arab world, much of the public believes “neo-liberal” reforms have been tried and failed, and they want nothing to do with further reform. An article from the Wharton School of the University of Pennsylvania says it all: “Arab Spring Undermines Support for Economic Liberalization Policies in the Middle East” (Wharton School, 2011, July 26).

The prospects in the aftermath of the Arab Spring are challenging

Free market reforms, the ultimate hope for moving forward in the region, now have a bad odor. The elites (and the restrictions on market and economic freedoms that benefit them) have proven remarkably resilient in the past and remain so now as the elites re-assert themselves across the region.

Political turmoil typically weakens economic growth (Khandelwal and Roitman, 2013), which will make it more difficult to alter bad economic policy (such as subsidies, and state jobs) or to withdraw privileges from an elite that will guard them dearly. This could lead to a vicious cycle of counterproductive economic policy producing stagnant or negative growth and job creation, which in turn would put pressure on governments to continue damaging economic policy, and so on. At some point, the cycle has to end.

Reduction of subsidies is politically difficult, even for governments that understand their economic perversity. “[T]he biggest obstacle regional governments face in reforming subsidy regimes is the potential for instability” (Masetti et al., 2013: 11). In the spring of 2014, the government of Tunisia announced subsidy cuts to fuel, bread, and sugar, but Prime Minister Mehdi Jomaa told *Reuters* the government would tread carefully, with cuts leading only to modest price increases to avoid popular dissent (*Reuters*, 2014, May 20). Just a year earlier, subsidy cuts had provoked anger, demonstrations and strikes (Amara, 2012, March 13).

Progress on economic reforms needed to stabilize transition economies has been limited in view of challenging political conditions. Political, rather than economic, reforms including the creation of new constitutions (e.g. Egypt, Tunisia) have tended to dominate, and in some cases there has been lack of focus on the urgency of the economic challenges they face ... In several countries governments initially responded to popular pressure by increasing (rather than reducing) subsidies. On the other hand, countries that have been more insulated from political disruption have had more success in taking forward economic reforms—Morocco, for instance, has gained 31 places in the World Bank’s *Doing Business* ranking since 2010, after making changes to improve regulation and transparency. (Quilter-Pinner and Symons, undated: 4)

Because of political fragility and public pressure to increase spending, both on subsidies and public employment, governments in the region have been increasing deficits and debts, an unsustainable situation particularly since many of the nations in the region already had high deficits and debts (Masetti et al., 2013).

Thus, in much of the Arab world economic reform progress has been in slow reverse since the Arab Spring, and little popular or elite support has emerged for reforms which would increase economic freedom and produce the positive economic, social and political outcomes it brings.

Conclusion

A number of obstacles are blocking increased economic freedom in the Arab world.

1. The idea of free markets has been discredited by a period of phony reform that was passed off as free-market reform.
2. Related to this, no economic strategy arose from the Arab Spring:
 - many in the region have experience with only the clientelist system and do not imagine any other system;
 - thus, many see “reform” as the same economic system but with them as the “ins”.
3. Elites have incentives to maintain the current system:
 - they can also co-op many members of the public (except when anger boils over) through extended clientelist networks.
4. Popular political pressure will work against reform:
 - in particular, subsidies will be difficult to remove;
 - demands will continue for more government jobs.

5. Economic growth is likely to be weak in the wake of the Arab Spring, perversely reinforcing pressure to leave bad but popular policies in place, though these will become increasingly unsustainable in the face of weak growth.

Obstacles also exist to people taking full advantage of the economic freedom they have or would gain from future reform.

1. Past barriers to intraregional trade have left a weak infrastructure in place that will hinder trade even if barriers are lowered, though in the longer run more open borders will lead to improved transportation infrastructure that will boost economic growth.
2. Attitudes towards some types of work will limit choices for some even if labor markets are opened up.
3. The educational/training system will take time to adjust to creating skills for private-sector employment even if signaling improves between the private sector and educational sector.
4. To the extent non-economic factors limit women's participation in the economy, benefits from economic liberalization will be reduced.
5. Violence and the flow of refugees in the region will weaken economic options.

This may sound like a pessimistic description but as we turn to the country-by-country description reasons for optimism will appear. A number of Gulf states have developed relatively high levels of economic freedom, and an effective rule of law and property rights; despite the challenge from a flood of refugees, Jordan has moved well up into the top ranks of economic freedom; and a democratic transition is underway in Tunisia with a government that has a good understanding of what economic policies are required and how to balance reform with public attitudes.

Now, to return to the quotation that began this article, Egypt has neither become a Pakistan nor does it appear to be on the road to becoming another Turkey (though that model is also looking fragile). Instead, the elite simply reasserted control, as happened in a number of Arab nations. In other states, like Syria and Iraq, the effort to maintain or re-establish privilege by the old sectarian elite has led to violence that could lead to a Pakistan-like situation. Other nations, such as Jordan, Tunisia, and some Gulf states like Oman, have made real progress, with the promise of more.

This article will only make passing comments on the situation of women in Arab states and the continuing violence and refugee flows in the region. This is not to understate the centrality of these issues but rather to acknowledge they are too important and complex to be addressed adequately here. For the purposes of this article, a lengthy discussion of these issues is not essential: the negative implications of both for economic reform and development, the central theme of this article, are obvious.

The situation of women in the Arab world is a great economic challenge facing the region. In 2007, only 26% of adult females in the Middle East were economically active, compared to 53% globally (ILO, 208: 20). Similarly, the violence affecting

a number of nations in the region and the resulting refugee flows will clearly have a negative effect on both the ability to undertake reforms and the economic benefiting arising from these reforms.

Comparative institutional development

Civil freedoms, political rights, and economic freedom have been empirically found to be inter-related (Gwartney and Crisp, 2013). The charts and table in this chapter are designed to give insight into these related developments.

For the economic freedom charts and table, the benchmark years were chosen on these grounds: the change between 1990 and 2000 provided a good snapshot of this period of reform in the Arab world; 2008 was selected as the next point of comparison to examine the reality of what was conceived in the Arab world as a second period of reform; 2011 and 2012 were selected as benchmarks to show developments after the Arab Spring. The Arab spring began in 2010 but 2008 was selected as the benchmark because the European crisis and the Dubai crisis hit in 2009, and it was important to choose a benchmark as free of crisis as possible. The US mortgage crisis was earlier but had less of an effect on the Arab world and a much earlier benchmark would have missed a significant part of the period of supposed Arab economic reform.

Composite indexes

Figures 3.1, 3.2, and 3.3 provide information for all Arab nations for which data are available, so the menu of nations is different for each chart. Figure 3.1 repeats some of the information in table 3.1 but adds information on individual nations. As in the other figures in this section, 2011 is dropped to permit better visual clarity. The Arab average is based on the nine Arab nations that have historical data and thus are included in the chain-linked index back to 1980, the appropriate index to examine changes over time. The world average is based on the 101 nations that are included in the chain-linked index with data back to 1980.

Four measures were used to rate countries' political institutions (figure 3.2). The four measures are: (1) the rating for the Legal System and Property Rights Area from the EFW index; (2) the political rights rating from Freedom House's *Freedom in the World*; (3) the Polity IV rating on the authoritarian-democratic scale; and (4) the Polity IV rating for constraints on the executive. Last year, the *Corruption Perceptions Index* from Transparency International was included in this index. It was excluded this year because data on the Arab world are not available going back to 1990. Polity IV did not produce data for Tunisia in 2013, so it is not rated in that year, but the advance in the political situation in Tunisia is reflected in its strong score in the civil liberties index.

Three measures were used to examine cross-country differences in civil liberty (figure 3.3): (1) the civil liberties rating from Freedom House, (2) the summary rating from Freedom House's *Freedom of the Press*, and (3) the rating from the *Press Freedom Index* from Reporters without Borders, which is available only from 2002 and was thus used in the 2002 benchmark. Because this data stream was vital but did not go back further, a 1990 benchmark is not available. The civil liberties component from Freedom House provides a measure of the degree to which freedom of speech, religion, association, and other civil liberties of individuals are protected,

