MIDDLE EAST AND NORTH AFRICA

Revolutions in shambles

The Arab Spring was short-lived. Five years later, there are few traces of optimism remaining in the countries of the Middle East and North Africa. Even worse, a stark barbarism has taken hold in the countries of the region locked in civil war.
The year 2011 was one of euphoria. In many North African countries, and even in the hard-line autocracies of the Gulf, populations rose up and called for bread, freedom and social justice. This was initially met with success; dictators who had retained power for decades were swept away in only a short time. People who had for years languished in exile on political grounds returned to their home countries to help build fledgling democracies. Increased political freedoms and economic prosperity, an end to the ossified power structures of corrupt elites, and greater equality of opportunity for all levels of the population appeared to be realistic goals.

Now, five years later, the disappointment is great. Aside from Tunisia, no country has shown notable improvements. The military junta in Egypt has implacably defended its claim to power and has restored the former political order. In Sudan, President Omar al-Bashir sent his security forces to quell the biggest disturbances of his term – in 2013 alone, as many as 200 people were shot at demonstrations. In Bahrain, demonstrations by Shi’ites, who face discrimination within the country, were crushed with the help of allied military forces. Turkey, too, has left its path of democratization under President Recep Tayyip Erdoğan. Quantitatively speaking, the region has fallen behind every political and economic development level measured in the BTI since 2006.

Worse still, the number of states that are failing, by sinking into anarchy and civil war, is growing. Along with Syria, the BTI identifies Libya and Yemen as failing states, while the stability of Iraq is also severely endangered. The degree of barbarism – not only on the part of official security forces, but particularly by the militant Islamist extremists and the militias of the Islamic State (IS) – is difficult to understand, even if one takes the fragile state of affairs in these countries into account. Yazidis have been driven into the mountains to die of thirst; cultural goods of the first order have been destroyed with hammer and chisel in order to eradicate memories of millennia-old civilizations; people have been beheaded by sword in public show trials, burned alive or drowned; and children have been abused as soldiers or child brides.

The barbarity has, in turn, triggered further repression. Where the state remains at all capable of action, governments have strengthened their focus on security issues, in most cases at the expense of the rule of law. New anti-terror laws have significantly restricted individual and collective freedoms.

Civil society organizations have come under pressure, while Islamists and secular activists have been imprisoned, exiled or tortured and killed in prisons, just as before. In the name of counterterrorism, regimes are smothering all that might jeopardize their own hold on power. This is true of the Gulf monarchies as well as for the military regimes in Egypt, Sudan and elsewhere. The only exception is Tunisia. Despite difficult underlying conditions, this country has democratized, established structures supporting the rule of law, and created a framework for a successful economic transformation. After a few years of transition, a regular parliament and government were both elected in 2014. Apart from its security problems and the concerns presented by the many people lacking official employment, the country has the best possibility of any Arab state of continuing successfully along the path of transformation into a liberal democracy and a social market economy.

Morocco, too, has made economic progress, but without bringing about notable political improvements. In the remaining countries, the state of economic development was stagnant or declined, particularly in the politically unstable states, such as Bahrain, Iraq, Lebanon, Libya, Oman, Sudan and Syria. One of the biggest obstacles on the path to prosperous and inclusive societies in the region remains the high rates of youth unemployment. If the (official) statistics can be trusted, this is at levels of up to 30%. The resistance to reform evinced by most governments is reflected in the Management Index, in particular. Alongside Tunisia, only Iran achieved notable progress due to the change in government from Ahmadinejad to Rouhani. By contrast, significant deteriorations were evident in Qatar, which – by supporting the Egyptian Muslim Brotherhood and the IS fighters in Iraq and Syria – not only disrupted regional cooperation, but also fueled conflicts and made itself complicit in human rights violations. Turkey, too, was downgraded due to its increasingly authoritarian governance style. Finally, government performances in Libya, Sudan and Syria have contributed fundamentally to a continuously escalating, increasingly unstable situation, and thus are among the worst-rated worldwide.

Violence and focus on security smother freedom
Prospects are poor for the region’s democrats, who are being crushed between Islamist fundamentalists and military dictatorships. Libya, Syria and Yemen are failing states. Only Tunisia remains a beacon of hope.

