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Shifting Courses: Economies of the Maghreb after 2011

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Contradictions of the Arab Spring Movements and Their Aftermath

The Arab Spring movements were the first wave of an ongoing tsunami of popular movements around the globe expressing resentment of ruling regimes that facilitated the neoliberal form of globalization. That transformation had benefited mainly the wealthy and politically connected and left many ordinary people behind. Despite running critiques by the economic experts that our North African economies did not undertake liberalizing structural reforms fast enough or thoroughly enough, they were sufficiently integrated into the globalization process to roll with its growth and crisis in the 2000s and to suffer from the aftermath of the "Great Recession" and subsequent stagnation. In this larger context, the problems and limitations the Maghreb economies faced internally as of 2016 were framed by inexorable external factors that impeded their growth and development, from the least politically stable and economically successful of the group, Libya, to the most stable and successful, Morocco. It was inaccurate and unfair to blame continuing slow growth in North Africa solely on the Arab Spring uprisings, especially in the case of Tunisia, either explicitly or implicitly.[1]

The Arab Spring movements demanded both economic and political change, to adjust growth-and-development trajectories to benefit the middle and working classes. However, with the partial exception of Tunisia, these demands were not met. Indeed in some cases, such as Libya, the result was civil war and economic anarchy that had yet to be brought under control as of 2017. In other cases, including Algeria, Mauritania and Morocco, political regimes made minor concessions but governance and economic structures remained fundamentally the same. Indeed, as the editors of this volume argue, authoritarianism was rejuvenated in the years after the Arab Spring. Even in Tunisia, where economic transformation was stalled by the inability of the newly reformed competitive parliamentary system to produce a viable program, a fragile democratic governance was steadily threatened by restraints on citizens' rights under the state emergency law (renewed again in November of 2017), which gave the executive branch power to constrict freedom of the press, labor actions, and civic assemblies, as well as newly drafted laws granting amnesty to corrupt officials from the Ben Ali era and increased power and impunity to state security forces. Economic malaise and the rejuvenation of authoritarianism seemed to reinforce each other.

The Maghreb in Global Economic Context

International agencies and researchers reported in 2016 that the world economy seemed to be in a period of prolonged stagnation, with contributing factors on both the demand and the supply sides.[2] In October 2016, the International Monetary Fund (IMF) forecast only a modest rise in growth over the following five years, if conditions improved and major risks were avoided. Even at their best, these rates would be significantly lower than the average 4.2 percent per year during the 1998-2007 boom years. The pattern was strongly influenced by very low growth in the "advanced" economies, especially the Euro area and Japan, and by the “rebalancing” of China’s economic strategy to focus more on its domestic market and on services.[3] Chart 4.1 offers a comparison of average rates of growth by country group, including MENA.

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The consequence of reduced demand by the biggest trading partners was an unexpected reduction in the rate of growth in the volume of world trade and a reduced share of foreign trade in global GDP.[4] Fifteen economies, including the “advanced” and China, accounted for about 63 percent of the value of world trade in 2015, so their decreased demand for imports from “emerging and developing economies” (EMDEs), which include all five North African economies, dragged down growth in those regions.[5] Reduced demand for primary commodity exports caused prices to fall and the terms of trade to turn against the exporters.[6] Gross oil revenues fell by more than 50 percent for North African economies in 2015 from their previous peak in 2012, Libya being the worst due to supply disruptions, while weak global demand and a steep fall in phosphate and iron ore prices from 2012 to 2016 similarly affected export revenues for Morocco, Tunisia and Mauritania.[7] Among the four Maghreb economies, leaving Libya aside, the biggest drop in demand was from the European Union and the second biggest from the Asia-Pacific region, while imports from those regions remained stable. The consequent decline in net exports contributed to current account deficits and the draw-down of foreign reserves.[8] All five currencies depreciated vis-à-vis the US dollar in 2015 and further devaluation was expected in 2016.[9]