Figure 3.1: Ratings for economic institutions

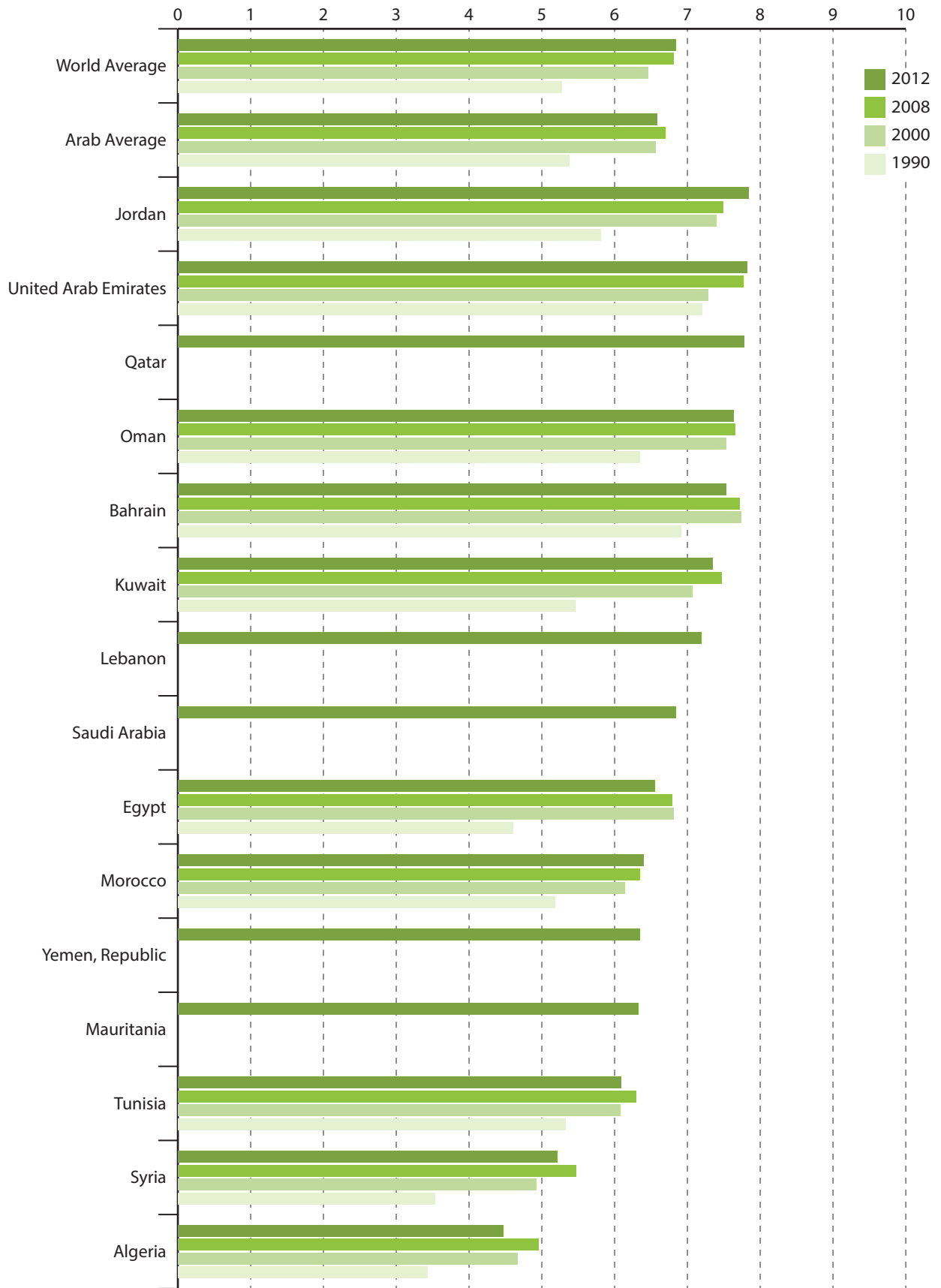
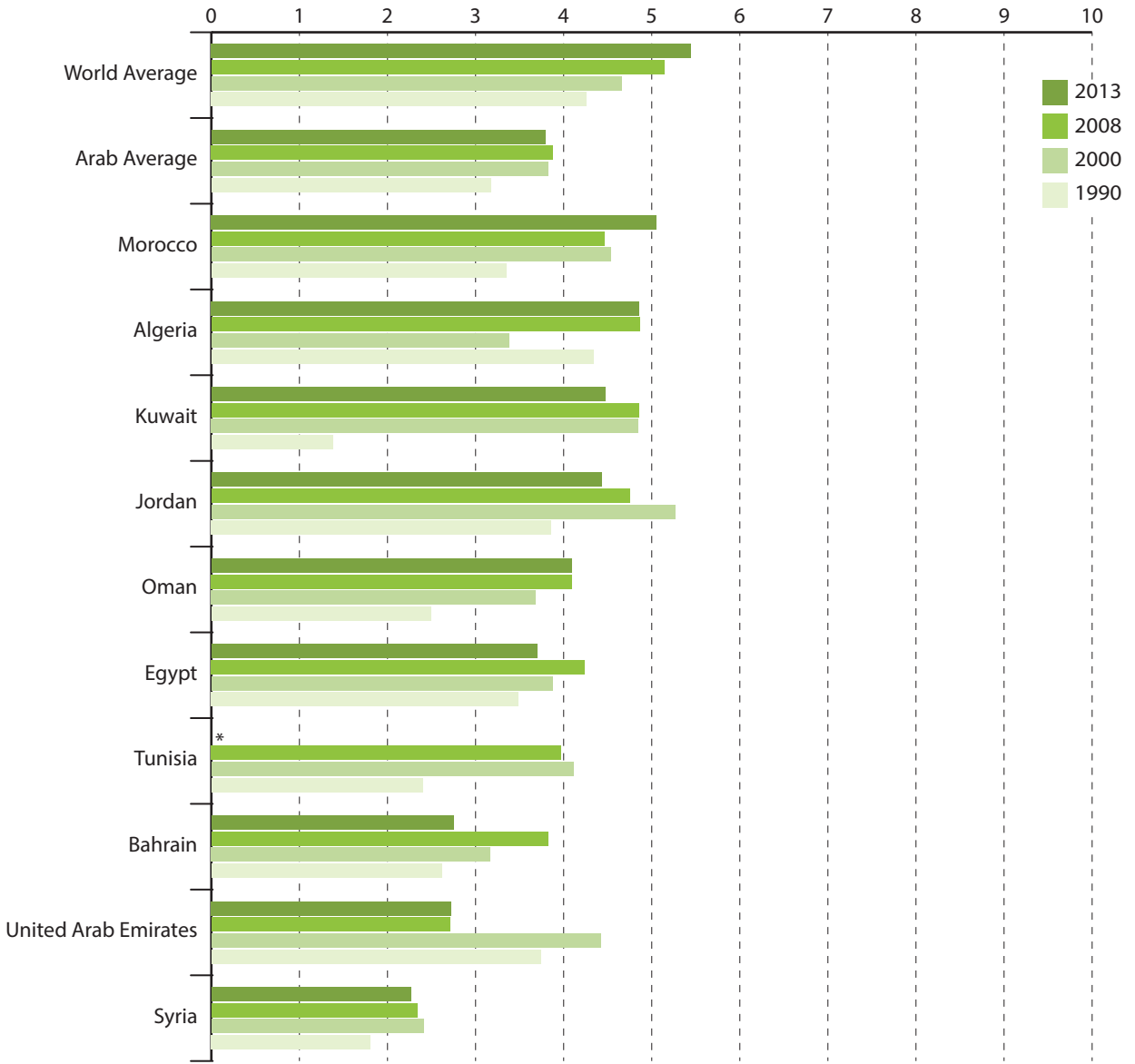
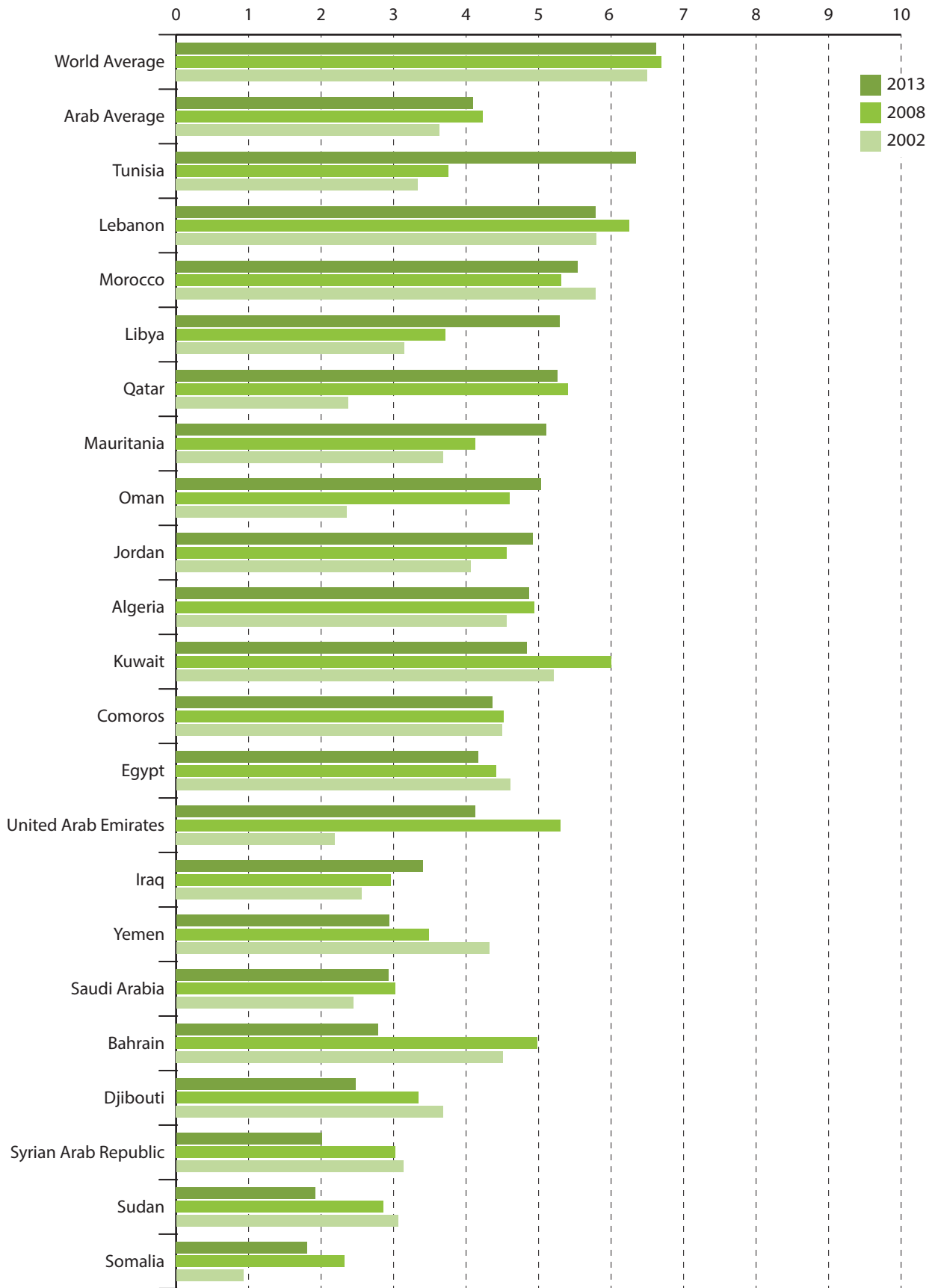


Figure 3.2: Ratings for political institutions



Note*: Data are unavailable for Tunisia for 2013, but developments in 2014 make it highly likely its rating for political institutions has increased.

Figure 3.3: Ratings for civil liberty



both legally and in practice. Freedom House's *Freedom of the Press* considers legal, political, and economic factors that might interfere with the free flow of news or exert an impact on its content. The *Press Freedom Index* of Reporters Without Borders measures violations of press freedom, government efforts to ensure freedom of the press, and indicates the degree of freedom available to journalists and news organizations.³

All the most recent data are from 2012 or 2013. The 2012 data are: economic freedom, *World Development Indicators*, *Global Competitiveness Report*, Transparency International, and *Doing Business*. All the following data are 2013 data: Freedom House, Reporters without Borders, and Polity IV. Ranks and scores are given except for the Freedom House political and civil rights indexes, where whole number scores between 1 and 7 create too many ties for ranks to be fully meaningful. Economic and population data are from the *World Development Indicators* for 2012 unless otherwise noted.

