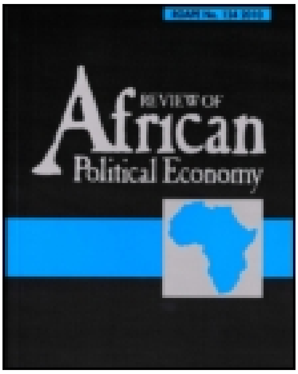

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BRIEFING

Neoliberal threats to North Africa

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A 2008 incident in Carthage spoke volumes about power politics and economic ideology. As he was given the country's main honour, the Order of the Tunisian Republic, on account of his 'contribution to the reinforcement of economic development at the global level', International Monetary Fund (IMF) Managing Director Dominique Strauss-Kahn returned the favour, offering Zine El Abidine Ben Ali's dictatorship a warm embrace. 'Economic policy adopted here is a sound policy and is the best model for many emerging countries,' said Strauss-Kahn. 'Our discussions confirmed that we share many of the same views on Tunisia's achievements and main challenges. Tunisia is making impressive progress in its reform agenda and its prospects are favourable' (Phillips 2011, p.1).

In late May 2011, just days after Strauss-Kahn resigned (following charges of sexual assault), the IMF (2011a, pp. 1–2) outlined a new set of opportunities in Tunisia and neighbouring countries:

> The spark ignited by the death of Mohammed Bouazizi has irretrievably changed the future course of the countries in the Middle East and North Africa (MENA). But each country will change in its own way and at its own speed. Nor will they necessarily have a common political or economic model when they reach their destination.

Specifically for Egypt, that destination included two words, 'social justice', which began appearing frequently in official statements. The IMF's US$3 billion loan offer to Egypt on 4 June would have added to an existing US$33 billion in foreign debt inherited from Hosni Mubarak's regime, which a genuinely new, free democracy would have grounds to default on because of its 'Odious' nature in legal and technical terms. To legitimise that debt requires new loans that have an aura of relevance. However, to everyone's surprise on 25 June 2011 the IMF loan was rejected in favour of financing by the Gulf Cooperation Council and Islamic Development Bank.

IMF Mission Head in Egypt Ratna Sahay (2011, p. 1) had claimed on 2 June, 'We share the draft budget's overarching goal aimed at promoting social justice. The measures go in the right direction of supporting economic recovery, generating jobs and assisting low income households, while maintaining macroeconomic stability.' Three days later, acting Managing Director John Lipsky (*IMF Survey* 2011, p. 1) reiterated, 'We are optimistic that the programme's objectives of promoting social justice, fostering recovery, and maintaining macroeconomic stability and generating jobs will bring positive results for the Egyptian people.' The same day, said

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Sahay (*IMF Survey* 2011, p. 1), 'Following a revolution and during a challenging period of political transition, the Egyptian authorities have put in place a home-grown economic programme with the over-arching objective of promoting social justice.'

Egyptians may disagree, for the following week, the new government of Essam Sharaf began implementing a controversial law banning strikes. Minister of Finance Samir Radwaan promised a continuation of neoliberal policies and on 9 June cancelled a proposed capital gains tax after pressure from the stock market. It is not known whether the IMF was surreptitiously involved in these decisions a few weeks prior to the rejection of the institution's US$3 billion loan.

Beyond the incongruous rhetoric embracing democracy and social justice, there appears to be very little difference in what is being advocated to Arab democrats today and what was advocated to Arab dictators yesterday. For in September 2010, *IMF Survey Magazine* (Toujas-Bernate and Bhattacharya, 2010, p. 1) praised Ben Ali for his commitment 'to reduce tax rates on businesses and to offset those reductions by increasing the standard VAT [value added tax] rate.' A few weeks later, on 27 December, informal street trader Mohammed Bouazizi was subject to a police attack – his fruit cart was overturned, which caused such frustration he publicly self-immolated – presumably because he was not contributing to the 18% VAT rate with his survivalist home-production business. There may have been other reasons, but this is typically one rationale offered by authorities for disrupting street traders across the world, and Tunisia's informal sector has been measured at nearly half the Gross Domestic Product in recent decades (Easton 2001, p. 22).

If the IMF leadership praised the dictatorship, insisted on austerity and advocated squeezing poor people for more taxes, what business does it have today in giving similar decisive advice in Tunisia, or anywhere in the Middle East and North Africa, or for that matter Europe (from Ireland to Greece) or anywhere at all? What can we learn about IMF thinking in Tunisia, Egypt and Libya? And should we be made hopeful by the Egyptian military's rejection of the loan?