Tunisia has accomplished amazing progress in recent years. It has avoided looming polarization between secular forces and Islamists, earned the trust of the international community, and expanded fundamental civil rights. Progress regarding the separation of powers has been particularly strong. The provisional Constituent Assembly was superseded following the October 2014 elections by a full-fledged parliament. With the new constitution, the independence of the judiciary and the opportunities for effective work by political parties and independent interest groups have also improved somewhat since 2014. As a result, state institutions have done a better job of providing services, which in turn has won them greater appreciation. Improvements relative to the Ben Ali government have been enormous.

In the cases of Egypt and Libya, by contrast, two other North African revolutionary states have left their original reform paths and even fallen significantly behind the scores achieved during the Mubarak and al-Qadhafi eras. Egypt has experienced a veritable roller-coaster ride. First, Islamist President Mohamed Morsi – now facing a death sentence – was overthrown after a year in office as a result of polarizing policies that sought primarily to consolidate the power of the Muslim Brotherhood. Demonstrations by millions of Egyptians offered the military under then-Field Marshal Abdel Fattah al-Sisi the welcome opportunity to push Morsi from office. Since the summer of 2014, al-Sisi has governed the country as president with a heavy hand. Political participation rights, the rule of law, and political and social integration have fallen back to the level of the Mubarak period. The political instrumentalization of the judicial system, the disregard for fundamental rights and the worsening security situation are particular grounds for concern.

Security concerns, in turn, give al-Sisi a trump card: With every attack that occurs in Sinai or Cairo, his allusions to Egypt’s endangerment by Islamist extremists appear more credible. Conflict-ridden Libya, destabilized by high levels of violence – which provides material grounds for Egyptian fears – has suffered significant setbacks in all five BTI criteria of political transformation. The state no longer holds a monopoly on the use of force; rather, rival militias fight for supremacy in the three regions into which the country has de facto disintegrated. Each of these groups engage in shifting alliances, with changing degrees of radicalism and religiosity, rendering the exact lines of conflict difficult to ascertain. Since the summer of 2014, the country has had two “official” governments and parliaments: the New General National Congress, with Nouri Abusahmain as president and Omar al-Hassi as prime minister of the National Salvation government in Tripoli, and the House of Representatives as parliament in Tobruk, with the government of Abdullah al-Thinni.

The state of affairs in Yemen and particularly in Syria have taken a catastrophic turn for the worse. Here, government troops are fighting against various groups of rebels and insurgents. The fact that Syrian President Bashar al-Assad, despite his numerous human rights violations, is seen by many as the lesser evil in comparison to the IS and the al-Nusra Front shows the hopelessness of the situation in an almost macabre way.

Because of this social fragmentation, there is little hope of things improving quickly with regard to the millions of refugees and the country’s devastated infrastructure. Nonetheless, in the Kurdish-controlled Rojava area, the signs of an incipient functioning stateness are evident. However, given the Kurdish aspirations for independence in Iraq and Turkey, any potential secession would produce wholly new tensions. Even though Turkey had continued its policy of reconciliation with the Kurds throughout the BTI assessment period, conflicts with the PKK escalated in the summer of 2015. Before that, the harsh response of the Turkish security forces to the 2013 Gezi protests, as well as the policy of intimidation against opposition activists and journalists, had already led to a decline in scores, particularly in the areas of fundamental rights and the freedom of expression. Moreover, the separation of powers has suffered due to Erdoğan’s accumulation of powers.

The effects of Syrian state failure in conjunction with the rise of the IS can be clearly seen in Iraq, which is classified as an autocracy again for the first time since the BTI 2008. In particular, the freedom of expression and the civil rights situation no longer meet minimum democratic standards. However, this is not wholly attributable to the influence of the IS; rather, the authoritarian policies of former Prime Minister Nouri al-Maliki also had a destabilizing effect.
The massive instability of its neighbors even affected Lebanon, the only Arab country to have maintained a democracy across decades. There are serious doubts arising regarding democratically elected representatives’ effective power to govern. Alongside Iran and Assad’s Syria, Saudi Arabia has also intervened in Lebanon’s internal affairs to a considerable extent. Moreover, in 2013, the parliamentary elections were postponed twice because the main political factions could not agree on a new electoral law, and because the unsafe situation in many border areas made it appear impossible to ensure that the vote would be carried out properly. Instead, the existing parliament was extended a full legislative term, until 2017, which poses fundamental questions about its legitimacy.

In looking at the monarchies of the Gulf region, the continuing negative trend in Bahrain is evident. In terms of electoral rights and the freedoms of assembly and expression, the country has taken several steps backward as a result of the conflict between the Shi‘ite majority and the Sunni ruling family. Even in Kuwait, traditionally the most moderate autocracy in the area, the trend is negative. Here, too, under the pretext of national security, the government has flagrantly restricted assembly rights and the freedom of expression, puncturing hopes of a liberalization.