All the measures were min-maxed on a 0-to-10 scale, and so are often not directly comparable to last year's result where some data were handled differently.

Discussion

As can be seen from the charts, Arab states increased economic freedom over the full period at very close to the same rate as the world average. Interestingly, a visual examination of the tables for individual nations will also reveal that the Arab states followed similar change routes while still winding up at different end points because of their different starting points. Despite the much-hyped "reforms" of the period from 2000 to 2008, the economic freedom data capture the illusion of this reform. On average, Arab states increased their economic freedom by 0.24 points over this period, compared to 1.18 points from 1990 to 2000.

The data on economic policy show: (1) the supposed period of "neo-liberal" reform actually exhibited little reform; and (2) while the world moved forward, albeit slowly, in the period from 2008 to 2012, Arab nations fell slightly back in the wake of the Arab Spring.

As noted, economic, political, and civil institutions are interrelated. A visual examination will show that the three followed more or less similar evolutions. In political and economic institutions, the world average and Arab average gained up to 2008. The world average continued to grow thereafter but in the Arab world went into reverse after the Arab Spring. This reflects the elites striving to regain control following the Arab Spring. The civil freedoms index shows a similar pattern between the world and the Arab world average, with both retreating slightly in the recent period.

The average level of economic freedom in the world and the Arab world are roughly equivalent. However, the Arab world lags the world average in both civil and political freedoms. This has profound implications for economic reform. It provides the elites the power to limit reform that could threaten privilege.

3 The description of the indexes for political and civil liberties is partially taken from last year's report (Crisp and Gwartney, 2013: 181–182).

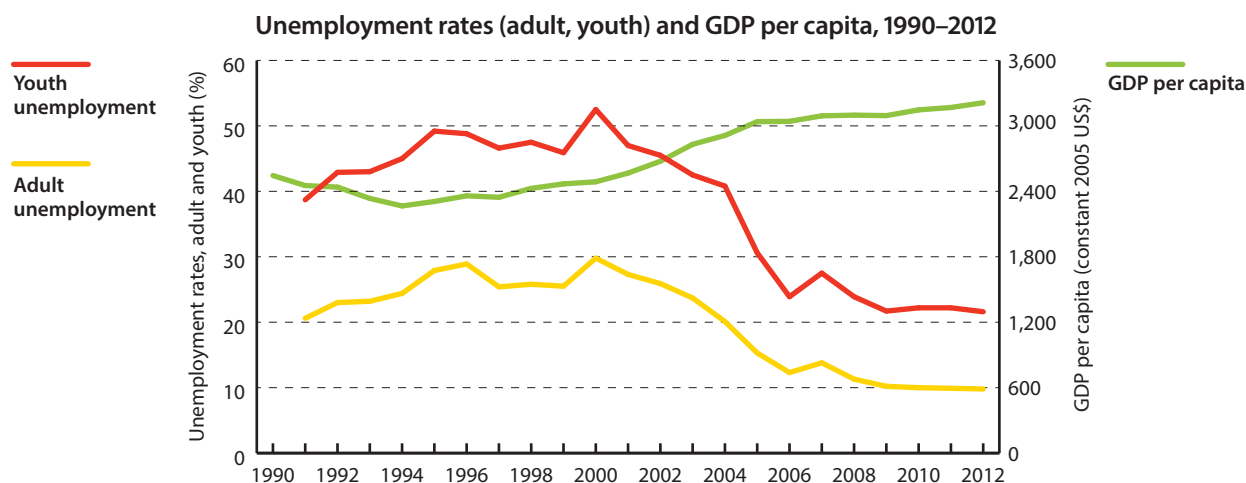
Country descriptions

Only Arab nations included in *Economic Freedom of the World* (Gwartney, Lawson, and Hall, forthcoming) are discussed below. (Data are available for Syria but it is excluded as the current violence and unrest raises questions about the reliability of data.) All data are from the chain-linked series except for those nations where lack of a historic data series bars the creation of a chain-linked index. For these nations, only 2011 and 2012 data are shown; these data are from the yearly series.

Fast population growth and a youth bulge, as noted, are part of the economic challenge facing the Arab World. Data on these are provided in the descriptions of each country. Data from the *World Development Indicators* (WDI) are given for the population under 14 years of age, which provides a good marker for the emergence of the youth bulge in the Arab world.

For points of comparison, the overall Arab world population is 362.5 million, an increase of 59% since 1990; 32.8% is under the age of 14, compared to 42.7% in 1990; and unemployment is 10.8% with youth unemployment at 27%. World population is 7.0 billion, an increase of 31% since 1990; 26.4% is under the age of 14, compared to 33% in 1990; and unemployment is 5.9% with youth unemployment at 13.5%. High-income OECD population is 1.0 billion, an increase of 14% since 1990; 16.8% is under the age of 14, compared to 20.3% in 1990; and unemployment is 8.2% with youth unemployment at 18.3%.

Algeria



Overview

Algeria has one of the most violent histories in the region. It fought a hard civil war for independence from France in the 1950s and then, in the 1990s, a bloody civil war between the Army and Islamic factions, headed by the Islamic Salvation Front. The Arab Spring was a low-key affair in Algeria though demonstrations occurred in the spring of 2011. The government implemented a few political reforms, including lifting the 19-year-old state of emergency. It also increased spending on grants, salaries, and benefits, weakening its fiscal position. A presidential election in 2014 returned Abdelaziz Bouteflika, president since April 28, 1999, with over 80% of the vote.

Economy and population

Algeria's population was 38.5 million in 2012, an increase of 47% since 1990, with 27% under the age of 14, compared to 44% in 1990. The unemployment rate was 9.8% in 2012 with the comparable rate for youth being 21.6%. These numbers, while high, represent significant declines since the end of the civil war.

Algeria's per-capita GDP was \$3,212 in 2012 (constant 2005 US\$), an increase of only 26% since 1990, with almost all of that coming since 2000, as there was virtually no growth during the civil war of the 1990s. Algeria remains dependent on petrochemicals for its exports, with fuel exports at 97% of its merchandise exports, indicating that its other industries are not competitive internationally.

Economic policy in Algeria hinders growth and the desperately needed job creation. It ranks 122nd in *Economic Freedom of the World*, 110th in the *Global Competitiveness Report*, and 153rd in the *Doing Business* report. The detailed data from *Economic Freedom of the World* in the table below show that Algeria experienced some economic

liberalization through the 1990s, but only limited liberalization in the 2000s, with that going into reverse after 2008. Unfortunately, unlike many other Arab nations, the Legal System and Property Rights area have deteriorated over the full period.

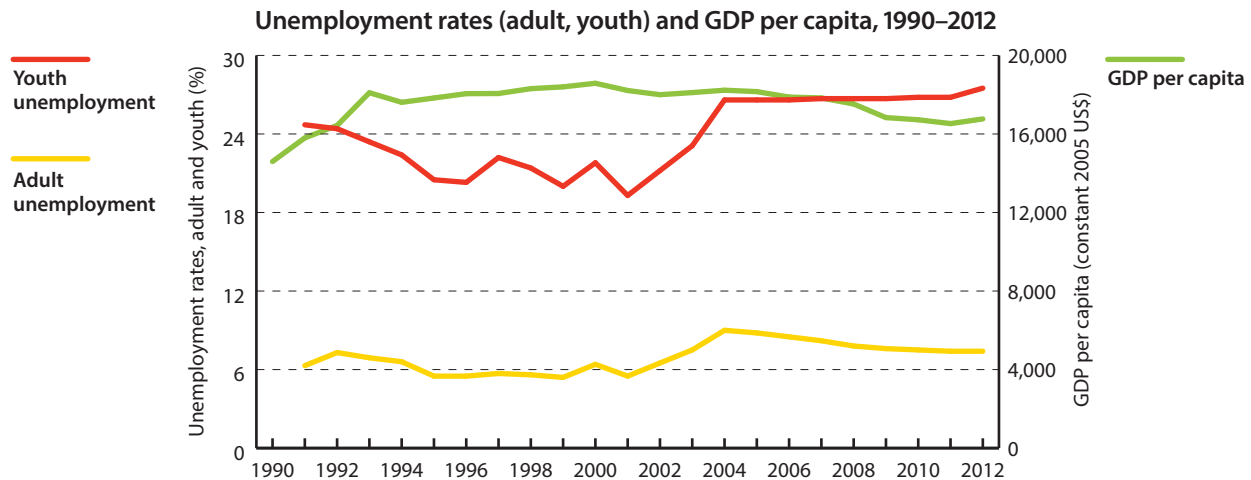
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	2.28	2.96	7.00	4.74	4.96	4.47
2011	2.62	2.63	7.12	5.08	5.04	4.56
2008	3.49	2.98	7.61	5.14	5.17	4.95
2000	5.65	2.39	7.00	4.80	3.45	4.66
1990	5.02	3.50	4.50	1.31	2.83	3.43

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Algeria scores a 6 on political rights and a 5 on civil liberties, and is rated as unfree. For Freedom House's *Freedom of the Press* index, Algeria comes in at 127th, similar to its ranking on the *Press Freedom Index* from Reporters Without Borders at 125th. Algeria is 105th in the world on Transparency International's corruption index.

The composite political rights index (fig.3.2) shows Algeria well below the world average but somewhat above the Arab average for the most recent year. This marks some progress since the end of the civil war of the 1990s. Similarly, the scores for the composite civil liberties index (fig.3.3) show Algeria below the world average but in this case well above the Arab average. The scores for the selected years are so close it is far from clear whether there has been any significant change.

Bahrain



Overview

Bahrain, a monarchy, was the Gulf Arab state most troubled by the Arab Spring. The Sunni-dominated government was faced with protests, sometimes violent, largely from the Shia-majority majority population, frustrated by its perceived second-class status. Forces of the Gulf Cooperation Council, largely from Saudi Arabia, were deployed to control the demonstrations. Unrest continues with sporadic clashes. A national dialogue has yet to reach agreement.