Tunisia as 'best model'

In its 2010 Tunisia review, called an Article IV Consultation, the IMF (2010a, pp. 1, 12, 13) approved Ben Ali's policies of 'enhancing its business environment and improving the competitiveness of its economy', including a preferential trade agreement with West Africa and 'free trade agreements with the Central African Economic and Monetary Community. Bilateral negotiations with the European Union are also under way to extend the Association agreement to services, agricultural products, and processed food; the agreement currently provides for free trade for industrial products.' In addition, the IMF (2010a, p. 13) appreciated Tunisia's 'reforms to labour market policies, the educational system, and public employment services that will serve to facilitate labour mobility'. The IMF applauded the Tunis authorities for 'reforming the social security system' (i.e. payment cuts to retirees that might 'buttress the pension system's financial sustainability'), exploring 'ways to contain subsidies of food and fuel products', and 'undertaking reforms to make the tax regime more business friendly' including, as noted above, commitments 'to reduce tax rates on businesses and to offset those reductions by increasing the standard VAT rate' (the VAT is a consumption tax and thus explicitly regressive insofar as low-income people are hit by the state for a larger share of their income).

A further IMF (2010a, p. 14) objective was 'consolidating the financial strength of banks, enhancing the role of banks in the economy, restructuring the public banking system, and bolstering the presence of Tunisian banks abroad. The aim, ultimately, is to transform Tunisia into a banking services hub and a regional financial market.' That in turn required 'inflation targeting' (a technique to depoliticise monetarist policy especially for the purpose of raising interest rates) and 'convertibility of the dinar and capital account liberalization by 2014.'

This was economic liberalisation without much disguise, at a time of declining tourism revenues and textile trades. In contrast, there was no IMF conditionality aimed at reforming the dictatorship and halting widespread corruption by Ben Ali and his wife's notorious Trabelsi family, or lessening the two families' extreme level of business concentration, or ending the regime's reliance upon murderous security forces to defend Tunisian crony capitalism, or curtailing the hedonism for which Ben Ali had become famous. According to WikiLeaks (Cole 2011), even the notoriously lax-on-dictatorship US State Department was disgusted by the consumption norms of the Ben Ali and Trabelsi families, and their control of half the national economy. In this sense, the typical way in which African 'IMF riots' degenerated in prior decades was avoided, as a deep democratic social movement emerged (in a parallel to similar movements of the 1990s in Latin America). Whether or not it is strong enough to prevent the post-dictatorship government from adopting neoliberal measures at its core remains to be seen.

Egypt

The IMF (2010b) offered a strikingly similar line of argument in Egypt in its April 2010 Article IV Consultation statement, praising the Mubarak dictatorship for implementing neoliberal policies prior to the global financial meltdown, and then after a brief moment of rising budget deficits and loose monetary policy, insisting on a return to the Washington Consensus forthwith. On the one hand the IMF (2010b, p. 10) document complained about the crisis-induced postponement of 'key fiscal reforms – introducing the property tax, broadening the VAT, and phasing out energy subsidies', but offered an upbeat endorsement of the ruling regime:

> Five years of reforms and prudent macroeconomic policies created the space needed to respond to the global financial crisis, and the supportive fiscal and monetary policies of the past year have been in line with staff's advice. The authorities remain committed to resuming fiscal consolidation broadly in keeping with past advice to address fiscal vulnerabilities ... Such adjustment will be crucial to maintain investor confidence, preserve macroeconomic stability, and create scope for future countercyclical fiscal policy. (IMF 2010b, pp. 1, 4)

In addition to expanding Public–Private Partnerships (PPPs, a euphemism for services privatisation and outsourcing), the IMF (2010b, p. 4) named its priorities: 'adopting as early as possible a full-fledged VAT, complementing energy subsidy reform with better-targeted transfers to the most needy, and containing the fiscal cost of the pension and health reforms.' Although the IMF (2010b, p. 24) noted just once that 'Transparency International cites accountability and transparency, and weaknesses in the legal/regulatory system as key reasons for Egypt remaining 111th of 180 countries on its Corruption Perception Index', it immediately followed this observation with a non sequitur:

> Decisive action to continue the earlier reform momentum should focus on addressing the remaining structural weaknesses. In addition to sound macroeconomic policies, efforts should focus on: Resuming privatization and increasing the role of carefully structured and appropriately priced PPPs should assist fiscal adjustment and mobilize private resources for infrastructure investment.

The word governance does not appear in the IMF (2010b, p. 35) document, nor, interestingly, did the IMF express concern about Egypt's then US$32 billion foreign debt: 'The composition and small size of Egypt's external debt makes it relatively resilient to adverse external shocks.' The IMF (2010b, p. 44) also noted, in 2010, that 'the relationship between Egypt and the World Bank Group has been transformed and markedly improved over the last few years as a result of the progress Egypt has made in implementing reforms.'

So it was that in Egypt in early 2011, just as in Tunisia, the IMF was caught flat-footed by the popular uprising and, relatedly, by the immediate problems of rapid capital flight and fiscal/financial stress that resulted. By late May 2011, in its G8 report, IMF (2011a, p. 9) staff had recovered and conceded:

> The January revolution has raised the aspirations of Egypt's population at a time when the economy is taking a hit from domestic unrest in the short term, the ensuing uncertainty, and large global and regional shocks (e.g. the rise in commodity prices and the violence in Libya). The political shock triggered substantial capital outflows, which in addition to the decline in tourism revenue, remittances, and exports, have led to a loss of foreign exchange reserves of about US$15 billion in the four months to end-April.