**Epicenters of political bankruptcy**
Countries are arranged by the average of scores received in three clusters of BTI indicators. The innermost circle represents the worst performance. Only countries scoring 3.0 or below are depicted.

“State failure” = no monopoly on the use of force & basic administration; “no political participation” = no free and fair elections, effective power to govern, association/assembly rights & freedom of expression; “no rule of law” = no separation of
powers, independent judiciary, prosecution of office abuse & civil rights.

A question of (oil) prices
At least economically, some of the Gulf’s hard-line autocracies have proven to be still capable of reform. The United Arab Emirates, along with Qatar, represent the only fully developed economies in the region. As previously, possession of oil as a resource – and how it is handled – proves critical to the state of national economies.

For the region’s oil-importing countries – which can be seen as the region’s “poorer half” – the sharp decline in oil prices since the summer of 2014 has brought great advantages with regard to stabilizing budgets and trade balances. In addition, it has created a politically opportune occasion for the urgently needed correction of the generous fuel subsidies offered in many places. These subsidies are not only a steady burden on budgets; they also reduce incentives to save energy and favor the affluent strata of society, as the genuinely poor consume little gasoline. During the review period, these subsidies were gradually reduced in Egypt, Jordan, Morocco and Sudan.

Even in Syria, the price of oil plays a significant role. Since the IS has brought numerous Syrian oilfields under its control, it sells this oil to the Assad regime and generates a portion of its income in this way – a good example of how the war economy functions. A transformation of this system to a viable postwar economic order is currently difficult to imagine.

The United Arab Emirates – which had already more than made up for the negative effects of the 2009 world economic crisis in the BTI 2014 – has almost closed the gap with Qatar, the region’s traditional economic leader. This results from the implementation of parts of the Vision 2021 development strategy, as well as from improvements in competition order, anti-monopoly legislation and banking-sector regulation. Progress has also been evident in “soft economic factors” such as non-discriminatory access to jobs and social services, environmental protection and education policy. For example, the government invested 21% of the 2014 state budget in education – not only in infrastructure, but also in further training for teachers, who (as in the entire region) are insufficiently skilled. The record is once again clouded by the persistence of the Kafala system of private sponsorship of labor immigrants in all Gulf monarchies, which places South Asian workers, in particular, under a system resembling serfdom and deprives them of their rights to self-determination.

Morocco and Tunisia also made significant progress. Morocco’s government has not only reduced subsidies, but has also stabilized the banking system. In addition, the government took steps toward increasing the sustainability of the economic system by adopting a new environmental law and expanding the alternative energy sector. Jordan also improved in terms of sustainability by reaching an agreement in December 2013 with Israeli and Palestinian authorities on the use of water from the Jordan River, and also gave the go-ahead for the construction of nine new solar and two windturbine facilities. Tunisia has also consolidated to a certain extent after its first four breathless years following the revolution. The creation of jobs, especially for youth and university graduates, is currently the greatest challenge.

In Egypt, the government of President al-Sisi and Prime Minister Ibrahim Mahlab was striving to deepen economic cooperation with international partners, primarily in connection with mega-projects, such as the expansion of the Suez Canal and the construction of completely new cities. The constitution adopted in 2014 postulates that the state increase public-health spending from 2% to 3% of GDP in order to eliminate the greatest shortcomings. In addition, it posits the equality of the sexes and religions, and thus offers a legal framework for a reduction of existing inequities.

The economies of Iraq, Libya, Sudan and Syria are completely shattered. The war has affected millions of people who have been dislocated, injured or killed, and the destruction of critical infrastructure has set Libya and Syria, in particular, back by decades. However, the Iraqi northern territories under the control of the Kurdish Regional Government remain a positive exception, even though the massive flow of refugees from the IS-occupied areas represents a heavy burden.