Economy and population

Bahrain's population was 1.3 million in 2012, two-and-a-half times what it was in 1990, with 20% under the age of 14, compared to 33% in 1990. The unemployment rate was 7.4 with the comparable rate for youth being 27.5%. Levels of both unemployment rates have increased in recent years. Bahrain's per-capita GDP was \$16,765 (constant 2005 US\$), an increase of 14% since 1990. It has declined somewhat in recent years. Bahrain's economic policy is moderately liberal and it has had some success in building financial, communication, and transport facilities and, despite its status as an oil state, fuel exports make up only 72% of its merchandise exports (2011).

Bahrain has a relatively high level of economic freedom but the data do not exist to show the extent to which the Shia majority's economic freedom is limited. Bahrain ranks 27th in *Economic Freedom of the World*, 35th in the *Global Competitiveness Report*, and 46th in the *Doing Business* report. The detailed data from *Economic Freedom of the World* in the table below show that Bahrain experienced some economic

liberalization through the 1990s, but only limited liberalization in the 2000s, with that going into reverse after 2008, and particularly after 2011. A similar pattern holds for the Legal System and Property Rights area.

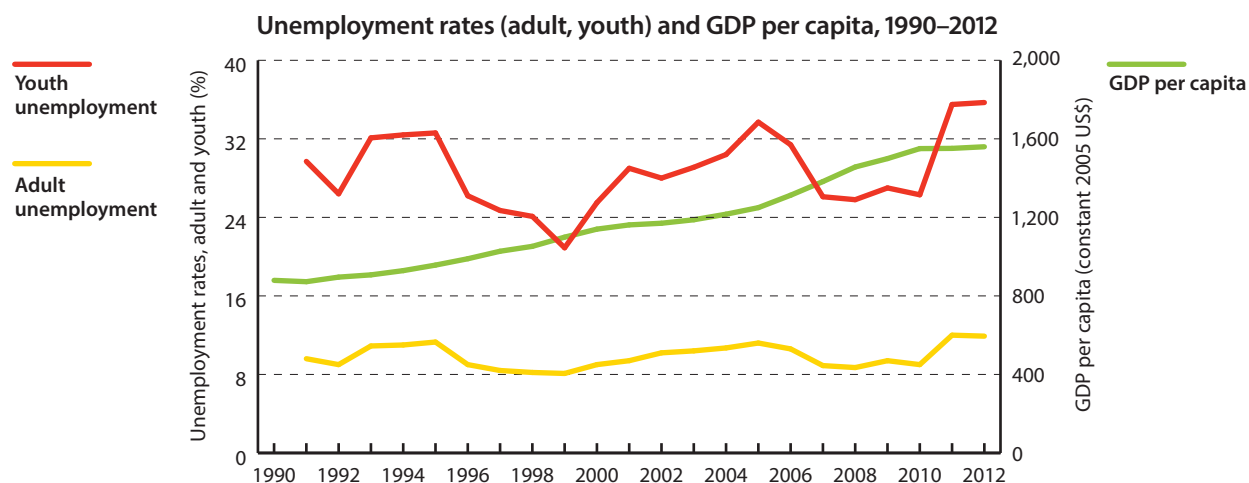
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	6.74	6.25	8.61	8.60	7.41	7.53
2011	6.84	6.76	8.55	8.81	7.57	7.71
2008	6.58	6.76	9.09	8.66	7.47	7.72
2000	6.80	6.54	9.12	8.71	7.51	7.74
1990	5.91	5.70	8.79	7.09	7.05	6.91

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Bahrain scores a 6 on political rights and a 6 on civil liberties, and is rated as unfree. For Freedom House's *Freedom of the Press* index, Bahrain comes in at 188th, and 165th in its ranking on the *Press Freedom Index* from Reporters Without Borders. Bahrain is 53rd in the world on Transparency International's corruption index.

The composite political and civil rights indexes (fig. 3.2, fig. 3.3) tell the story of Bahrain's significant declines in its response to the largely Shia protests of the Arab Spring and the repression that followed. In both cases, it went from above the Arab average (though below the world average) to well below both averages.

Egypt



Overview

Egypt was not the first Arab Spring nation but it created the most hope with the greatest possibility of positive change. These hopes have been dashed with the events so well known that they only need be sketched quickly here. Demonstrators and the army dislodged the sitting president; new elections narrowly elected a president from the Muslim Brotherhood; he quickly disillusioned the population by undermining state institutions and failing to revive Egypt's economy; the military returned to power followed by an election with many similarities to elections under the previous military regime. The elite appears to have reasserted itself.

Economy and population

Egypt's population was 80.7 million in 2012, a 43% increase since 1990, with 31% under the age of 14, compared to 40% in 1990. The unemployment rate was 11.9% with the comparable rate for youth being 35.5%. Both unemployment levels have increased in recent years, from about 9% for overall unemployment and 26% for youth unemployment in both 2000 and 2008, the rise likely reflecting the turbulence of the Arab Spring. Egypt's per-capita GDP was \$1,560 (constant 2005 US\$), an increase of 73% since 1990. Somewhat surprisingly, it increased by 7% between 2008 and 2012. Egypt's fuel exports represent 31% of its merchandise exports.

Egypt's weak economic policy will restrict its ability to grow and may again frustrate the population. It ranks 84th in *Economic Freedom of the World*, 107th in the *Global Competitiveness Report*, and 128th in the *Doing Business* report. The detailed data from *Economic Freedom of the*

World in the table below show that Egypt experienced some economic liberalization through the 1990s, but only limited liberalization in the 2000s, with that going into slow reverse after 2008, and particularly after 2011. A similar pattern holds for the Legal System and Property Rights area.

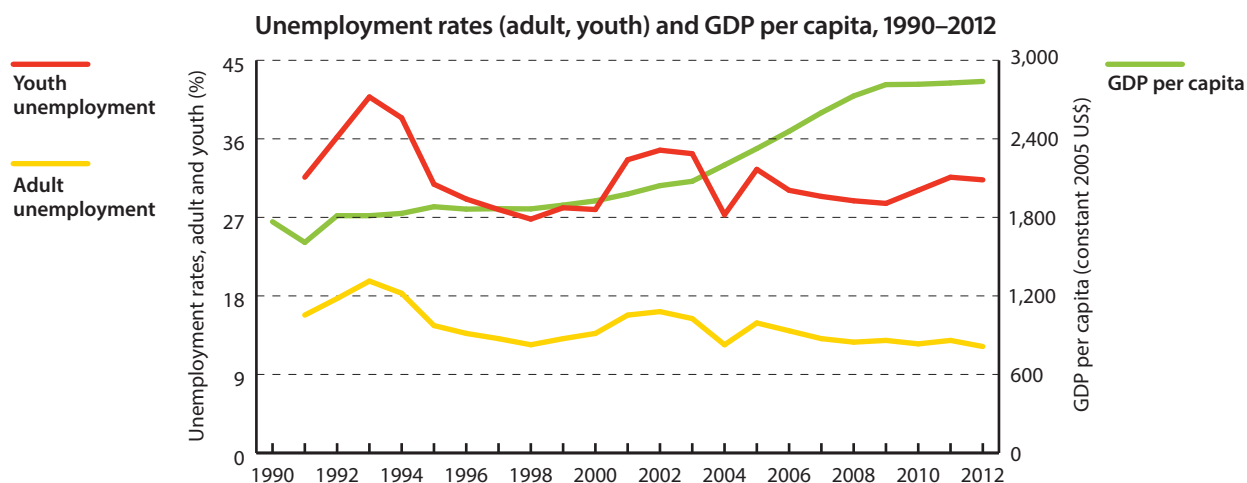
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	7.70	4.17	9.22	6.59	5.18	6.55
2011	7.21	4.69	9.07	6.68	5.48	6.62
2008	6.97	5.83	8.26	6.89	5.98	6.79
2000	6.13	5.87	9.53	6.66	5.84	6.81
1990	4.37	3.50	8.16	1.12	5.68	4.60

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Egypt scores a 6 on political rights and a 5 on civil liberties, and is rated as unfree. For Freedom House's *Freedom of the Press* index, Egypt comes in at 155th, and 165th in its ranking on the *Press Freedom Index* from Reporters Without Borders. Egypt is 158th in the world on Transparency International's corruption index.

The composite political rights index (fig. 3.2) shows Egypt gaining ground until 2008 but then going into reverse, trailing the Arab average for each benchmarked year. The civil rights index (fig. 3.3) shows a continuing decline through the benchmarked periods, Egypt remained above the Arab average.

Jordan



Overview

Jordan is a constitutional monarchy with a relatively stable and popular government. It has also made huge strides in economic policy, which, if maintained, should promote strong growth in the long term. However, a number of factors may limit (but not eliminate) the immediate positive effects. Some of these, which are common to Arab states, were discussed earlier in the article: social attitudes to public- versus private-sector employment; educational quality; and a weak trade infrastructure. Bordered by both Iraq and Syria, Jordan is also troubled by refugees and instability on its borders. Its population is majority Palestinian, including a large number of refugees, which leads to some tensions between Palestinians and native Bedouins (O'Toole, 2014, June 3).

Economy and population

Jordan's population was 6.3 million in 2012, a doubling since 1990, with 34% under the age of 14, compared to 46% in 1990. The unemployment rate was 12.2% with the comparable rate for youth being 31.3%. Overall unemployment has been in long-term decline along with youth unemployment for most of this century, though the latter has been increasing in recent years. Jordan's per-capita GDP was \$2,839 (constant 2005 US\$), an increase of 61% since 1990. It has continued to increase, though at slower pace, in recent years. Jordan's fuel exports are insignificant.

Jordan's economic policy has significantly improved. It ranks 12th in the chain-linked index in *Economic Freedom of the World*. However, it does significantly less well in the two other economic indexes we consider here, both of which are more narrowly focused on competitive and business

issues, rather than individual economic freedom. Yet Jordan ranks 64th in the *Global Competitiveness Report*, and 119th in the *Doing Business* report.

The detailed data from *Economic Freedom of the World* in the table below show that Jordan has been steadily increasing in economic freedom over the full period, with particularly impressive increases in its score for the Legal System and Property Rights area, which is, nevertheless, still well below a stellar score.