In that document, IMF (2011a, p. 9) staff worried that 'managing popular expectations and providing some short-term relief measures will be essential to maintain social cohesion in the short term', and that this would come at a price: 'external and fiscal financing gaps of US$9–12 billion ... which would need to be filled with exceptional support from Egypt's multilateral and bilateral development partners, particularly given the limited scope for adjustment in the short term.' The 'limited scope' reflected the breath of democracy in Egypt, but the assumption seemed to be that investments of US$1 billion in debt relief (leaving US$33 billion to repay) and additional grants would permit Cairo to restore good relations with Washington and to get over the hump of the democratic revolution with its 'reform' agenda intact. And even if the US$3 billion IMF loan was rejected after deliberation and protest, the other Gulf states that will step in with financing have the same basic interests in status quo political economy.

As political economist Adam Hanieh (2011, p.1) concluded just after the G8 summit and allied Arab states pledged US$15 billion to Egypt:

> The plethora of aid and investment initiatives advanced by the leading powers in recent days represents a conscious attempt to consolidate and reinforce the power of Egypt's dominant class in the face of the ongoing popular mobilizations. They are part of, in other words, a sustained effort to restrain the revolution within the bounds of an 'orderly transition' – to borrow the perspicacious phrase that the US government repeatedly used following the ousting of Mubarak.
>
> At the core of this financial intervention in Egypt is an attempt to accelerate the neoliberal program that was pursued by the Mubarak regime ... If successful, the likely outcome of this – particularly in the face of heightened political mobilization and the unfulfilled expectations of the Egyptian people – is a society that at a superficial level takes some limited appearances of the form of liberal democracy but, in actuality, remains a highly authoritarian neoliberal state dominated by an alliance of the military and business elites.

Libya

The same neoliberal pro-dictator narrative was established in Libya, for example, in the IMF's (2010c, p. 7) October 2010 pronouncements in which Muammar Gaddafi's mass firing of 340,000 civil servants was celebrated: 'About a quarter have reportedly found other sources of income and are no longer receiving transfers from the state budget. The mission recommends that the retrenchment program be accelerated.'

The IMF's last full Article IV Consultation for Libya was published on 15 February 2011, just before civil war broke out. Implying that Gaddafi was safe from the Arab Spring, the IMF (2011b, pp. 2–3) noted that 'Recent developments in neighboring Egypt and Tunisia have had limited economic impact on Libya so far', and flattered Tripoli on a variety of fronts:

> An ambitious programme to *privatize banks and develop the nascent financial sector is underway* … Structural reforms in other areas have progressed. The passing in early 2010 of a number of far-reaching laws bodes well for *fostering private sector development and attracting foreign direct investment* … Executive Directors agreed with the thrust of the staff appraisal. They welcomed Libya's strong macroeconomic performance and the progress on *enhancing the role of the private sector* and supporting growth in the non-oil economy. The fiscal and external balances remain in substantial surplus and are expected to strengthen further over the medium term, and the outlook for Libya's economy remains favourable. [emphasis added]

This optimistic report and others like it annoyed two *New York Times* reporters (Briancon and Foley, 2011):

> Less than two weeks ago, the IMF's executive board, its highest authority, assessed a North African country's economy and commended its government for its 'ambitious reform agenda'. The IMF also welcomed its 'strong macroeconomic performance and the progress on enhancing the role of the private sector', and 'encouraged' the authorities to continue on that promising path. By unfortunate timing, that country was Libya. The fund's mission to Tripoli had somehow omitted to check whether the 'ambitious' reform agenda was based on any kind of popular support. Libya is not an isolated case. And the IMF doesn't look good after it gave glowing reviews to many of the countries shaken by popular revolts in recent weeks.

MENA economies under Washington's thumb

Although not objecting to the IMF's neoliberal ideology, the *Times* reporters cited similar upbeat language in its reviews of Bahrain, Algeria and Egypt, worrying that 'the toppling of unpopular regimes will make it difficult for their successors to adopt the same policies. In the future, the IMF might want to add another box to check on its list of criteria: democratic support' (Briancon and Foley 2011). Indeed, Tunisia, Egypt and Libya were not isolated mistakes, but reflected an approach to the entire Middle East and North Africa region. As Masood Ahmed (2010, p. 1), IMF Director for the Middle East and Central Asia Department, argued in the November 2010 *International Economic Bulletin* of the Carnegie Endowment for International Peace, the countries in his portfolio

> Must, first and foremost, boost their competitiveness. Sound macroeconomic policies – in particular, fiscal consolidation – will help, but governments will also need to make greater efforts to improve the business climate. Unfortunately, many of these countries are still characterized by burdensome regulatory systems, weak institutions, and a dominating public sector. Countries must also enhance labor market functioning by improving education (to better match the supply of, and demand for, certain skill sets) and ensuring that wages better reflect market conditions. Finally, trade tariffs need to come down. While they have been streamlined and lowered – mainly under the auspices of trade agreements with the European Union and the United States – they remain high, averaging over 12 percent in 2009. Most importantly, with the region's traditional advanced-economy trading partners now growing more slowly, MENA countries should seek new export markets.

