



**Center for Social and Economic Research**

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**What have we learned from transitions in  
Europe and the CIS and do they matter  
for the Arab Regions: Some Reflections  
Based on Empirical Evidence?**

**Presentation at the UNDP Special Session on “Cross-regional Knowledge & Experiences Sharing between Europe & the Arab States – Creating Initiatives for the Future”, First Arab States Regional South-South Expo, Doha, February 20, 2014**

# Plan of presentation

- Similarities and differences between post-communist and Arab transition
  - In political sphere
  - In economic sphere
- Long-term development challenges
- What kind of lessons can be learned?
- 29 CEE/CIS countries vs. 22 members of the Arab League



# Political similarities between both regions

## Before transition

- Dictatorship/ hegemony of one political party (lack of democracy and political pluralism)
- Manipulated election processes
- Political dependence of the judiciary
- The excessive power of the army, security agencies and police
- Censorship, tight administrative control of grass-roots citizen initiatives
- Massive violations of human rights; organised repression of certain social, political, ethnic or sectarian groups
- However, similar characteristics of the authoritarian regimes in other regions (Asia, Africa, Latin America)

⇒ **Similar transition agendas**



# Freedom House FIW ranking

- Free: BG, CZ, EE, HR, HU, LT, LV, ME, PL, RO, RS, SI, SK; no Arab country!
- Partly free:
  - CEE/CIS: AL, AM, BA, GE, KG, KS, MD, MK, UA
  - Arab countries: KM, KW, LB, LY, MA, TN
- Non-Free:
  - CEE/CIS: AZ, BY, KZ, RU, TJ, TM, UZ
  - Arab countries: AE, BH, DJ, DZ, EG, IQ, MR, OM, PS, QA, SA, SD, SO, SY, YE
- Worst of the Worst: TM, UZ, SA, SD, SO, SY

# Factors determining results of political transition

- External anchoring (European Union, NATO)
- Conflicts and conflict resolution
- Limited results of “color” revolutions in CIS (Georgia, Ukraine, Kyrgyzstan)
- Limited results of Arab Spring (only Tunisia and Libya)
- Parliamentary vs. presidential regimes
- Democratic control of armed forces and security agencies
- Some role of civil society organizations

# Similarities between Arab “socialism” and Soviet-type socialism - economy

- Dominance of politics and ideology over economic criteria
- Price controls, subsidies, price distortions (especially food and energy)
- Key role of public ownership, political/ party/ military/ security nominations for managerial positions
- Autarky, import-substitution industrialization, protectionism
- Burden of military/security spending
- Social employment in public sector
- Some of these characteristics present in “non-socialist” Arab countries

# Where Arab “socialist” economies differed from Soviet-type economies?

- Greater role of private sector (agriculture, trade, services, small and medium size manufacturing)
- Private ownership never condemned and market institutions/ legal infrastructure largely in place
- Less distorted prices, less acute shortage of basic goods
- Higher income and wealth inequalities
- Less acute macroeconomic disequilibria
- Less over-industrialization and less structural distortions
- More economic openness and more contacts with the West (economic relations, education, personal contacts)



# Arab reforms since 1980s – major steps

- Less price control, cutting subsidies
- Towards unified exchange rate
- Tighter fiscal and monetary policies
- Trade liberalization (unilateral, WTO, FTA with the EU, US, within the region)
- Greater role of private investment, including FDI
- Privatization (also with foreign participation)
- Financial sector reform, opening stock exchanges



# Economic agendas in 2010s

- Some similarities between Arab countries and CIS (distorted capitalism, poor business climate and infrastructure, corruption, nepotism, dependence on commodity exports, incomplete integration into the global and regional economy)
- Less similarities between Arab countries and CEE which are either EU members or candidates, and which face their specific challenges like adoption EU *acquis* or “premature” welfare state