While the average rate of growth of output had slowed in all three major groups of economies in the world (advanced, EMDEs and low-income developing or LIDs) from 2008 to 2016, the EMDE and LID rates remained significantly higher than the advanced-economy rate, as shown in Chart 4.1.[10] Since the EMDEs as a group accounted for three-fourths of world output in 2016, the IFIs expected the EMDEs, led especially by India and other “emerging” Asian economies (not including China), to be the driving force in restoring global growth over the following five years.[11] The North African economies would be particularly useful in this project as stepping stones in a chain of advanced capitalist penetration of Sub-Saharan Africa with its vast but as yet underdeveloped potential.[12] However, this “solution” to global stagnation faced three daunting obstacles.

One obstacle was that fiscal deficits tended to depress public spending on the infrastructure investment and human development needed for these “emerging” economies to diversify away from commodity-export dependence and to introduce new technology to raise productivity. This slowed the pace of “convergence” of income per capita in EMDEs and LIDs with those of the advanced economies,[13] further dampening demand for advanced-economy exports and feeding back into slow growth overall.

A second obstacle was a slowing of investment in the advanced economies, as measured by gross fixed capital formation (GFCF), which actually shrank in 2008 and 2009, and then remained weak from 2010 to 2016.[14] This helps to explain slow productivity growth in the advanced economies in the post 2008 period, which fed back into a cycle of slow overall growth.[15] The flow of capital from the advanced economies for investment to the EMDEs and LIDs also slowed after 2012.[16] The partial exceptions were parts of East and South Asia and, in the Maghreb, Morocco. International capital flows were the equivalent of 16 percent of world GDP in 2007, but just 2 percent in 2015.[17] This decline in capital flows was a second factor in rising current account deficits in EMDEs and LIDs, including the Maghreb, and slowed the cross-border technology transfer, productivity growth and job creation that could be gleaned from well-managed foreign direct investment.[18]

A third obstacle to the EMDE-led solution was growing uncertainty regarding changes in the advanced countries' economic policy and immigration, as well as political conflict in the Middle East and North Africa and other regions. Some leading economies seemed to be retreating from their commitment to globalization, as indicated by new restrictions on trade since 2008, including by the United States, the failure of World Trade Organization negotiations in 2015, the foundering of the Trans Pacific Trade Pact in the United States, and the Brexit decision in the United Kingdom.[19] In the view of the IFIs, this trend is counterproductive, impeding the movement of goods, services, capital and, in particular, labor that could serve to overcome global stagnation.[20] Indeed, the global net flow of migrants from poor to rich countries had already begun to decline, from 16 million from 2006 to 2010 to 12 million from 2011 to 2015.[21] Examples are the return to Tunisia of expatriate workers from Libya during its civil conflict and the growing difficulties for would-be migrants from the Maghreb, and Africans transiting through the Maghreb, to make their way to Europe.

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Comparative View of the Maghreb Economies, 2010-2016

In the 2000s, aggregate GDP growth in the Maghreb economies had averaged 4-4.5%, high enough to raise per capita incomes and to fund increases in human development, but not high enough to absorb the unemployed as well as new labor force entrants. They would need real GDP growth of 6 to 7 percent over the course of five years to do that. As indicated in Table 4.1, Basic Economic Indicators, all had low labor force participation rates, as compared to their peers around the globe, and unemployment averaged 11% as of 2010. Youth unemployment was about twice as high and all were judged to have large informal sectors. Chart 4.2 shows per capita growth, that is output per person, for the four economies (excluding Libya because of extreme volatility), which indicates changes in the standard of living over time. Aggregate growth, along with growth in investment and inflation, is shown for each country separately below.