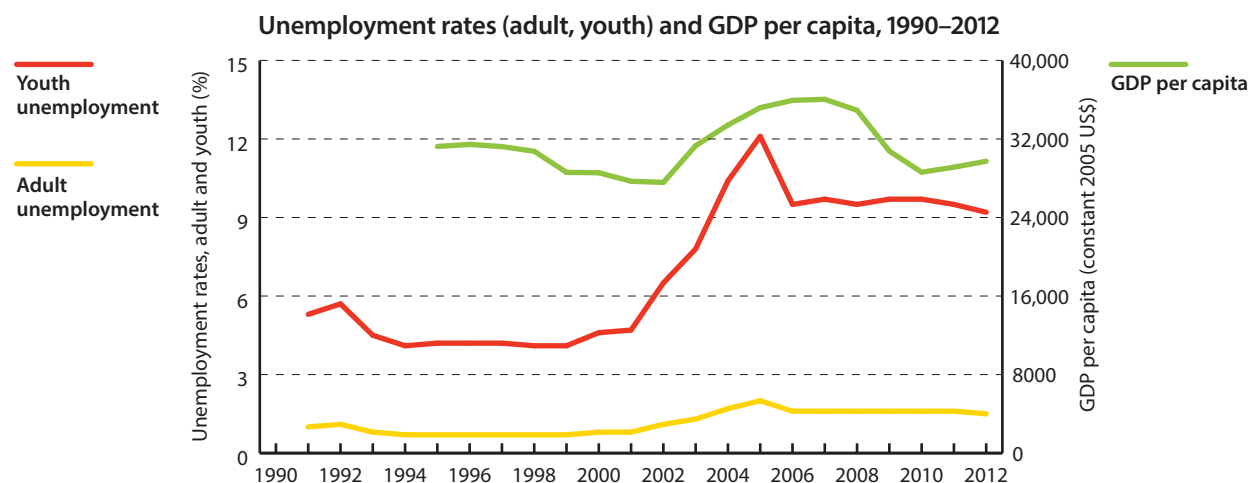
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	8.95	6.61	9.22	7.72	6.90	7.84
2011	8.33	6.54	9.10	7.72	7.43	7.80
2008	6.88	7.05	8.35	7.77	7.40	7.49
2000	6.08	7.22	9.67	7.22	6.83	7.40
1990	7.27	3.99	6.20	5.74	6.21	5.81

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Jordan scores a 6 on political rights and a 5 on civil liberties, and is rated as unfree. For Freedom House's *Freedom of the Press* index, Jordan comes in at 156th; its ranking on the *Press Freedom Index* from Reporters Without Borders at 165th is much worse. Jordan is 134th in the world on Transparency International's corruption index.

The composite political rights index (fig. 3.2) shows Jordan losing ground since 2000 though it has gained ground in the civil rights index (fig. 3.3).

Kuwait



Overview

Kuwait is a constitutional emirate but the Amiri has shown a willingness to dissolve the National Assembly and shuffle the cabinet with little restraint. Pro-democracy and anti-corruption demonstrations sprang up in 2011 and 2012, but with little effect. Most of the opposition boycotted elections in 2012 but opposition parties made gains in the 2013 election.

Economy and population

Kuwait's population was 3.3 million in 2012, a nearly 60% increase since 1990, with 25% under the age of 14, compared to 35% in 1990. The unemployment rate was 1.5% with the comparable rate for youth being 9.2%. Kuwait's per-capita GDP was \$29,729 (constant 2005 US\$), an increase of 23% since 2000 (WDI data are not available for 1990) but it has declined in recent years. Kuwait has a largely undiversified economy, with fuel making up 93% of its merchandise exports in 2009.

Measured by the index from *Economic Freedom of the World*, Kuwait's economic policy improved significantly from 1990 to 2000 with less significant gains since and reversals since 2008. The same pattern is found in its scores on the Legal System and Property Rights. It ranks 49th in *Economic Freedom of the World*, 37th in the *Global Competitiveness Report*, and 104th in the *Doing Business* report.

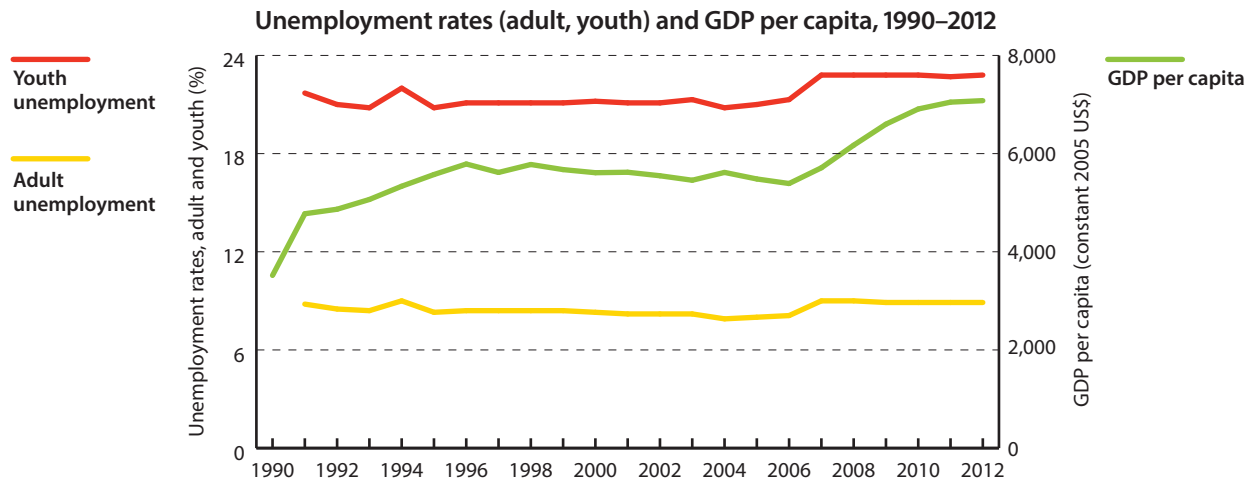
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	6.19	7.94	7.89	7.77	7.00	7.34
2011	6.48	7.94	7.94	7.92	6.73	7.38
2008	5.48	8.07	8.49	7.95	7.41	7.47
2000	6.37	8.06	8.09	7.96	4.86	7.07
1990	3.89	2.73	7.84	7.07	5.88	5.46

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Kuwait scores a 5 on political rights and a 5 on civil liberties, and is rated as partially free. On Freedom House's *Freedom of the Press* index, Kuwait comes in at 129th, and is ranked 77th on the *Press Freedom Index* from Reporters Without Borders. Kuwait is 66th in the world on Transparency International's corruption index.

The composite political rights index (fig. 3.2) shows Kuwait gaining much ground in political rights up to 2000 but then stabilizing and losing ground since 2008. For civil liberties (fig. 3.3), Kuwait moved up from 2000 to 2008 but then saw its score decline in more recent years.

Lebanon



Overview

Lebanon is one of the most complicated places on earth. In some periods, it has built prosperity and shown itself to be a regional center of trade and finance. It is divided among several religious groups with complicated and unstable arrangements for sharing power, which led to a bloody civil war from the mid-1970s to 1995. The fragile political situation is at risk of further destabilization because of conflict in the region, particularly in Syria, exacerbating Lebanon's own divisions.

Economy and population

Lebanon's population was 4.4 million in 2012, a 64% increase since 1990, with 22% under the age of 14, compared to 34% in 1990. The unemployment rate was 8.9% with the comparable rate for youth being 22.8%. Its per-capita GDP was \$7,079 (constant 2005 US\$), a doubling since 1990, roughly coinciding with the end of the civil war. It has continued to grow in recent years. Despite increases in fuel exports, oil has little impact on Lebanon's economy with fuel exports equal to only 3% of the nation's merchandise exports.

Lebanon is 60th on the *Economic Freedom of the World* index with historical data lacking. It ranks 91st in the *Global Competitiveness Report*, and 111th in the *Doing Business* report.

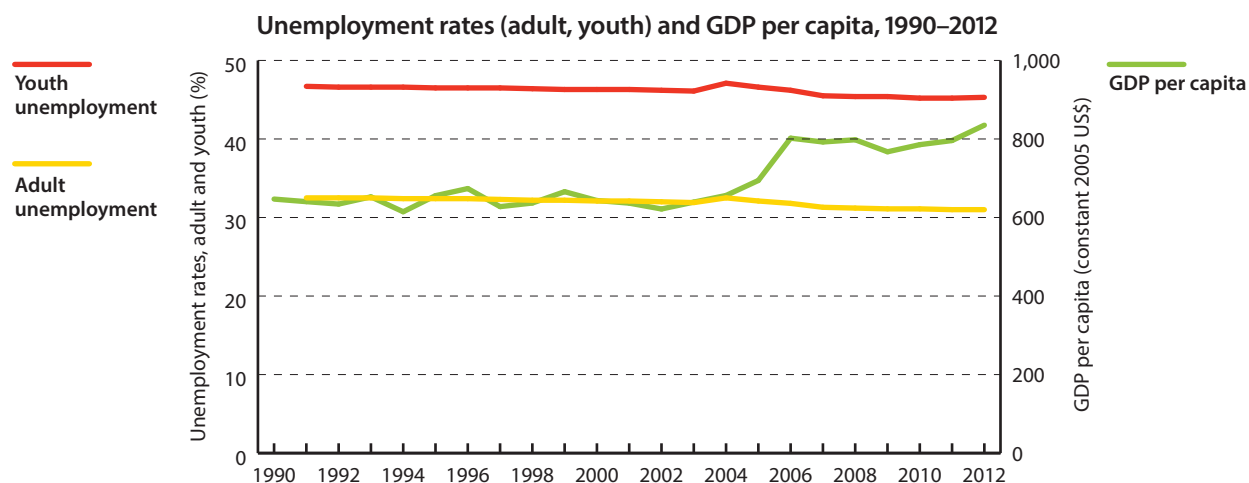
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	8.3	4.4	9.4	7.1	6.8	7.19
2011	9.0	4.7	9.4	7.1	7.0	7.42
2008						
2000						
1990						

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Lebanon scores a 5 on political rights and a 4 on civil liberties, and is rated as partially free. On Freedom House's *Freedom of the Press* index, Lebanon comes in at 122nd, and 101st on the *Press Freedom Index* from Reporters Without Borders. Lebanon is 128th in the world on Transparency International's corruption index.

Not enough data were available to include Lebanon in the composite political rights index (fig. 3.2). The civil rights index (fig. 3.3) shows Lebanon second only to Tunisia in the region, but improvement in the latter's score is a recent change that has arisen out of the positive developments following the Arab Spring.

