Middle East Lord Mark Malloch-Brown

Arab economies are as varied as the region's politics – from poor Yemen, to much richer Libya, to the very wealthy gulf states, with countries such as Egypt, Tunisia, Syria and others being something of a median. Yet the performances of these economies are as critical to the long term success of the Arab Spring as the region's laws.

IF THE NEW LEADERS CANNOT FIND THE KEYS TO stabilising and then growing the economies of the region, an early casualty may be these democratic leaders themselves. This is why FTI Consulting, whose Europe, Middle East and Africa practice I chair, chose to co-sponsor Chatham House's conference held on September 12 on the Economics of the Arab Spring.

There is a vital role for the international community in coaxing forward effective economic policy. Yet the role is almost as fraught as that of the outside world's in encouraging political development. The Arab Spring is, at its core, about Arabs winning the right to make their own choices and mistakes. There is a prickly antipathy towards outside interference that does not stop at politics.

Before the revolution earlier this year, Egypt, for example, was well into a World Bank and International Monetary Fund supported liberalisation and privatisation programme. This meant that when the old order was overturned it was not just President Hosni Mubarak, his family and associates who were rejected, it was his economic policies – and their international sponsors, the Washington financial institutions. There is a real risk that the country will slip back into a populist recipe of subsidies on basic commodities (particularly bread), halt its privatisation programme and preserve the privileged role of the powerful Egyptian military – which controls the interim government – in the state corporate sector. Ex-military men run many of these companies and the military is the owner and beneficiary in many cases.

The causes of the Arab Spring lay, in large part, in the absence of jobs and the unequal sharing in economic growth across the Arab world. Well-connected business elites have been able to grab the lion's share of growth for their own benefit. Not surprisingly, therefore, this economic model was as much on trial as the political system.

The difficulty is that in rejecting the whole economic prescription of the old order, we risk throwing the baby out with the bath water. It is hard to see how, without the rapid privatisation of poorly run state enterprises and reduction in over-large public sectors, these economies can be put onto a faster growth path that will start to eat into the poverty, inequality and joblessness that prompted the revolts in the first place.

This catch-22 holds across those countries – Egypt, Tunisia and Libya – which have seen a change of government. It is also true to different degrees across countries that have contained the Arab Spring such as Jordan, Morocco and Bahrain, and those still in active conflict such as Syria or Yemen. For

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An Egyptian sits in an empty street usually busy with tourists in the Khan el-Khalil area of Cairo.

example, a liberal economic reformer was replaced by a conservative securocrat in Jordan as prime minister in response to demonstrations there. Everywhere liberal reforms have become more or less a dirty word.

That said, the economic potentials of Yemen, Tunisia or Libya are very different. If Libya can find a stable political footing in the post-Muammar Gaddafi era, the prospects of restoring, and quickly increasing, oil production over the next twelve to eighteen months are very good. But given the vulnerability of oil wells, long pipelines and refineries to casual terrorism, the risks are likely to remain quite high if disaffected Gaddafi loyalists are left outside the new political order.

In Yemen, the Arab world's poorest country, very high levels of poverty are unlikely to be overcome in any foreseeable time-frame. This could continue to inflame inter-tribal and city/countryside divisions in Yemen.

In Tunisia, like Egypt, the social platform for growth is more promising. There is plenty of university-educated talent that has been underemployed and a middle class to act both as demand for domestic consumption and as a source of capital and entrepreneurship. In Egypt particularly, given its size, a rapid transition to even higher rates of growth (than the already quite high rates of recent years) should be possible. The domestic market, the human capital and the investment could come together in an exciting re-enforcing combination for the region's largest country.

The challenge which the Chatham House meeting addressed was how successful regional economic development strategies could be put in place which would secure the buy-in of sceptical, impatient populations.

The starting point must be plans that recognise the concerns of ordinary people, whose bravery and activism

AP PHOTO/HUSSEIN MALLA, FILE

"Risk is back on the agenda for the Middle East following the events of the Arab Spring. Western economies can endlessly speculate about the political change that is required in the region. What we really should be asking ourselves is what level of outside support we can offer to help capacity build and strengthen economic governance within these very diverse nations, which also allows for this political change to be sustainable."

"Money and intervention from the west provokes concern, suspicion and resistance amongst many of these countries. Listening to the genuine economic needs of the real people in this and delivering assistance in a sensitive, non-patronising manner, will be critical in striking a successful balance for a positive economic and political future in the region."

LORD MARK MALLOCH-BROWN, CHAIRMAN, EUROPE MIDDLE EAST AND AFRICA, FTI CONSULTING, CHATHAM HOUSE – 12TH SEPTEMBER 2011

brought down the regimes, as their top priority. Jobs, basic services and social protection must be at the heart of the national strategies, but framed in a fiscally sustainable way. This is likely to require affordable international loans and grants to the social sectors in the first phase.

It must be accompanied by the new governments' commitment to tangible policies of economic and social inclusion so that opportunity is spread and the barriers that have allowed rigid inequalities to persist are removed.

In the longer-term in each country, economic success will rest on encouraging the growth of a much stronger, deeper private sector. Again, outside donors and financial institutions will have a role in mitigating investment risk through co-investment, risk insurance and other incentives to encourage foreign investment and the return of expatriated domestic capital.

It will also need combined international and national communications and efforts to restore confidence in key economic sectors such as tourism. An oil-endowed economy like Libya will also need to clear up the investment rules and speed up the administration processes that have both delayed the modernisation of this sector.

Encouragement to intensify inter-regional trade should be a component of each national strategy. The Arab World is a 360 million consumer market, thus providing the scale for strong regional industries and services.

Above all, success will require able local politicians and technocrats to develop and lead national economic recovery plans that they can credibly present to their citizens; not as old wine in a new bottle but as new economics for a new democratic era.

The job of those of us on the outside, as with regards to the region's politics, is to support nationally-developed solutions. Now is the time for support, not imported answers from Washington, Brussels or London.

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