Of course, this kind of dogmatic Washington Consensus advice was often balanced, in the IMF's 2010 Article IV Consultations with language to the effect that 'pro-growth reforms' and 'shared', 'pro-poor' development and social policies would also be pursued. But as the World Bank's (2011a, pp. 27–28) MENA Regional Economic Update of May 2011 showed, the support for social policy was within tight fiscal limitations, which many MENA countries were breaking:

> As governments want to reduce unemployment and ease the burden of high commodity prices, social protection has expanded rapidly in the region. While some measures are desirable, especially those targeted at protecting the most vulnerable, there is a risk that many of these policies are broad and will be very costly. In particular, expansion of public sector employment is costly and difficult to reverse. More effective employment policies are likely to involve short-term employment in public works. In addition, raising minimum wages, public sector wages, and/or unemployment benefits, as has been done in a few countries, will likely reduce equilibrium employment in the absence of other changes. To the extent that fuel is subsidized this creates a distortion and steers resources towards fuel-intensive industries, which tend to be capital intensive. These policies may have the undesirable consequence of reducing employment prospects for those outside the public sector.

However, the harsh reality (borne out through social revolutions) that growth was weak and not being shared meant that by May 2011, the IMF's (2011a) new language was much more sober:

> In MENA, prolonged instability, resulting from unmet political and social targets or spillover effects and lack of clarity about the future political transition, is the most serious risk to the short-term regional economic outlook. Prolonged tensions would amplify the negative impact on capital inflows and domestic financial exchanges, tourism receipts and remittances, and in turn on investment, output, and employment. Construction, manufacturing, tourism and financial institutions are most likely to suffer losses with further deterioration of the situation. A renewed loss of investors' confidence would translate into increased cost of capital further dampening growth prospects. Prolonged unrest would also threaten MENA's social policy design and fiscal health, as revenues would remain weak and expenditure would be elevated, especially if commodity prices remain strong. Already, as governments want to reduce unemployment and ease the burden of high commodity prices, social protection has expanded rapidly in the region. While some measures are desirable, especially those targeted at protecting the most vulnerable, there is a risk that many of these policies are broad and will be very costly. In particular, expansion of public sector employment is costly and difficult to reverse. More effective employment policies are likely to involve short-term employment in public works. In addition, raising minimum wages, public sector wages, and/or unemployment benefits, as has been done in a few countries, will likely reduce equilibrium employment in the absence of other changes. To the extent that fuel is subsidized this creates a distortion and steers resources towards fuel-intensive industries, which tend to be capital intensive. These policies may have the undesirable consequence of reducing employment prospects for those outside the public sector. Moreover, it is important they are used to complement and support government reforms, and not as a substitute.

But imposing a new round of Washington Consensus policies risks what even World Bank (2009, p. 1) Chief Africa Economist Shanta Devarajan in 2009 termed 'the spectre of political instability and social unrest', a point we take up again in the conclusion. For Devarajan, 'market-based reforms, which were painful in the first place but which African countries implemented because they could see the impact they were having on growth, are likely to lose political support because they no longer deliver results.' At the same press briefing, World Bank Africa Vice President Obiageli Ezekwesili worried, 'It is precisely in a season of crisis like this that African governments must stay the course of market-based reforms' (World Bank 2009, p. 1).

The possibility of MENA governments not taking Ezekwesili's advice and diverting further into Keynesian territory, including imposing exchange controls, was sufficiently strong (especially in North Africa) that a journalist at the April 2011 IMF (2011c) spring meetings dared pose it to Strauss-Kahn: 'Do you have any fears that there is perhaps a far left movement coming through these revolutions that want more, perhaps, closed economies?' For Strauss-Kahn, this was a 'Good question. Good question. There's always this risk, but I'm not sure it will materialize.' For Strauss-Kahn, the bottom-line slogan for his questioner was predictable enough: 'We're in a globalized world, so there is no domestic solution.'

The Bretton Woods Institutions and the G8

For anyone worried about the ways neoliberalism will undermine popular aspirations in the Middle East and North Africa, the World Bank and IMF documents released in late May give enormous cause for concern. The two institutions have long been implicated in Third World corruption, to the extent that Odious Debts owed by poor economies are increasingly subject to questioning (the way that Ecuador did in 2009 while defaulting on US$9 billion in loans it should not have had to repay). But while repaying foreign debt under conditions of crisis is one of the central tasks that the Bank and IMF paymasters have taken on since the early 1980s, there is also a crucial ideological role played by the two in continually reinventing neoliberalism, which in the case of MENA in 2011, requires a conflation of political and economic 'reform'.