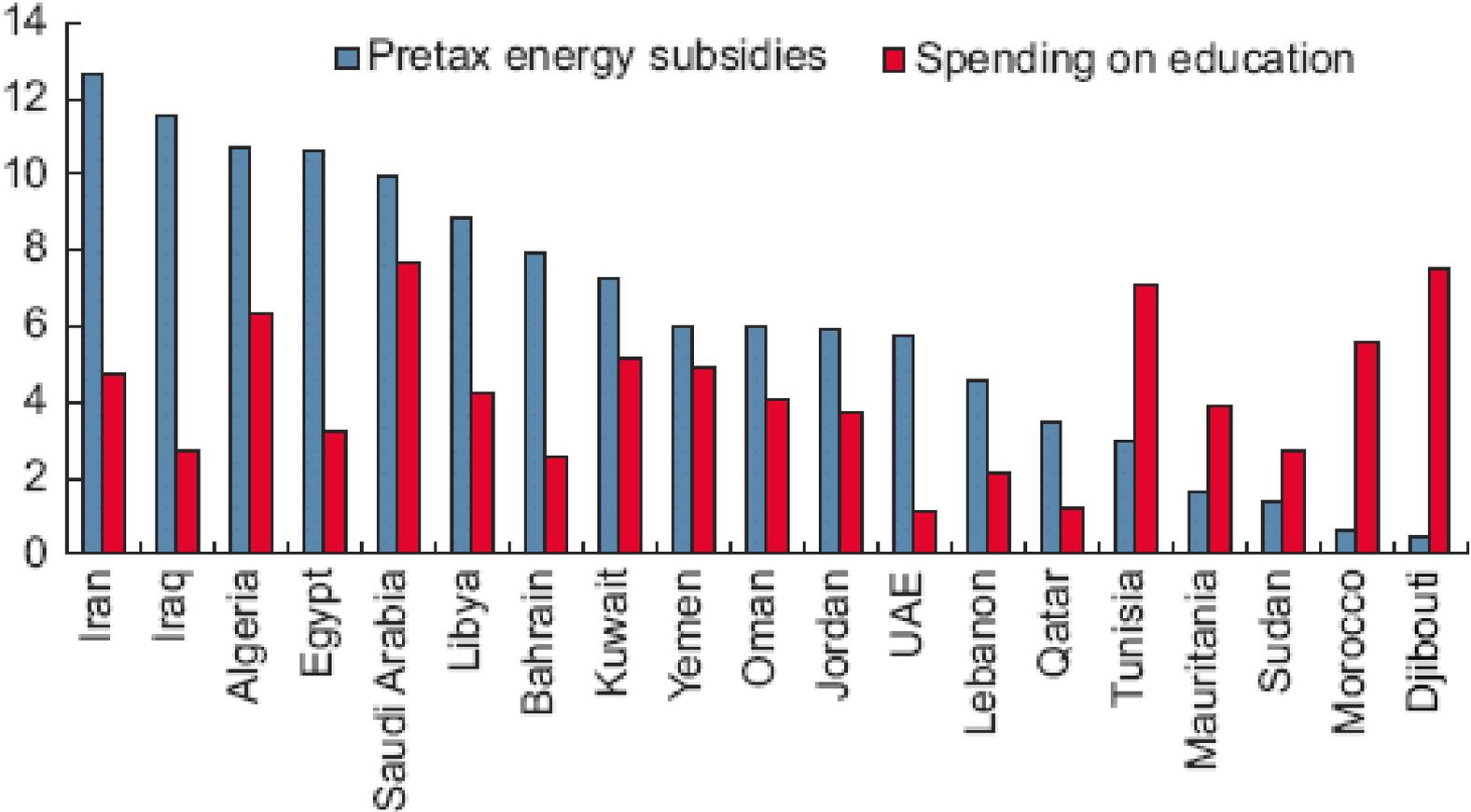


# **Economic challenges in the Arab region (short and medium term)**

- Humanitarian crisis resulting from the civil war in Syria
- Post-conflict reconstruction (Libya, Syria, Iraq)
- Fuel and energy subsidies, increasing fiscal imbalances and public debt
- Continuation of previous reforms in more fair and transparent way



# Pre-tax energy subsidies and spending on education in MENA countries, in % of GDP



Notes: energy subsidies refer to 2011; education refers to the latest available data. Source: IMF (2013)

