# Conditionality, Economic Restructuring and Intensified Repression: A Global Approach

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More than one decade since a wave of popular uprisings swept North African and Middle Eastern countries, the social and economic concerns motivating the uprisings are yet to be addressed meaningfully by their respective governments, irrespective of how heavily they were affected by mass protests. This also applies to Algeria and Lebanon, which, respectively, saw a long-standing president and a prime minister removed from power by widely supported uprisings more recently in 2019. If these concerns and demands are still there, and in fact have got worse in recent years, why have social mobilizations in the region withered? This is the question that constitutes the focus of this article.

The first section looks at the two main socioeconomic models that one can find in the contemporary Middle East and North Africa, arguing that their transformations are best understood within a broader, global context. The second section seeks to provide this context, showing that the demands of economic restructuring that key international institutions and donors keep pushing for, especially in hydrocarbon-scarce countries, are central to understanding their disappointing economic performance. The third section narrows down the empirical discussion to two Arab countries who saw their incumbent autocrats removed from power (Egypt and Tunisia), and two who did not (Jordan and Morocco). It shows how international demands for economic restructuring have continued unabated in the wake of the uprisings. The fourth section shows the increased use of repression to shield neoliberal restructuring from popular discontent, but it also goes one step further, suggesting that the failure of such restructuring is tied to the difficulties in establishing democratic governance in the region. The final substantive section illustrates this point with specific reference to Tunisia, long hailed as the success story of the uprisings but currently experiencing a centralization of power in the hands of President Kais Saied, and an erosion in most indicators typically associated with democratic regimes.

## Allocation vs. Production States Revisited

While with undoubtable internal differentiations, economies in the Middle East and North Africa can be divided into two main groups, which broadly mirror Giacomo Luciani's (1990) distinction between allocation and production states. In the three decades since Luciani's contribution, things have certainly changed, so we should give this our attention to avoid oversimplifying the discussion.

A first set of countries have built their economy around the export of hydrocarbons, especially oil and natural gas. Proceeds from these exports, in turn, allow for varying measures of internal redistribution. Among the countries most directly affected by the uprisings, Algeria has undoubtedly been relying on this model, although this is increasingly under strain, limiting both the extent of redistribution and the Algerian government's ability to absorb external shocks. While subjected for decades to international sanctions, Libya under Gaddafi adopted a variation of this model too, and could return to a similar trajectory; although what the damages of a decade of internationalized civil war on the social, economic and infrastructural fabric of the country will be remains to be seen. While retaining greater redistributive capacity, even the "purest" version of this model, to be found in the monarchies of the Gulf Cooperation Council (GCC), have experienced change, as evidenced for instance by their current drive towards diversification. They, however, remain beyond the immediate scope of this contribution.

That said, GCC monarchies still matter insofar as the redistributive mechanisms of hydrocarbon revenues they established have historically had a regional dimension, especially in terms of workers' remittances and financial assistance. This is what Hazem Beblawi (1987) famously called "second order rents." However, as the labour pool GCC states draw from has globalized, workers' remittances to other Arab countries have declined, while GCC financial assistance is increasingly governed by mechanisms of conditionality. Much like in the case of international financial institutions such as the International Monetary Fund (IMF) and the World Bank, these can take the form of expected economic reforms. GCC conditionality can also take less explicit forms, like, for instance, priority access to profitable sectors or companies to be privatized. Meanwhile, investments have become a much more prominent component of intra-regional flows, thus increasingly connecting and indeed subordinating the development of hydrocarbon-scarce economies to GCC countries, as persuasively shown by Adam Hanieh (2018).