The World Bank's (2011b, p. 4) 27 May document, 'Towards a new partnership for inclusive growth in the Middle East and North Africa (MENA) Region' is exemplary, if only to illustrate either amnesia or chutzpah:

> Economic reforms had started in several countries during the last decade. But in the context of declining state legitimacy, low levels of political participation, nepotism, perceptions of corruption and predation, and little accountability, reforms were too partial to take real hold or to transform sclerotic intuitions. Often they were perceived to increase inequality, and benefit the politically-connected elite.

A more honest rewriting of this paragraph might be:

> Economic austerity was imposed by the IMF and Bank starting in several countries during the 1970s, and was amplified subsequently across the lower income MENA countries. Political corollaries to Washington's support for the ruling regimes included their declining state legitimacy, low levels of political participation, nepotism, perceptions of corruption and predation, and little accountability. Austerity was implemented by the societies' sclerotic ruling intuitions, so as to increase inequality and benefit the politically-connected elite.

Because the politically connected elite will take extreme measures to remain in power, as the Gaddafi family showed in the weeks after February 2011, the World Bank probably knows that socio-political and environmental problems in the Arab world will intensify and that citizens' movements will oppose the kinds of policies that drove Mohammed Bouazizi to suicide. A summary of Bank (2011b, p. 4) findings presented to the May 2011 G8 meeting in France is as follows:

> Citizens are challenging authorities across MENA with the unifying refrain for 'Dignity, Respect and Freedom' and an end to the Arab exceptionalism which has denied rights enjoyed elsewhere.

> However, the political nature of the change should not underestimate the role played by economic factors. Countries have been unable to sustain shared economic growth at levels necessary to generate the quantity and quality of jobs expected by a rapidly expanding labor force, notably young men and women.
>
> Economic reforms had started in several countries during the last decade. But in the context of limited accountability, reforms were perceived to increase inequality and benefit the politically-connected elite.
>
> The public engagement emerging today in several MENA countries opens an opportunity for the people of the region to carry out the kind of reforms needed to overhaul the development paradigm. Greater government accountability and public participation will be essential elements.
>
> As government legitimacy deepens, there is also likely to be more effective regional cooperation in the Arab world, based on solidarity among peoples, and a desire for greater inclusiveness, both regionally and globally.
>
> The Arab Spring creates significant opportunities for the MENA Region and for the world, but there are also challenges and risks. Food and energy price shocks, and in general the global economic environment, could challenge the economic and political reform process. In some countries, there are risks that governments will be driven by populist demands or that necessary reforms stall due to popular backlash. Political risk perceptions may rise, deterring the domestic and foreign private investment needed to create employment, and government budgets may shift away from investment towards consumption to cool popular discontent. Timely external support for countries to address their peoples' aspirations may fall short of needs.
>
> A crucial issue in the sustainability of the governance transition will be the availability of adequate public and private funding for short-term financing needs, and for the medium-to-long-term investments which will generate the bulk of much-needed jobs, particularly in the private sector.
>
> Innovative financing and risk mitigating mechanisms to support private investment and access international financial markets will be critical to the transition… In the same vein the opening of external markets – for goods, services and labor – will be fundamental to the success or failure of the transition. Ultimately this will matter more than external financial support. The G8 countries have a major role to play in this regard.

The Bank's (2011b, p. 24) main objective appears to be making Arab economies more vulnerable:

> The wave of self-confidence and self-assertion now sweeping the Arab world, and the refutation of any notion of Arab 'exceptionalism', could lay the foundation for an even deeper partnership between the Arab countries, the World Bank Group, and other partners in the Arab World Initiative. The time could be ripe for Arab regional cooperation, and for the more vigorous pursuit of inclusive globalization.

In general the agenda of Washington in both political and economic terms is to use state instability created by popular protest to lock in more extreme forms of neoliberalism via globalisation. The IMF (2011a, p. 3), for example, argues that:

> Close to 60 percent of MENA exports are directed to Europe – reflecting proximity and long-standing linkages – which implies that MENA has not inserted itself into the global economy and has not been benefiting from the high growth rates achieved in other emerging markets.

If the new governments pursue this path, then very short-term increases in state spending to quell unrest will be permitted by the IMF (2011a, p. 7), it appears:

> With mostly limited fiscal space, MENA oil importers confront the immediate challenge of preserving macroeconomic stability while building social cohesion. Additional spending in the short term is understandable and necessary to ensure

> social cohesion. Nonetheless, oil importers cannot afford to strain public finances, in order not to derail – over the medium term – the pursuit of the new inclusive growth agenda. To this end, they will need to partially offset some of the additional cost of higher subsidies and other support measures through cuts elsewhere. In the same vein, they will also need to avoid introducing measures that would raise spending on a permanent basis. To preserve market confidence and prevent further escalation of the cost of funding, governments should detail credible plans for unwinding emergency measures.

Those plans, according to the IMF (2011a, p. 8), should include:

- revisiting the role of the public sector and providing space for a vibrant private sector;
- improving further the business climate;
- developing financial systems with a wider reach;
- fostering trade integration; and
- strengthening the functioning of labour markets.