Mauritania



Overview

Mauritania has a troubled history. It was under what was effectively a dictatorship for 20 years until a coup in 2005. The first freely elected president following the coup was deposed and the military strongman who replaced him was ultimately elected president. It also suffers from ethnic tensions. The largest group is descended from black slaves, followed by an Arab-Berbers, and then various black African groups.

Economy and population

Mauritania’s population was 2.0 million in 2012, an 88% increase since 1990, with 28% under the age of 14, compared to 40% in 1990. The unemployment rate was 31.0% with the comparable rate for youth being 45.3%. Its per-capita GDP was \$835 (constant 2005 US\$), a 29% increase since 1990, with virtually all that increase taking place between 2002 and 2006. Fuel exports can vary considerably depending on the political and other factors. Fuel made up 15% of merchandise exports in 2012.

Mauritania is 120th on the *Economic Freedom of the World* index with historical data lacking. It ranks 134th in the *Global Competitiveness Report*, and 171st in the *Doing Business* report.

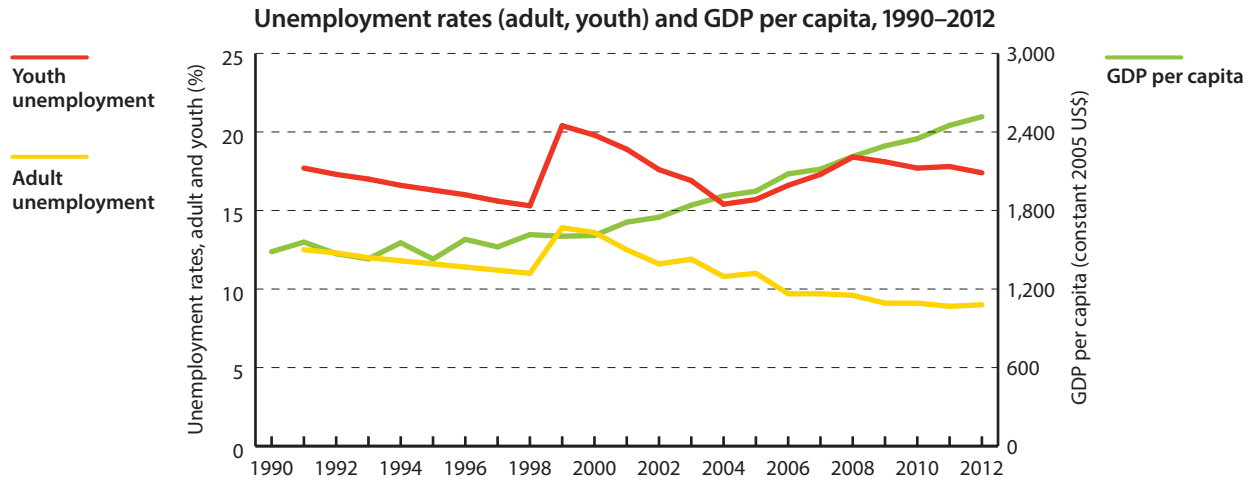
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	6.7	4.5	6.9	6.2	7.3	6.32
2011	7.3	4.8	6.8	6.4	7.1	6.46
2008						
2000						
1990						

Other institutions

On Freedom House’s 1–7 scale, with lower scores indicating better performance, Mauritania scores a 6 on political rights and a 5 on civil liberties, and is rated as partially free. On Freedom House’s *Freedom of the Press* index, Mauritania comes in at 96th, and 67th on the *Press Freedom Index* from Reporters Without Borders. Mauritania is 123rd in the world on Transparency International’s corruption index.

Not enough data were available to include Mauritania in the composite political rights index (fig. 3.2). The civil rights index (fig. 3.3) shows Mauritania scoring relatively well, above the Arab average with steady increases.

Morocco



Overview

Morocco is one of the more hopeful spots in the region. It is a constitutional monarchy and King Mohammed VI has largely proved responsive to the populace. Following the Arab Spring, he implemented reforms including a revised constitution, which gave additional powers to parliament; it was passed by popular referendum in 2011 although the King retains ultimate power. A moderate Islamic Party won the 2012 election.

Economy and population

Morocco's population was 32.5 million in 2012, a 32% increase since 1990, with 28% under the age of 14, compared to 40% in 1990. The unemployment rate was 9.0% with the comparable rate for youth being 17.4%. Its per-capita GDP was \$2,516 (constant 2005 US\$). It has continued to grow in recent years. Despite increases in petrochemical exports, the petrochemical sector has little impact on Morocco's economy as fuel exports make up only 3% of the nation's merchandise exports.

Morocco is 91st on the *Economic Freedom of the World* index with historical data lacking. It ranks 70th in the *Global Competitiveness Report*, and 87th in the World Bank's *Doing Business* report.

The detailed data from *Economic Freedom of the World* in the table below show that Morocco had a steady increase in economic freedom over the 1990s, with slower increases

continuing to 2011 and a retreat in 2012. It has had particularly impressive increases in score for the Legal System and Property Rights area.

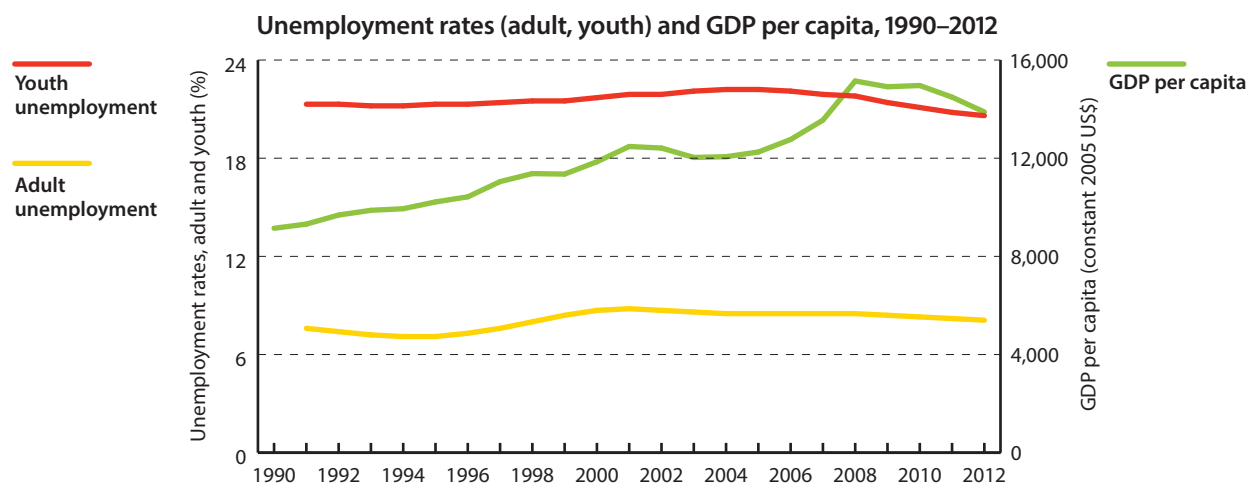
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	5.92	7.34	7.14	5.60	5.81	6.40
2011	6.56	7.37	7.17	5.45	5.89	6.52
2008	6.73	7.39	6.72	5.09	5.72	6.34
2000	6.32	7.68	6.96	4.40	5.36	6.14
1990	5.91	3.99	6.50	4.66	4.90	5.18

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Morocco scores a 5 on political rights and a 4 on civil liberties, and is rated as partially free. For Freedom House's *Freedom of the Press* index, Morocco comes in at 151st, and 136th on the *Press Freedom Index* from Reporters Without Borders. Morocco is 88th in the world on Transparency International's corruption index.

Morocco is first in the composite political rights index (fig. 3.2) with an increase after 2008 after a period of stability in the 2000s. The civil rights index (fig. 3.3) shows Morocco third, behind Lebanon and Tunisia in the region.

Oman



Overview

Oman is one of the most stable and prosperous nations in the region. It is a monarchy with a popular Sultan. Internationally, it has played a disproportionately large role diplomatically, helping mediate between Iran, the United States and the Group of Six. Like most Gulf Arab states, except Bahrain, Arab Spring disturbances were relatively minor though occasionally violent. In response, the Sultan expanded the powers of the Majlis al-Shura and an election was held for it in 2011. The nation's first municipal elections were held in 2012. However, the response to the Arab Spring also included increased spending with expanded public support and jobs programs.

Economy and population

Oman's population was 3.3 million in 2012, an 83% increase since 1990, with 24% under the age of 14, compared to 45% in 1990. The unemployment rate was 8.1% with the comparable rate for youth being 20.6%. Its per-capita GDP was \$13,885 (constant 2005 US\$), a 51% increase since 1990 though it has declined in recent years. Petrochemicals are vital to Oman's economy with fuel forming 83.5% of its merchandise exports.

The detailed data from *Economic Freedom of the World* in the table below show that Oman steadily increased in economic freedom over the 1990s with a slower increase through the 2000s. Oman is 19th on the *Economic Freedom of the World* index. Its score in the Legal Structure and Its economic

freedom increased substantially in the 1990s and up to 2008 to an extremely high level. It ranks 32nd in the *Global Competitiveness Report*, and 47th in the *Doing Business* report.