At the other end of the affluence scale, the oil-producing states face an increasingly imminent dilemma. As the oil supply declines and oil rents dip, the generous provisions of their welfare system will soon no longer be sustainable at the same level. Oil-dependent economies already fall short of keeping up their once-achieved levels of social safety and opportunity (see chart below). Therefore, diversification and investment in economic growth sectors should be pursued further. In the long run, even Saudi Arabia would be unable to cope with the current low oil prices; however, as the largest oil producer, it has the greatest capacity to drive the world oil price higher by further reducing its own output, if the country’s own finances require such a step.
However, dropping oil revenues alone cannot remotely explain all economic and social strains. Bahrain’s example demonstrates how political instability can lead to greater economic distortions, as the unrest in 2011 triggered a massive capital flight and prompted a reduction in the country’s credit rating. The country is falling behind in its competition with Saudi Arabia, Qatar and the United Arab Emirates, in particular, to become the strongest financial center in the Gulf region. Due to ongoing political tensions, the government has delayed urgently needed fiscal reforms, including a reduction of the far-too-high subsidies. The situation of the Shi'ite majority has drastically worsened, as its members remain largely excluded from public jobs, especially in the security forces. The only counterstrategy is the exploration and exploitation of additional oil sources; however, this comes at a high price, as it threatens entire ecosystems.

The end of oil-financed welfare?

Oil rents (x-axis) are the difference between the value of crude oil production at world prices and total costs of production (source: World Bank, World Development Indicators). BTI Welfare Regime scores (y-axis) roughly correspond in time with the reference years: BTI 2010 (covering 2/2007 to 1/2009) with 2008 values and BTI 2016 (covering 2/2013 to 1/2015) with 2013 values. Countries were selected on the basis of an oil-rents-to-GDP ratio above 20% as of 2008, the year of “peak oil.”

Changing of the political guards
New faces or new parties: The three countries to undergo a change in political direction were the only ones to show improvements in government performance. Meanwhile, more than half of the countries have stagnated or suffer under total mismanagement.

How similar these pictures are: From authoritarian conduct follows a pragmatic course of reconciliation; from confrontational behavior comes a de-escalation of tensions. Described here are Iran and Iraq, in each of which a change in the state’s top leadership has led to initial successes. Thus, Iran’s new president, Hassan Rouhani, is making conciliatory gestures after years without any reform efforts. By easing tensions in the nuclear negotiations, the Islamic Republic can now count more strongly on international support. Rouhani has also made significant domestic moves, bringing the issue of rampant corruption under Mahmoud Ahmadinejad, his predecessor, into the public discourse and distancing himself in many other areas from the policies of his predecessor.

In Iraq, too, a fresh breeze is blowing after years of frustration. Haider al-Abadi, the new prime minister, is also pursuing reconciliation, particularly regarding relations between Shi’ites, Sunnis and Kurds – a task rendered more important and more difficult as the Islamic State’s territorial gains and countless atrocities do lasting damage to interfaith cooperation. Following the sometimes miserable performance of the Iraqi army against the advancing IS fighters, al-Abadi set a security-sector reform process in motion and intensified international military cooperation. However, little has changed with regard to the country’s precarious position, which leaves the state on the verge of failure.

Tunisia’s shifting governments have made considerable progress with regard to transformation management. Above all, the government leadership is now clearly consensus-oriented. The two largest parties, the secular Nidaa Tounes and the Islamist Ennahda, have found common ground, particularly in the area of economic policy, and are also working together toward the democratization of society. However, both parties are viewed with skepticism: Nidaa Tounes is accused of promoting members of the old regime, while Ennahda is alleged to hold a creeping Islamization of the country as its real goal. A strong involvement of civil society in the policy-making process, as took place particularly in 2013, may here serve as a safeguard against a departure from the democratic path. In regard to dealing with the injustices of the past, Tunisia – with the passage of a law on transitional justice and reconciliation in December 2013, and the establishment of a truth commission a year later – has acted as a trendsetter. However, dealing with past human-rights violations continues to be a very controversial issue domestically; thus, it remains unclear how effective and free from constraint the commission’s work will prove to be.

The Egyptian transformation record remains ambivalent. A look at the details following the violently imposed change in government in 2013 is therefore worthwhile. For instance, the country has made significant progress with regard to policy coordination under the al-Sisi government. At the same time, the “new old regime,” as critics call it, allows less democracy and has missed an opportunity to engage in reconciliation with hostile political camps. Al-Sisi’s uncompromising focus on security policy at the cost of civil and political rights, as well as the resurgent political and economic dominance of the army, de facto means a return to a hard-line autocracy reminiscent of the Mubarak era. The security forces’ massacre of regime critics and attacks by extremists on military and police posts signify the enormous increase in polarization and societal division.

Some improvements were evident in the United Arab Emirates. It temporarily took over leadership within the Gulf Cooperation Council, as Saudi Arabia played a more passive role after the death of King Abdullah. Qatar, with its support of the Muslim Brotherhood and the Islamic State, maneuvered itself to the political sidelines. Doha’s destabilizing role in the regional conflicts as well as the political marginalization of its own civil society contributed to a more skeptical assessment within the BTI.