The second model, typical of hydrocarbon-scarce Middle Eastern and North African countries, has shifted quite considerably over the past half century from import-substitution industrialization towards export orientation. For these countries, in the context of an open global economy, seeking to maintain a productive base – and hence live up to Luciani's label of "production states" – has meant entering a cycle of debt, international assistance (tied to austerity and further export orientation), crisis and protest. While countries like Algeria, Libya and even Bahrain have experienced mass uprisings while adopting the former model, it is now well established that most countries systematically affected by the uprisings belong to this second group.[1] This is one reason why it makes sense to focus on this model in more detail. Another is that you cannot grow oil and gas, as much as you can invest significantly in the hope of finding them. Lebanon has been doing this recently, for instance. Yet, for hydrocarbon-scarce countries the absence of large windfalls means that the developmental options are fewer and less promising than they might be for the likes of Saudi Arabia and Qatar. This is a key component of the polarization that has increasingly come to characterize the regional politics of the Arab world.

## Reform Conditionality and Policy Constraints in the Making of the Uprisings: A Global Approach

What policy options are available to any government depends not only on their domestic "fundamentals," as economists typically call them, but also on the extent and form of their integration in the global economy. This is why it is necessary to locate North African and Middle Eastern countries within a global context, as this not only provides incentives and opportunities, but also sets significant constraints on what paths to development may be viable. In light of the regional polarization outlined above, these constraints are much harder for governments lacking the cushion provided by hydrocarbon revenues.

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More specifically, the rest of the world can pose two closely intertwined types of constraint. One derives from technological developments that spur economic transformations, such as container shipping facilitating the so-called logistics revolution, and semiconductors as the drivers of the digital or ICT (information and communication technology) revolution. The other type of constraint affects more directly the policies that governments can pursue, and

[1] Syria is the main outlier, since it lacks significant hydrocarbon revenues, has not quite taken the path of export orientation and has experienced mass uprisings.

takes the form of conditionality: a government, typically facing an economic crisis, receives financial support conditional to the implementation of specific economic reforms. Which reforms is typically decided by the international institutions such as the International Monetary Fund (IMF) and the World Bank, but there is extensive literature on how for instance the European Union (EU) has contributed to these efforts (Del Sarto, 2021), joined in the North African and Middle Eastern context by the African Development Bank and development agencies of major donor countries. As their efforts are more often than not coordinated, it makes sense to speak of a broader international economic regime as the main driver of these policy constraints.

The relevant development literature is rather unanimous in arguing that the international economic regime has significantly narrowed the "policy space" available to poorer countries (Kentikelenis et al., 2016). This is also the case for the Arab states that have received conditional support from the IMF and other international institutions and donors. Reforms implemented have very much epitomized the so-called Washington Consensus, typically including subsidy removal, reduction of the public wage bill, downsizing of social expenditures, liberalization of trade, investment and interest rates, privatizations, deregulation of labour markets and a flexible exchange rate. Even the alleged end of the Washington Consensus brought about institutional reforms that have further curtailed what governments can do to stimulate the economy, such as for instance central bank independence.

Placed in this position of structural economic dependence, authoritarian regimes in the region have historically played along, using economic reforms to bolster their position and that of their business associates, as shown by the literature on crony capitalism (Diwan et al., 2019). In the process, however, ruling autocrats were not only reducing their states' macroeconomic and redistributive capacity, but also creating ever more extroverted economies, reliant on external actors not only for financial assistance, but also for credit, investment and technologies.

This approach was not really working on its own terms either. The short-term improvement of key macroeconomic indicators related to growth, trade, inward foreign direct investment, etc., was typically followed by slowdown, increased indebtedness, new crises and a new agreement with the international economic regime. This also led to increasing poverty and inequality, both real and perceived. While opposition to corruption, policy brutality and authoritarian rule was loud and clear in the mass mobilizations of 2010-11, and then of 2019, we should view them in this socioeconomic context, and in its global determinants. This is why issues pertaining to food staples such as bread, or phrases such as social justice welding together social and economic concerns, were so prominent during the uprisings.