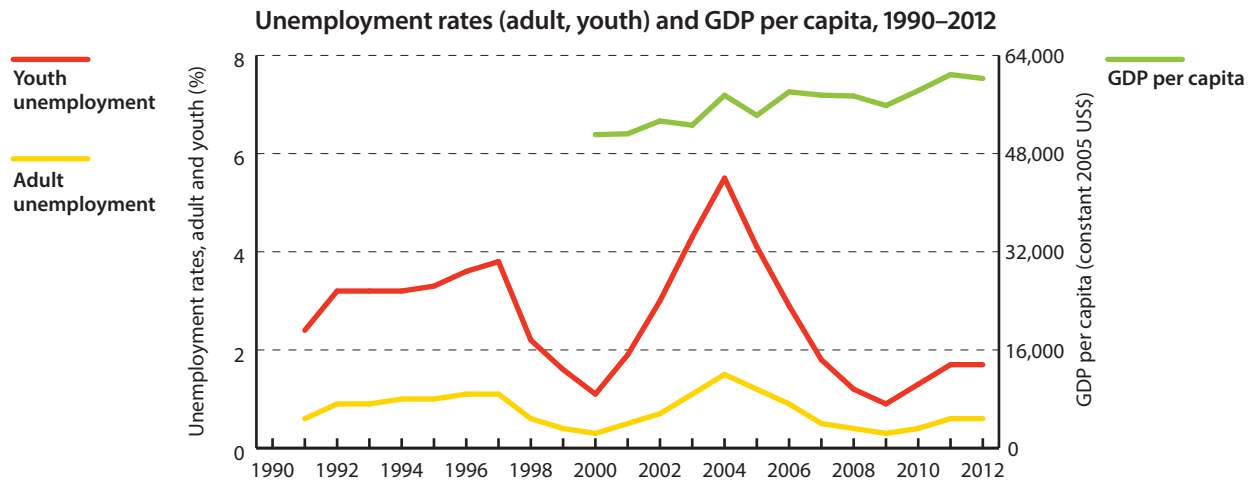
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	5.00	9.18	7.56	8.93	7.64	7.63
2011	4.81	9.02	7.59	8.74	7.49	7.50
2008	5.58	9.20	7.86	8.59	7.21	7.65
2000	5.31	8.03	8.31	8.68	7.31	7.53
1990	4.84	5.21	7.67	6.74	7.24	6.34

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Oman scores a 6 on political rights and a 5 on civil liberties, and is rated as not free. On Freedom House's *Freedom of the Press* index, Oman comes in at 161st, and 141st on the *Press Freedom Index* from Reporters Without Borders. Oman is 61st in the world on Transparency International's corruption index.

Oman is above the Arab average in the political rights index (fig. 3.2) with an increase up to 2008 with its score stabilized to 2012. The civil rights index (fig. 3.3) shows Oman well ahead of the Arab average with steady increases up to 2012.

Qatar



Overview

Qatar is another stable and prosperous nation in the Gulf. It has the world's highest per-capita GDP and lowest unemployment rates due to its oil wealth. The former king abdicated peacefully in 2013 in favor of his son. Qatar did not experience disturbances related to the Arab Spring. Its great wealth enables it to keep unemployment low and prosperity high.

Economy and population

The population of Qatar was 2.1 million in 2012, a quadrupling since 1990, with 13% under the age of 14, compared to 28% in 1990. The unemployment rate was 0.6% with the comparable rate for youth being 1.7%. Unemployment had soared in the mid-2000s but quickly retreated. Qatar's per-capita GDP was \$60,247 (constant 2005 US\$). Data are not available for a 1990 comparison. Petrochemicals are vital to Qatar's economy with fuel forming 88.4% of its merchandise exports.

Qatar is 15th on the *Economic Freedom of the World* index. Historical data are not available for this index. It ranks 11th in the *Global Competitiveness Report*, and 48th in the *Doing Business* report.

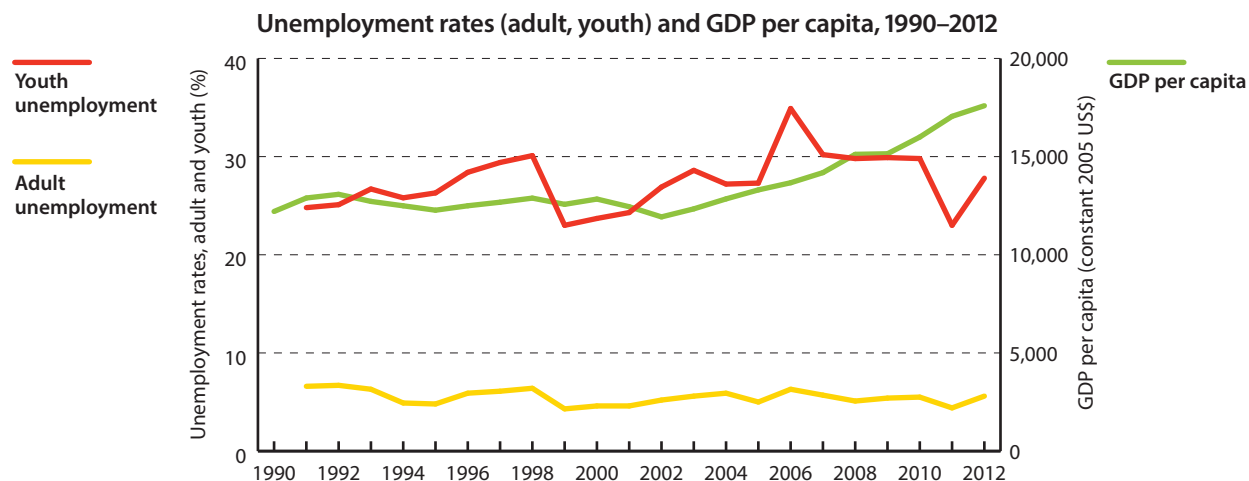
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	6.5	8.0	7.9	7.8	8.6	7.78
2011	6.5	7.9	8.1	7.8	7.2	7.47
2008						
2000						
1990						

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Qatar scores a 6 on political rights and a 5 on civil liberties, and is rated as not free. On Freedom House's *Freedom of the Press* index, Qatar comes in at 153rd, and 110th on the *Press Freedom Index*, somewhat ironically in light of its support for Al Jazeera, which can be quite critical of other governments in the region. Qatar is 27th in the world on Transparency International's corruption index.

Not enough data were available to show Qatar in the political rights index (fig. 3.2). The civil rights index (fig. 3.3) shows Qatar well ahead of the Arab average though it has suffered a minor retreat since 2008.

Saudi Arabia



Overview

Saudi Arabia is the largest of the Gulf Arab states and a monarchy. It saw a scattering of Arab Spring protests among its majority Sunni population but these were usually relatively small and mostly peaceful. Some arrests occurred but, typically, protesters were quickly released. There have also been some protests among its minority Shia population over discrimination but these too have been relatively non-violent. Like many other nations in the region, Saudi Arabia responded to the Arab Spring by increasing benefits and government employment. It has also made some moves towards boosting democratic institutions and improving the situation of women, who face many discriminatory barriers.

Economy and population

Saudi Arabia's population was 28.3 million in 2012, a 75% increase since 1990, with 30% under the age of 14, compared to 42% in 1990. The unemployment rate was 5.6% with the comparable rate for youth being 27.8%. Its per-capita GDP was \$17,591 (constant 2005 US\$), a 44% increase since 1990. Petrochemicals are vital to Saudi Arabia's economy, with fuel forming 88.5% of its merchandise exports.

Saudi Arabia is 87th on the *Economic Freedom of the World* index. Historical data are not available for this index. It ranks 18th in the *Global Competitiveness Report*, and 26th in the *Doing Business* report.

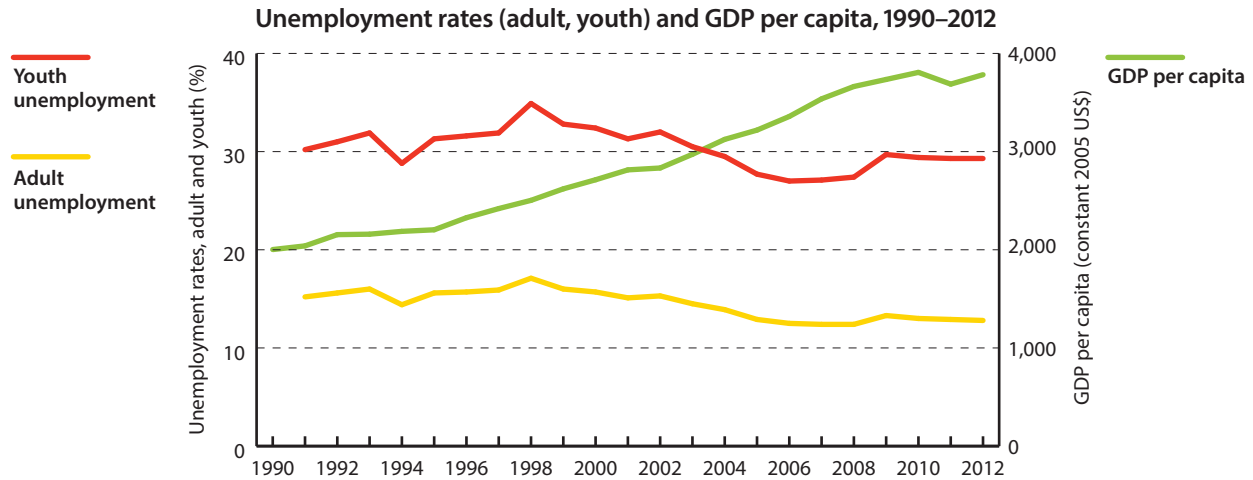
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	5.0	7.3	7.7	6.1	8.1	6.84
2011	5.1	7.5	7.8	7.3	7.8	7.09
2008						
2000						
1990						

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Saudi Arabia scores a 7 on political rights and a 7 on civil liberties—the worst score of any nation reviewed here—and is rated as not free. On Freedom House's *Freedom of the Press* index, Saudi Arabia comes in at 182nd, and 163rd on the *Press Freedom Index* from Reporters Without Borders. Saudi Arabia is 66th in the world on Transparency International's corruption index.

Data for Saudi Arabia is not available for the political rights index (fig. 3.2). The civil rights index (fig. 3.3) shows Saudi Arabia well behind the Arab average.

Tunisia



Overview

The Arab Spring started in Tunisia when Mohamed Bouazizi, a vegetable and fruit seller, set himself on fire to protest the bureaucratic police bullying he faced nearly every day in the market. Demonstrations over corruption, unemployment, high prices, and lack of freedom turned violent with hundreds dead, forcing the resignation of the government. Tunisia, like Egypt, elected an Islamic party, *Ennahda*, which was inspired by Egypt's Muslim Brotherhood but has charted its own course. The murder of two secular opposition leaders brought thousands onto the street in sometimes violent demonstrations, blaming the government for complicity in the murders. *Ennahda* preferred consensus to confrontation. The Prime Minister resigned in favor of a technocrat. Early this year, the National Assembly passed a relatively liberal constitution supporting women's rights and religious freedoms (though with some internal contradictions) by a margin of 200 to 12 with four abstentions. The new government has stated it wishes to reform perverse economic policies, such as subsidies, but intends to do so in stages in light of the fragile political situation.