Interestingly, the IMF (2011a, p. 15) offered one brief *mea culpa* in its May 2011 document:

> The success of such a partnership will require the international community to draw lessons from the shortcomings of previous approaches that generated weak country ownership and resulted in scepticism amongst many stakeholders in the region. For the IMF, this means addressing important socio-economic dimensions that thus far have not been sufficiently brought to the fore in its policy advice, and to work with other stakeholders to build broader support within the region.

Yet the authors of the report appeared to have added this as a formality, because the 'socio-economic dimensions' will worsen if neoliberal policies are implemented, and moreover, there was no *mea culpa* on the IMF's support to tyrants.

As a result of these multiple attacks by the IMF and World Bank on North Africa and the entire region, democracy activists will fruitfully compare notes and unite to forcefully challenge Washington's political and economic agenda. After all, the World Bank (2011b, p. 27) Regional Economic Survey of May 2011 linked resistance quite explicitly to neoliberal policy (albeit with 'unmet targets' as a discursive substitute for dictatorial behaviour):

> In MENA, prolonged instability, resulting from unmet political and social targets or spillover effects and lack of clarity about the future political transition, is the most serious risk to the short-term regional economic outlook. Prolonged tensions would amplify the negative impact on capital inflows and domestic financial exchanges, tourism receipts and remittances, and in turn on investment, output, and employment. Construction, manufacturing, tourism and financial institutions are most likely to suffer losses with further deterioration of the situation. A renewed loss of investors' confidence would translate into increased cost of capital further dampening growth prospects. Prolonged unrest would also threaten MENA's social policy design and fiscal health, as revenues would remain weak and expenditure would be elevated, especially if commodity prices remain strong.

Prolonged unrest

The prospect for a new round of political protest centred on economic justice is therefore worth taking seriously. Such protest is especially important given that the world's mainstream media has apparently bought into an increased role for the IMF and World Bank in 'supporting' the Arab Spring. When Strauss-Kahn began reacting to the crisis in January, this was a fairly typical, uncritical report (from Philip Lim, 2011, at Agence France Presse):

> As Egyptian protesters gathered in their thousands demanding the departure of

> President Hosni Mubarak, Strauss-Kahn said: 'The IMF is ready to help in defining the kind of economic policy that could be put in place.' In a speech in Singapore, he said rampant unemployment and a growing income gap was a 'strong undercurrent of the political turmoil in Tunisia and of rising social strains in other countries'. Nationwide demonstrations last month led to the ouster of Tunisian strongman Zine El Abidine Ben Ali, and massive street protests are raging in Egypt seeking an end to Mubarak's more than 30-year rule. 'As tensions between countries increase, we could see rising protectionism – of trade and of finance', Strauss-Kahn said. 'And as tensions within countries increase, we could see rising social and political instability within nations – even war.'

The Western media exhibit a relatively low awareness of the 'social and political instability' threat from neoliberalism. Austin Mackell's (2011) *Guardian* report on 25 May was one of the few to express concern:

> The new loans being negotiated for Egypt and Tunisia will lock both countries into long-term economic strategies even before the first post-revolution elections have been held. Given the IMF's history, we should expect these to have devastating consequences on the Egyptian and Tunisian people. You wouldn't guess it though, from the scant and largely fawning coverage the negotiations have so far received.
>
> The pattern is to depict the IMF like a rich uncle showing up to save the day for some wayward child. This Dickensian scene is completed with the IMF adding the sage words that this time it hopes to see growth on the 'streets' not just the 'spreadsheets'. It's almost as if the problem had been caused by these regimes failing to follow the IMF's teachings . . .
>
> Beginning in the 1990s, IMF-led structural adjustment programmes saw the privatisation of the bulk of the Egyptian textile industry and the slashing of its workforce from half a million to a quarter-million. What's more, the workers who were left faced – like the rest of Egypt – stagnant wages as the price of living rocketed. Though you wouldn't know it from western coverage, the long and gallant struggle of these workers, particularly the strike of textile workers of Mahalla el-Kubra, is credited by many Egyptian activists as a crucial step on the Egyptian people's path towards revolution.
>
> This failure to appreciate the revolutions as a rebellion not just against local dictators, but against the global neoliberal programme they were implementing with such gusto in their countries, is largely a product of how we on the western left have been unwitting orientalists, and allowed the racist 'clash of civilisations' narrative to define our perceptions of the Middle East. We have failed to see the people of the region as natural allies in a common struggle.
>
> It is this blindness that makes the revolutions appear as instantaneous explosions, like switches suddenly flicked, rather than as events in a continuum. A good place to start the story, if you want it to make sense, would be the Egyptian bread riots of 1977, which came following an initial round of economic liberalisation (which was as much a part of Sadat's change of cold war allegiances as his salute to the Israeli flag in Jerusalem). It should not have surprised us that as people's struggle to survive grew more and more grinding following the IMF-led reforms of the subsequent decades they would rise up once more.
>
> Nor should we surprised at the moneyed fightback, which will no doubt be attempted. During this transition period, forces like the IMF will seek to lock in and enlarge the neoliberal project before there is an accountable government to complain about it . . .
>
> These new loans from the IMF threaten to bind the newly democratic Egypt and Tunisia in much the same way. Once more, local elites could collaborate with the institutions at the helm of global capitalism to screw the broader population. If this occurs, these revolutions will be robbed of much of their meaning, and a terrible blow will be dealt to the broader Arab spring.