## After the Uprisings: More of the Same

In the wake of the uprisings, all institutions of the international economic regime started to use a different language, one that focused on inclusive growth, shared prosperity, addressing inequality through redistribution, and so on (Momani &Lanz, 2014). However, this discourse did not quite translate into commensurate policy advice. Instead, IMF programmes concluded after the uprisings, both in countries experiencing regime change (Tunisia, Egypt) and in countries where protests were neutralized by incumbent rulers (Jordan, Morocco), included very similar conditionalities. These included the removal of residual subsidies, further labour market deregulation, privatizations, regressive tax reforms, public sector wage and recruitment freeze, and others (Mossallem, 2015). One of the things that has changed in the wake of the uprisings is the more explicit division of labour and coordination among institutions of the international economic regime, as we will see briefly with reference to Tunisia.

The economic situation has also worsened considerably on indicators of a more social and distributional nature

Coming to power on the back of mass upheavals and demands that were, at once, political, economic and social, successive post-revolutionary governments in Egypt and Tunisia have very much prioritized continuity in their relations with the international economic regime. This is also the case for governments led by Islamist forces, which in fact went out of their way to seek accommodation with, and legitimacy from, international institutions as well as domestic business elites. This resulted in multiple IMF deals for both Tunisia, as we will see below, and Egypt, which entered into arrangements with the IMF in 2016 ($12 billion), 2020 ($5.2 billion, aiming "to maintain macroeconomic stability amid the Covid-19 shock while continuing to advance key structural reforms," as stated in the relevant IMF press release), and then again at the end of 2022 ($3 billion).

It is perhaps less surprising that Jordan and Morocco have also sought continuity in relations with the international economic regime. Much like Egypt, Jordan has concluded three IMF agreements since the uprisings, in 2012 ($2 billion), 2016 ($723 million), and 2020 ($1.3 billion, then topped with $396 million in Covid-related emergency assistance). As a result of these multi-year agreements, in the 2012-22 period, Jordan has received IMF funds every year except 2018. For its part, Morocco entered into three successive agreements on the Precautionary and Liquidity Line, devoted to countries with sound fundamentals and policies, with an even more advanced Flexible Credit Line, approved earlier this year; although so far it has only had to dip into these resources at the height of the Covid pandemic (about $3 billion).

This continuity has persisted in the face of disappointing outcomes. With the exception of Morocco, economic prospects have been worsening for all countries covered here. This is the case for key macroeconomic variables directly targeted by the IMF. For instance, the government debt-to-GDP ratio has increased across the board between 2010 and 2021, nearly doubling in Tunisia (43.3 to 81.8 percent), increasing dramatically in Jordan (59.4 to 91.9 percent) and significantly in Morocco (45.3 to 68.9 percent) and Egypt (69.6 to 89.2). With the exception of Morocco, the current account deficit also increased during the same period, from 1.9 to 4.5 percent of GDP for Egypt, from 5.3 to 6.1 percent for Tunisia, and from 6.9 to 8.8 percent for Jordan. It is arguably even more concerning for the long-term growth prospects of these countries that in the same period, total investment as a share of GDP has essentially halved in the same three countries – 21.3 to 11.8 percent for Egypt, 25.8 to 13.7 percent for Tunisia, and 35 to 17.9 percent for Jordan – while declining only marginally for Morocco, from 32.1 to 30.9 percent.

The economic situation has also worsened considerably on indicators of a more social and distributional nature, which we can take as proxies for how successfully the demands made during the uprisings have been addressed. Among the four countries considered here, Egypt is the only one posting a decline in its unemployment rate in the 2010-21 period (from 9.2 to 7.3 percent). Conversely, Jordan saw a staggering increase (12.5 to 24.4 percent), Morocco a noticeable one (9.2 to 11.9 percent) and Tunisia an increase similar to Morocco (13 to 16.2 percent). Meanwhile, according to national statistics authorities, any improvements in poverty rates have been wiped out by the Covid pandemic, and, despite well-established measurement limitations, there is little reason to believe that inequality has decreased at all.