Economy and population

Tunisia's population was 10.8 million in 2012, a 32% increase since 1990, with 23% under the age of 14, compared to 38% in 1990. The unemployment rate was 12.8% with the comparable rate for youth being 29.3%. Its GDP per-capita was \$3,783 (constant 2005 US\$), a 35% increase since 1990 though it has declined in recent years. Fuel exports form 14.5% of its merchandise exports (2011).

The detailed data from *Economic Freedom of the World* in the table below show that Tunisia steadily increased in economic freedom over the 1990s with a slower increase through the 2000s to 2008 and a decline since back effectively to the

level of 2000. Nothing in this data suggests the "neoliberal" reform that commentators and international institutions described. Tunisia is 100th on the *Economic Freedom of the World* index. It is not listed in the *Global Competitiveness Report* for 2012, and is 51st in the *Doing Business* report.

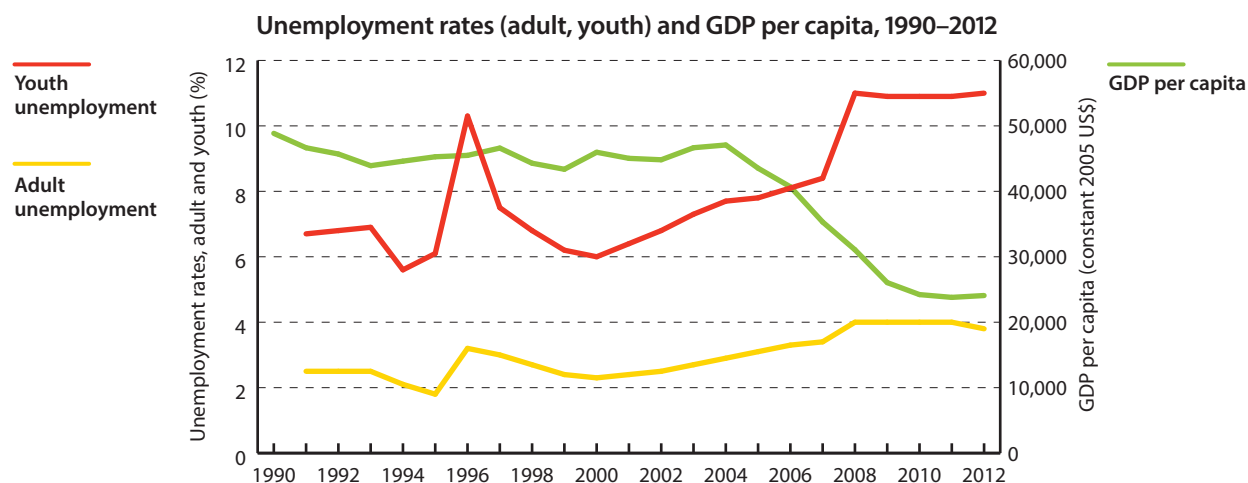
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	7.08	5.93	6.79	5.41	5.17	6.09
2011	6.84	6.80	6.80	5.42	5.42	6.26
2008	6.91	7.31	6.77	5.17	5.40	6.29
2000	5.28	7.33	7.05	5.43	5.30	6.08
1990	5.81	3.50	6.98	5.04	5.27	5.32

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Tunisia scores a 3 on political rights and a 3 on civil liberties, the best ranking among the nations examined here; it is rated as partially free. On Freedom House's *Freedom of the Press* index, Tunisia comes in at 114th, and 138th on the *Press Freedom Index* from Reporters Without Borders. It may well be that, given recent reforms, Tunisia will move up on the media indexes in future years. Tunisia is 75th in the world on Transparency International's corruption index.

Polity IV did not produce data for Tunisia in 2012 so it is not rated in political institutions (fig. 3.2) for 2013. For 2008, it is slightly above the Arab average. However, recent developments suggest that Tunisia's score for political rights will increase significantly, as it has in civil liberties (fig. 3.3), where it made a huge jump in 2013—its score was below the Arab average in 2008—and now leads the Arab world.

United Arab Emirates



Overview

The United Arab Emirates (UAE) is a federation of seven emirates with powers divided between the federal government and the emirates. Only half of the 40 members of the Federal National Council is elected; the others are appointed by the Emirs. The Arab Spring largely skipped the UAE, though activists presented a petition calling for increased freedoms and democracy. Nonetheless, the government has cracked down on activists while launching increased spending to limit potential unrest.

Economy and population

The UAE's population was 9.2 million in 2012, a five-fold increase since 1990, with 14% under the age of 14, compared to 31% in 1990. The unemployment rate was 3.8% with the comparable rate for youth being 11.0%. Its per-capita GDP was \$24,078 (constant 2005 US\$), a 50% increase since 1990 though it has declined in recent years. The UAE was hard hit by falling oil prices and many of the same factors that affected many European economies—falling property prices and the financial crisis, which was particularly troublesome for the UAE given its status as a financial center. Petrochemicals are important to the UAE's economy, though not as important as it is for other Gulf economies. Fuel forms 64.8% of its merchandise exports (2008).

The detailed data from *Economic Freedom of the World* in the table below show that the UAE already had a relatively high level of economic freedom in 1990 and has steadily if modestly

increased in economic freedom since. The UAE is 13th on the *Economic Freedom of the World* index. It ranks 24th in the *Global Competitiveness Report*, and 23rd in the *Doing Business* report.

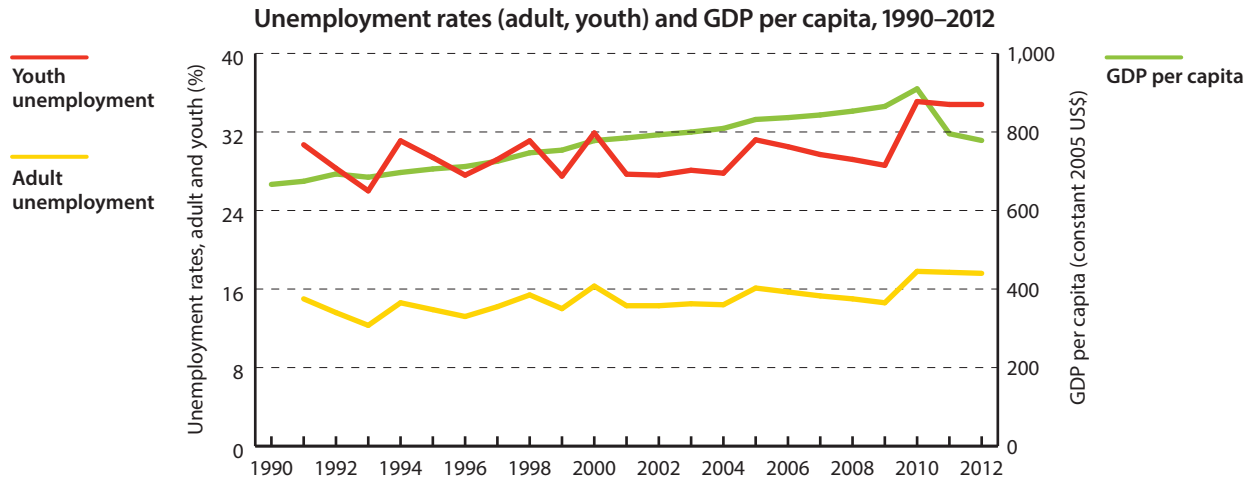
	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	7.79	7.56	8.39	8.66	6.74	7.82
2011	7.81	7.42	8.62	8.57	6.57	7.79
2008	8.25	7.50	8.25	8.64	6.31	7.77
2000	6.11	7.52	7.75	8.58	6.45	7.28
1990	7.43	5.79	7.91		6.33	7.20

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, the UAE scores a 6 on political rights and a 6 on civil liberties, and is rated as not free. On Freedom House's *Freedom of the Press* index, the UAE comes in at 76th, and 114th on the *Press Freedom Index* from Reporters Without Borders. The UAE is 27th in the world on Transparency International's corruption index.

The UAE is well below the Arab average in the political rights index (fig. 3.2) with significant decreases since 2008. The civil rights index (fig. 3.3) shows the same pattern, though UAE is virtually tied with the Arab average in 2013.

Yemen



Overview

Yemen has had a troubled recent history. Yemen and South Yemen experienced two decades of conflict until the two countries united in 1990, though the rift can still flare up, as it did most recently in 2008. There has been sporadic fighting between the government and Yemen's minority Shia population. The Arab Spring also spawned violent clashes between demonstrators and the government. The president ultimately agreed to resign and a new president was elected in early 2012. A national reconciliation dialogue has been launched.

Economy and population

Yemen's population was 23.9 million in 2012, a doubling since 1990, with 41% under the age of 14, compared to 52% in 1990. The unemployment rate was 17.6% with the comparable rate for youth being 34.8%. Its per-capita GDP was \$778 (constant 2005 US\$), only a 17% increase since 1990 following significant declines after 2008. Petrochemicals are vital to Yemen's economy with fuel forming 89.4% of its merchandise exports.

The detailed data from *Economic Freedom of the World* in the table below show that Yemen steadily increased in economic freedom over the 1990s with a slower increase through the 2000s. Yemen is 118th on the *Economic Freedom of the World* index. Historical data for comparisons is not available. Its very low score in Area 2:

Legal System and Property Rights is extremely disappointing. It ranks 140th in the *Global Competitiveness Report*, and 133rd in the *Doing Business* report.

	Size of Government	Legal; Property	Sound Money	Freedom to Trade	Regulation	Summary
2012	7.1	3.8	7.7	6.8	6.2	6.34
2011	7.1	4.0	7.7	6.9	6.1	6.38
2008						
2000						
1990						

Other institutions

On Freedom House's 1–7 scale, with lower scores indicating better performance, Yemen scores a 6 on political rights and a 6 on civil liberties, and is rated as not free. On Freedom House's *Freedom of the Press* index, Yemen comes in at 169th, and also 169th on the *Press Freedom Index* from Reporters Without Borders. Yemen is 156th in the world on Transparency International's corruption index.

Enough data are not available to rate on the political rights index (fig. 3.2). The civil rights index (fig. 3.3) shows Yemen moving from well ahead of the Arab average to well below it in 2012.

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