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Fertilizing the Arab Spring

A Policy Update Paper

By

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Freedom is rarely mentioned in the same sentence as the International Monetary Fund (IMF) or the World Bank. These organizations are more often associated with the stringent conditionality and technocratic autocracy of structural adjustment than revolution and democratic rebirth. Indeed, talk about political freedom has been largely absent from the lips of potential new IMF directors and they criss-cross the world trying to woo international governments. The recent turmoil in Egypt, which ended in the deposition of Egyptian President Hosni Mubarak, casts a new light on the political ramifications of structural adjustment, however. By loosening the government's iron grip on the domestic economy, the policies implemented by the IMF and the World Bank arguably created some of the conditions for the Arab Spring to flourish.

Gamal Abdel Nasser rose to power in Egypt in the 1960s on a wave of pan-Arab nationalism. Political theory alone did not secure his grasp on the Presidency. Nasser put meat on the ideological bone of Arab nationalism by forging an implicit social contract with the Egyptian people: Egyptians traded their political freedom for economic security in the form of government-subsidized food, healthcare, education and guaranteed jobs in the public sector or a government-owned factory. Bolstered by high-tariffs and government-led industrialization, Nasser's economic development policies worked well in the 1960s and 70s, creating economic growth and reducing poverty.

The economic shocks of the early eighties exposed the Arab nationalist model of economic development as all bone and little marrow. Declines in oil revenues, remittances and official development assistance revealed the internal weakness of the Egyptian economy, which was marred by excessive politicization, a bloated public sector and an incentive system distorted by subsidies. High levels of debt, low foreign currency reserves and current account and fiscal deficits drove Egypt into the clutches of the IMF and the World Bank.

The IMF and the Bank proposed a standard structural adjustment package as the remedy for Egypt's economic woes. The IMF tied fiscal and monetary probity to loans while the Bank advised on a restructuring of the Egyptian economy through privatization, a reduction in the ranks of public servants and "market friendly" policies. The two institutions claimed their Egyptian endeavour a relative success: Egypt emerged from its crisis with sound macroeconomics and has enjoyed relatively high growth rates over the past decade.

While the economic impact of the reforms remains open for debate, the political reverberations are only being felt today. The policies implemented by the Bank and the IMF weakened the government's authoritarian control over the economy, exposing citizens to the often harsh vagaries of international markets. Combined with a restructuring of the public service and government-owned enterprises, the reforms served to scrape any remaining grizzle off the bone of Arab nationalism. Political repression remained despotic, yet university graduates were no longer guaranteed jobs and the price of a loaf of bread skyrocketed.

The corrupt nature of the privatization process further undermined Nasser's social contract. Lacking the institutions and political accountability to govern the process of privatization, the control of state companies simply shifted from the regime to those connected to the regime, wringing the last drops of legitimacy from Egypt's government. No one embodies this process more than Mubarak's son Gamal, who was the face of the crony capitalism that cannibalized Egypt's economy.

The World Bank and the IMF have often been vilified for subverting sovereignty and political rights in the name of technocratic dogmatism. In many cases, this criticism is warranted. Egypt is far from an economic slam dunk, as wealth failed to meaningfully trickle down to the masses. Most criticism from both the left and the right has missed the point, however. It appears the most important outcome has been entirely political: the reforms implemented by the Bank and the IMF arguably fertilized the soil from which the Arab Spring blossomed. The duumvirate's policies exposed Egyptians to the vicissitudes of the global market and the spectre of corruption and inequality, abrogating the social contract Nasser forged decades ago. Jobs, food prices and corruption were among the core concerns of those assembled at Tahrir Square. While the flowers of the Arab Spring have yet to fully bloom, events in Egypt and perhaps the wider Arab World suggest that dismal scientists might have a greener thumb than perhaps previously thought.

ABOUT THE AUTHOR

Nathaniel Lowbeer-Lewis is currently an Associate with Mercana Growth Partners, a Toronto-based merchant bank. He was previously Director of Communications for the International Consortium on Anti-Virals (ICAV), a not-for-profit drug development organization. Nathaniel spent six months in Nigeria as a researcher for the Centre for International Governance Innovation (CIGI) and a year working on Parliament Hill with the Parliamentary Internship Programme. Nathaniel has a B.A. in Political Science from McGill University, where he was Associate Editor of the *McGill International Review,* and a Masters in International Affairs from the Norman Paterson School of International Affairs at Carleton University.

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