Predictably, the *New York Times* (Alderman 2011) reported on the Bretton Woods

Institutions' capacity to 'stabilise' MENA countries just after the G8 meeting:

> At a series of working sessions that lasted until the early morning hours Friday, representatives of the Group of 8 expressed concern that the democracy movement in the Arab world could be 'hijacked' by Islamic radicals if the West did not help stabilize the economies of the two countries that touched off the Arab Spring . . .
>
> How much aid the Western powers would ultimately provide, and how effective any aid would be during volatile political transitions in the two countries, remained uncertain. The group's official communiqué promised $20 billion, which would be a major infusion of funds . . .
>
> Democracy, the leaders said, could be rooted only in economic reforms that created open markets, equal opportunities and jobs to lower staggeringly high unemployment rates, especially among restless youths . . .
>
> Officials cautioned that the projected $20 billion in aid from international financial institutions would come in phases and be contingent on democratic and economic reforms. The pledge, an aide to President Obama said, was 'not a blank check' but 'an envelope that could be achieved in the context of suitable reform efforts'.

To be fair, the *New York Times* reporter (Alderman 2011) did add, 'There is a fear, shared by both the American administration and democracy activists, that plunking down large dollar pledges upfront would risk funnelling money into the hands of institutions, including the Egyptian military, which could misuse or simply siphon it off.' But as for the actual policies suggested by Washington, there is no dispute, as noted above in the *Times* report on IMF favouritism to dictators.

To expect or demand more from the IMF and World Bank is to miss the point: they are still instruments of global corporate policy, and indeed also of Western geopolitical interests. As Iranian revolutionary Mohammad-Reza Shalgooni (2011) put it in his series on Revolution and Counterrevolution in the Arab World, in Egypt and Tunisia:

> the military establishment has generally proceeded in harmony with general US policy vis-à-vis the Arab Revolution, and their main objective has been to prevent (or abort when possible) any radicalization of the revolution . . .
>
> It was the US that decided to remove the military in both these countries from an all-out confrontation with the millions-strong masses of people, and to keep them intact (as institutions), to be preserved as levers for controlling the situation in the subsequent stages of the revolution. Of course, we must not forget that the start of the revolution and its escalation in Tunisia and Egypt were so sudden and accelerated that they caught Obama's administration completely by surprise. Due to reasons I have already explained, American leaders knew that an all-out confrontation with the millions of rebellious people who have had enough would be hugely costly, and would jeopardize American long-term interests in this very sensitive region. Consequently, while pressing these dictatorships behind closed curtains to avoid blood baths on a mass scale, in the final analysis, they decided that in order to preserve the ruling regimes, they would sacrifice the dictators themselves.

What forces might overthrow the ruling regimes, with or without dictators, in the event that North African neoliberalism gathers pace? There is certainly awareness amongst the current army elites that the earlier round of neoliberal 'reform' was a factor in the recent revolts, according to Emad Mekay (2011) of Inter Press Service:

> Anger at Egypt's privatisation programme, involving the transfer of billions of dollars worth of public assets to private hands, aided the Egyptian revolution that elbowed the Western-backed Hosni Mubarak out of office in February, a top army general said. Major General Mohammed al-Assar, a leading member of the Supreme Council of the Armed

> Forces, a group of top military generals who are running the country until a civilian leadership is elected, said the military brass were deeply opposed to the privatisation programme. That in turn eased their decision to side with the Egyptian public against the 30-year autocratic rule of Mubarak. Al-Assar told state television on Wednesday that the army has been against the 'plans to sell Egypt' and viewed them as a threat to social peace. He said that Field Marshal Mohammed Tantawi, the council's President and Minister of Defence, had repeatedly raised objections to the privatisation programme, as shown in the minutes of several cabinet meetings he attended. His opinion was often over-ruled by Mubarak and other top officials who had favoured following economic prescriptions from Western countries.
>
> Many of those officials stood to gain from the sale of public enterprises. Prodded by the Washington-based trio – the United States Agency for International Development (USAID), World Bank, and International Monetary Fund (IMF) – Egypt under Mubarak adopted an aggressive programme to sell public companies to both local and foreign investors since the early 1990s. The programme peaked between 1996 and 1999 with the sale of at least some 30 profitable public companies a year.