If the social and economic demands of the uprisings centred on basic needs (bread) and demands for equality, dignity and social justice, we can safely conclude that the more governments implemented reforms in the past decade, the further away these countries are from having the capabilities to address those very demands.

## Authoritarian Neoliberalism and Neoliberal Authoritarianism

If economic performance is as poor as outlined above, and with worsening prospects, and the various rounds of conditionality limit policy options even further than they did prior to the uprisings, then it is not so surprising that coercion and repression have become more important tools in handling social mobilizations. As authoritarian regimes in the region have developed relatively strong repressive apparatuses, there is also an element of path dependency in this respect. The continuing and deepening pursuit of neoliberal restructuring in the face of such economic and social outcomes requires a "hardening" of state power, as highlighted by the literature on authoritarian neoliberalism (Tansel, 2017).

In the context of Arab Mediterranean countries, authoritarian neoliberalism chimes with an understanding of the long-term effects of structural adjustment that authors such as Nazih Ayubi (1995) diagnosed already in the 1990s. Ayubi spoke of a "fierce state," with an appearance of strength that concealed its glaring weakness: a lack of popular legitimacy. In fact, Ayubi (1995: 450) went as far as to claim that "[t]he Arab state is therefore violent *because* it is weak." Rather than an essential quality of individual Arab states, this is a dynamic process, accelerated by the reduction in macroeconomic and redistributive capacity resulting from structural adjustment. Caught out by the magnitude and effects of the 2010-11 uprisings, regimes in the region have moved towards strengthening and upgrading their security apparatuses. Even in the case of Tunisia, the objective of security sector reform was gradually abandoned to move towards less restrictive security assistance (Maryon, 2023). As security assistance is typically removed from the imperatives of neoliberal restructuring, it also provides a channel through which European states can build capabilities for the security – as well as securitized – challenges that Arab Mediterranean states are expected to help with, from counterterrorism to migration and beyond. Perhaps an unintended consequence from the perspective of donors, this build-up in security capabilities, for instance in cyber-security but also as police militarization, can then be deployed towards preventing large-scale social mobilizations, and dispersing and repressing them as soon as they emerge (Hiltermann, 2022). This a key reason why more recent mobilizations throughout the region have failed to reach the scale and effects of the last decade, despite the social, political and economic demands raised in those mass uprisings not having been meaningfully addressed. This is not to say that social mobilizations have disappeared, but rather that in a context of heightened repression, the dynamics of protest have inevitably adapted (see Schwedler 2022 with reference to Jordan).

Strengthening the security apparatus to shield neoliberal restructuring also has significant implications for the prospects of sustaining democratic regimes that have emerged as a result of the 2010-11 uprisings. If democracy was established in response to demands that were not only political, but also social and economic, the failure to address these demands is bound to generate legitimacy issues for democracy. As counterrevolution and authoritarian reconstitution appear to have won in Egypt, and as authoritarian monarchies were never dislodged in Jordan and Morocco, we turn to Tunisia to explore this argument in more detail.

## Economic Reforms and Democratic Crisis in Tunisia

In post-uprising Tunisia, the emergence and consolidation of democratic institutions, punctuated by three presidential elections and two peaceful transfers of power, but also major tension and sporadic violence, went hand in hand with substantive continuities in relations with the international economic regime. For instance, Tunisia has received IMF support uninterruptedly, under successive conditional agreements, between 2013 and 2019, before receiving Covid-related emergency funds in 2020. Right now, despite Saied's posturing, under EU sponsorship, Tunisia appears to be inching towards a new IMF agreement. Although this is not only about the IMF, as a range of international institutions and donors are involved in supporting key reform areas in Tunisia. For instance, on macroeconomic stabilization, the IMF is flanked by the World Bank, the EU itself, the OECD, USAID, the African Development Bank and the German KfW investment and development bank. Similarly, on issues pertaining to the business and investment environment, the European Bank for Reconstruction and Development (EBRD), the World Bank, the International Finance Corporation and USAID are all involved. A similar coordination and division of labour between institutions of the international economic regime applies to other reform areas.