Significant deterioration took place in Libya and Yemen. Both countries are suffering from a progressive disintegration of the state and are close to a complete breakdown of steering capability – a condition that has already characterized Syria since the outbreak of the civil war. Turkey’s transformation management has also deteriorated, albeit from a significantly higher level. Here, the reservations of those who see Recep Tayyip Erdoğan not so much as a “democratic Islamist,” but rather as an extremely power-conscious patriarch who wants to rebuild Turkey step by step according to his own vision appear to be confirmed. To be sure, in his two terms as prime minister, from 2002 to 2014, Erdoğan provided significant reform impetus in the areas of economic policy and democratization. However, following his election as president in August 2014, he has increasingly become a patriarchic and stubborn decision-maker.
In addition, a less compromise-ready attitude has emerged in Turkish foreign policy, which, with its strategy of “zero problems” in relations with neighboring states, has failed. Essentially, following its persistent support for the Muslim Brotherhood and its doubtful role in the Syrian conflict, Turkey has few remaining regional allies. Its relations with the European Union, too, have palpably cooled. There is little question that Turkey faces significant challenges both domestically and internationally, and it is unclear in which direction it will further develop.

**Turning back the clocks**

The observations of the BTI 2016 leave no room for doubt: The Middle East and North Africa are no longer on the upswing. Rather, the state of political transformation and government performance are reminiscent of the depressing era of dictatorships. Added to this are the barbaric actions of the numerous Islamist extremist groups, particularly the Islamic State. This will be a lasting burden on future developments.

Apart from some successful economic reforms in the Gulf monarchies, Tunisia represents the only positive exception. However, the road ahead is long and rocky. It remains to be seen, for example, how well this defective democracy will be able to deal with deeply entrenched deficiencies, such as widespread corruption.

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- **Political transformation**
- **Economic transformation**
The countries of the Middle East and North Africa currently lack virtually everything important for successful development: social peace and cohesion, economic competitiveness, social security for the majority of the population, progressive governments and functioning education systems. Of all the urgent problems, the high youth unemployment rate is likely the most urgent, as – given birth rates in most countries that remain far too high – it is questionable how the overall weak and poorly governed economies will be able to provide sufficient bread and social justice for the millions of people that are added every year. Egypt's population alone, which has already tripled in the course of the past half-century, will grow from today's 90 million people to more than 150 million by about 2050, according to a United Nations forecast. But even at the top end of the income scale, it is far from clear how well the seemingly stable Gulf monarchies would be able to come to terms with oil prices that remained low over the long term, which would constrain their ability to finance the comprehensive welfare benefits so critical to their retention of power.

By using even more instruments of repression and always pointing to the dangers of an out-of-control Islamist threat, governments are currently ensuring that freedom – the third of the prominent demands made during the Arab Spring – will not be granted. Young people, in particular, are suffering as a result, as their hopes in 2011 were great, and they now have to cope not only with economic hardships, but with deep political frustration, as well. All in all, the agenda that drove people to the street five years ago remains relevant today: more democracy and, as a first important cornerstone, a solid rule of law. It should begin with ensuring that activists are no longer locked up for years on the basis of trivial offenses, and with enabling foreign investors to encounter a reliable legal framework. More prosperity is also critical. This goal can only be achieved through a strengthening of individual enterprises, not through the state monopolies, kleptocratic networks and powerful militaries so dominant today.

In such a repressive setting, the tension between Islamism and secularism remains unresolved. The moderation thesis – that the responsibilities of government (e.g. engaging in civil discourse and confronting pragmatic necessities) would smooth political Islam's sharpest edges – cannot as yet be assessed. This is because political Islam has not yet had sufficient time to prove that it is indeed capable of a humane, democratic and sustainable policy.

But, above all, the question of a common social life remains. While the moderate forces, creatives and entrepreneurs increasingly plan their future outside the region, the seed of the next generation's hatred is being planted in the prisons and the slums, in the refugee camps and on the battlefields. And yet, despite Western views, which tend to focus on how extremists deny a right to exist to those who think or believe differently, there remains a broad majority population that supports tolerance and acceptance of cultural and religious diversity. Strengthening this majority is the order of the day – so that the hate of the extremists does not result in the loss of the traditional humanity and hospitality that has so positively characterized the societies of the Mashriq and the Maghreb for so many centuries.