Even if this sort of analysis is not widely considered by most Western commentators as logical within the context of North Africa's democratic revolution, the need for genuine (not IMF) social justice is often remarked upon by the region's activists and writers. For example, Joseph Massad (2011) warns:

> Moves to limit economic protests and labour strikes are ongoing in Egypt and Tunisia. Once elections are held to bring about a new class of servants of the new order, we will hear that all economic demands should be considered 'counter-revolutionary' and should be prosecuted for attempting to 'weaken' if not 'destroy' the new 'democracy'. If, as is becoming more apparent, the US strikes alliances with local Islamist parties, we might even hear that economic protests and opposition to neoliberal imperial economic policies are 'against Islam'. The US-imposed 'democracy' to come, assuming even a semblance of it will be instituted, is precisely engineered to keep the poor down and to delegitimise all their economic demands. The exchange that the US hopes to achieve by imposing some form of liberal political order on Egypt and Tunisia is indeed *more*, not less, imperial pillage of their economies and of the livelihoods of their poor classes, who are the large majority of the population. The ultimate US aim then is to hijack the successful uprisings against the existing regimes *under the cover of democracy* for the benefit of the very same local and international business elites in power under Mubarak and Ben Ali.

For Samir Amin (2011), the opportunity to contest Washington's agenda represents continuity in potential, thanks to the revolution's profound socio-economic roots:

> The workers' strikes in 2007 (the strongest strikes on the African continent in the past fifty years), the stubborn resistance of small farmers threatened with expropriation by agrarian capital, and the formation of democratic protest groups among the middle classes (like the 'Kefaya' and 'April 6′ movements) foretold the inevitable explosion – expected by Egyptians but startling to 'foreign observers'. ... The youth and the radical left sought in common three objectives: restoration of democracy (ending the police/military regime), the undertaking of a new economic and social policy favorable to the popular masses (breaking with the submission to demands of globalized liberalism), and an independent foreign policy (breaking with the submission to the requirements of U.S. hegemony and the extension of U.S. military control over the whole planet). The democratic revolution for which they call is a democratic social and anti-imperialist revolution. Although the youth movement is diversified in its social composition and in its political and ideological expressions, it places itself as a whole 'on the left.' Its strong and spontaneous expressions of sympathy with the radical left testify to that.

One webzine supporting the revolution, *GlobalFairNet* (2011), reported of the proposed US$3 billion IMF loan that 'Egyptians were largely skeptical, with the deal receiving negative feedback from online citizens and activists.' And indeed as one small reflection of the potentials for wider conscientisation, a Facebook group was started in early June, 'dedicated to resisting attempts to highjack our new republic through imposing monetary, economic, or political regulations on Egypt via the IMF or any other lending institution.'[1] Those attempts were rebuffed, according to *Christian Science Monitor* journalist Dan Murphy (2011):

> Among the leftist activists who helped organize and drive the Egyptian revolution, there were howls of fury over the IMF loan when it was first agreed (and over ongoing contacts between Egypt and the World Bank). These folks view both organizations as tools of economic imperialism, and any ties with the institutions as threats to Egyptian sovereignty.
>
> It's unclear how popular the left will be at the ballot box. But the growing importance of labor unions in Egypt in recent years, the fact that some of the most effective protest organizers around Tahrir Square during the revolution were from the left, and the general drift of Egyptian society indicates they'll have a much bigger voice than they've had in decades.
>
> If I had to guess, I would say Egypt's ruling military junta decided it wasn't worth it to have a confrontation over the IMF loan.

By late July, Radwan – sacked from his job due to youth pressure two weeks earlier – explained Egypt's rejection of the loan (which he had himself negotiated) in explicitly political terms: 'People are still affected by the past, when the IMF used to impose harsh conditions… The military council said it doesn't want to burden the democratically elected government with debt.' Protest leader Wael Khalil explained: 'For years we have been told that this is the IMF doctrine: cut budget deficits, reduce spending and liberalize markets' (Shahine and Rastello 2001).

This is a hopeful sign of potential power. Nevertheless until now, moving from social media to a more thorough-going social revolution has been a step too steep for Africans since the era of structural adjustment, notwithstanding the leaps taken by so many Latin Americans the last decade. Perhaps 2011 will be seen as the year that step became possible, as the popular uprisings in Tunisia and Egypt were followed soon by major socio-economic protests in various other African countries, including Senegal, Uganda, Swaziland, Kenya, Botswana and South Africa. In Zimbabwe, 45 arrests occurred in February when Robert Mugabe's police force broke up a meeting (International Socialist Organisation of Zimbabwe) in which films from Tunisia and Egypt were shown, with six leaders held for a month and tortured. This is the kind of tribute to North African democratic revolutions which reminds of the inspiration of a marvellous example.

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Note

1. http://www.facebook.com/pages/No-IMF-deal-for-Egypt-%D9%84%D8%A7-%D9%84%D9%82%D8%B1%D9%88%D8%

B6-%D8%B5%D9%86%D8%AF%D9%88%D9%82-%D8%A7%D9%84%D9%86%D9%82%D8%AF-%D8%A7%D9%84%D8%AF%D9%88%D9%84%D9%8A-%D9%84%D9%85%D8%B5%D8%B1/216908718340174?v=info#info_edit_sections

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