This financial and technical support has been accompanied by the usual panoply of reforms straight from the neoliberal playbook, including but not limited to: a public sector wage and recruitment freeze, a broader deregulation of labour markets, a further reduction in subsidies, a flexible exchange rate, resulting in the massive decline in the value of the dinar, central bank independence and a halving of corporate taxation from 30 to 15 percent, amidst a host of other regressive tax measures (Ben Gadha, 2022). In the wake of these cumulative measures, unemployment has increased, as mentioned above, GDP per capita has declined by more than 10 percent, and, perhaps most worryingly, debt servicing costs have soared (Aliriza, 2020).

The pursuit of further neoliberal restructuring has jeopardized the conditions for the consolidation and success of Tunisia's fragile democratic regime

This combination of more limited policy space and worse economic performance means that the socio-economic demands of the revolution cannot really be addressed, let alone met. The rise of Kais Saied should be read within this broader context. His anti-corruption campaign against the "consensus politics" of democratic Tunisia in the 2019 presidential elections resonated with the feelings of many Tunisians, increasingly disillusioned and sceptical with respect to the concrete functioning of democracy in Tunisia (Arab Barometer 2019: 12). So popular support for Saied is not entirely surprising, and is in fact essential to understand the early phases of Saied's power grab in July 2021, with the suspension of the Parliament and the dismissal of the government and Prime Minister, then followed by a new constitution that centralizes power in the hands of the President, especially with reference to a now-strengthened security apparatus. Over time, Saied's targets have changed, with major Ennahda figures under attack and jailed especially since last autumn, and earlier this spring a further shift in Saied's discourse towards targeting arguably the most vulnerable group: black African migrants living and working in Tunisia.
In sum, through numerous (and ongoing) rounds of structural adjustment, the international economic regime has pursued a systemic reduction in policy space that puts a straightjacket on Tunisia's development choices. The decision to prioritize growth following a template that is tried and tested and has failed repeatedly has not been good for the Tunisian economy, but more importantly it has constitutively limited the ability of successive democratic regimes in Tunisia to address the social and economic demands at the heart of the 2010-11 uprisings. Meanwhile, the concerns that these uprisings raised have only become more acute.The pursuit of further neoliberal restructuring has jeopardized the conditions for the consolidation and success of Tunisia's fragile democratic regime.

## Conclusion

It is clear that the political, social and economic aspirations of the millions who gathered in the squares and streets of major cities in the Middle East and North Africa at the start of the last decade have not been fulfilled. Yet, social mobilizations in the region have become more atomized and less effective. In seeking to address this puzzle, this article has suggested that we need to look beyond individual countries and their respective political and economic models, and towards how these countries' integration in the global economy has been pursued through a very specific neoliberal template, typically advocated by what I have termed here the international economic regime. This has been especially the case for those states that cannot rely on the buffer of large dollar-denominated hydrocarbon revenues. Providing some illustrative data on four of these countries (Morocco, Tunisia, Egypt and Jordan from west to east), I have shown how economic outcomes have been disappointing and accompanied by a narrowing down of the development policy space. With a more limited economic armoury, repression following the upgrading of the security apparatus has become the default way of dealing with popular discontent. This does not exonerate autocrats in the slightest for the ongoing repressive turn, but it does help locate their heinous choices within a global structure of opportunities and constraints.
The picture for social movements in the Arab region might not look particularly promising at this juncture. One could say that the same was the case in 2010: a few years after a crisis of global proportions had hit a region with a history of ruthless repression of popular demonstrations, few were expecting uprisings of the magnitude and impact we saw then. That those transformations were so unexpected is an invaluable source of hope for those now fighting for political and economic change throughout the region.