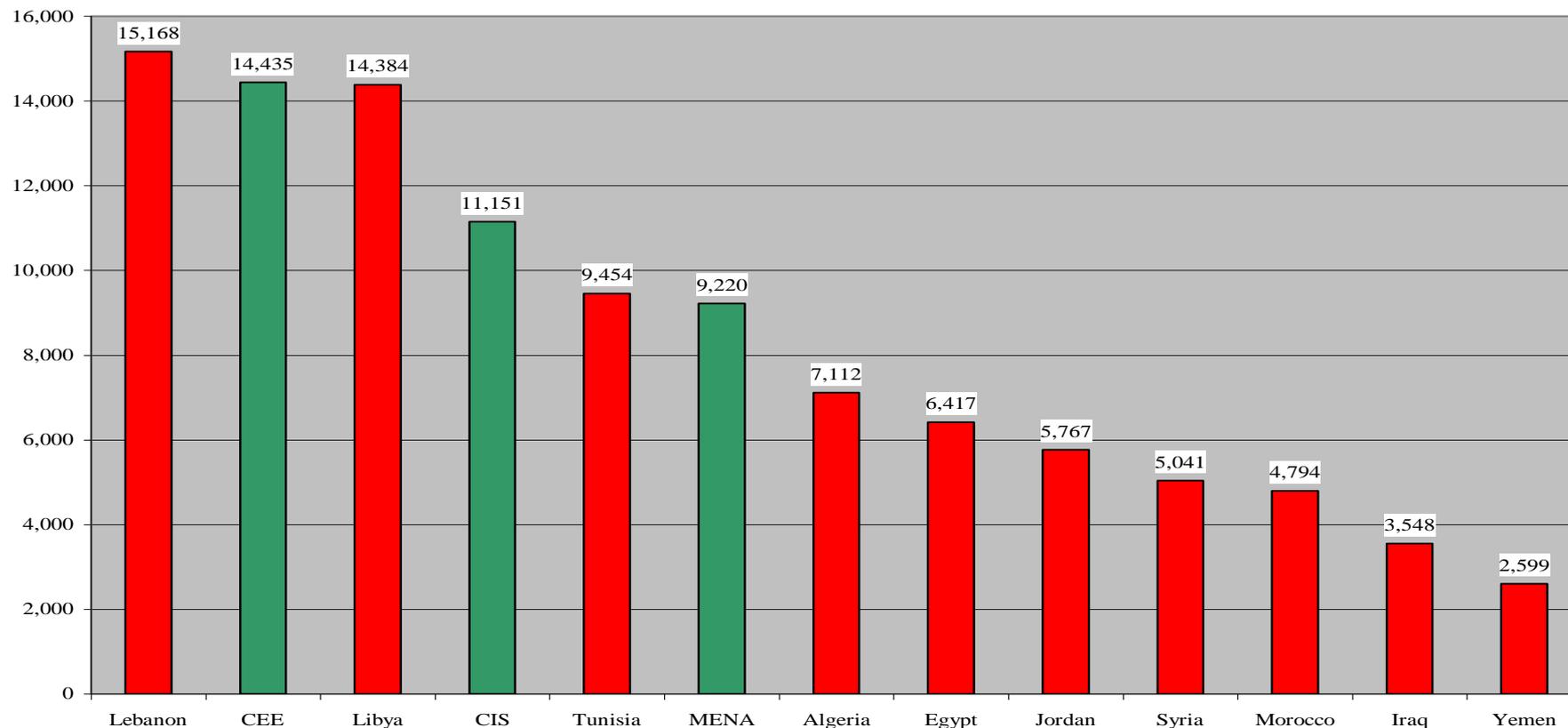


# Long-term economic challenges in the Arab world

- Low-to-medium-level of GDP per capita (apart from Gulf countries, Lebanon and Libya)
- High population growth
- Low education level (including continuous illiteracy)
- Gender inequality
- High unemployment, especially among women and youth
- Remaining trade protectionism (tariffs, NTBs, LGI)
- Poor infrastructure
- Unsolved political conflicts between neighbors



## GDP per capita in PPP terms, current international dollars, 2010



Abbreviations: GDP – gross domestic product, PPP – purchasing-power parity, CEE – Central and Eastern Europe (including Turkey but without Slovenia, Czech Republic, Estonia and Slovakia), CIS (Commonwealth of Independent States, including Georgia and Mongolia).

Source: IMF World Economic Outlook database, April 2012.



# (Some) lessons to be learned

- Post-communist experience, especially of CEE not so relevant for Arab countries (more similarities with FSU) but some general lessons remain useful
- Democratisation may prompt economic reform, but no automatic guarantees. Populist democracies are usually self-destructing
- Timing and speed of reform: do not miss political window of opportunity when is open, time works against reformers, reforms should be comprehensive
- Avoid ethnic and sectarian conflicts (long-term traps)
- The role of external support (EU, US, IFIs, intra-regional cooperation and solidarity).