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Human Development

Table 4.2 provides snapshot data on human development indicators and Chart 4.3 shows the evolution of the human development index (HDI) for the Maghreb countries from 1980 to 2014. The overall pattern was for significant improvement from 1980 to 2005, then a slowing of the pace from 2005 to 2010, and minor improvements thereafter (with an actual decline in Libya). The average value for the Arab states in 2014 was 0.686. Algeria, Libya and Tunisia, in that order, were above the Arab average, while Morocco was slightly under. Mauritania's HDI was significantly below the Arab average and also below the average of 0.518 for Sub-Saharan Africa.[22]

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In the global context, one of the weakest dimensions of economic and human development in the region was the relatively poor record on gender parity, considered by economists to be one to the main factors holding these countries back from vigorous sustainable growth. On the Gender Inequality Index (GII) in 2014, the Arab region as a whole ranked fifth out of six world regions, with an average score 53.7. As shown in Table 4.2, four Maghreb countries scored better than the Arab average (lower is better on this index), and two scored better than the Europe/Central Asia regional average of 30.0.[23] Libya's score was the best in the region, followed by Tunisia, Algeria, Morocco, and Mauritania. On the Gender Development Index (GDI) in 2014 (higher is better on this index), Libya again scored the best, followed by Tunisia, Algeria, Morocco and Mauritania.

On a different measure, the Gender Gap Index, which takes account of other dimensions of female participation in the labor force and political institutions, the MENA region scored worst of all global regions, although there had been some significant changes in the North African countries. After 2011, Algeria, Morocco and Tunisia made legal changes to increase female political participation and protect against violence, and all five had reduced the male-female disparity in education and healthcare, although Morocco and Mauritania lagged behind in adult literacy.[24]

Economic Status as of 2014

At the approximate midpoint of the post-Arab Spring uprising era, the economies of what the IFIs called the "Arab Countries in Transition" (ACTs) were stable, but growth had been constricted by the decline of European demand for their exports, FDI, and tourism, slowing the inflow of the foreign exchange needed to purchase imports. The best growth as of early 2014 was for commodity exporters, except Libya which had descended into anarchy, and Tunisia which was transiting out of political crisis but was economically rudderless. Thanks to higher prices for oil, gas, iron ore and phosphates, Algeria and Morocco were able to maintain rates of growth from 2010 to 2014 of close to 4 percent, while Mauritania's growth rate rose to 6 percent.[25] However, spillover from the conflict in Libya affected all its neighbors, as well as intersecting with radical Islamist movements and terrorism passing through porous borders. The spillover hit Tunisia and Algeria the hardest. Morocco and Mauritania were more distant but not immune.

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Development aid and personal remittances remained important sources of national income in the Maghreb. Chart 4.4 shows overseas development aid (ODA) per capita from 1990 to 2014. Algeria's had been consistently low, as was Libya's until 2011, when it received a burst of aid, and then smaller amounts from 2012 to 2014, in response to humanitarian needs in a collapsing economy. Aid to both Morocco and Tunisia declined somewhat in the late 1990s-2000s as their economies were relatively stable, but rose again from 2008 to 2014 in response to economic crisis and new needs after the Arab spring. Aid to Mauritania fluctuated wildly, rising after elections and being withheld after coups d'états, but it was always the highest until 2014 when it was surpassed by Tunisia. As indicated in Chart 4.5, remittances from émigré labor have long been important to Morocco and Tunisia, averaging around 8 percent of GDP for Morocco and 4.5 percent of GDP for Tunisia in the 2000s. Expatriate Moroccans lived mostly in France and Spain, while Tunisians lived mostly in France and Italy, some as temporary workers who return home again (also typical of Tunisians in Libya) and others as permanent residents in the host countries.

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By 2016, global economic conditions had changed and the paths of the five economies diverged. Due to prolonged civil conflict, Libya's growth was negative from 2013 to 2016. Algeria managed to maintain growth, despite the collapse of hydrocarbon revenues in the second half of 2014, by drawing on its foreign reserves to keep up public spending, and by bringing a greater volume of oil and gas to market. Mauritania suffered a sharp drop due to the collapse of iron ore prices, but, with generous development aid, supported growth with increased public spending and bringing a new mine into operation. Morocco had a high rate of growth of exports, but still aggregate growth varied from year to year depending on how the weather affected agriculture. Tunisia's growth remained low but positive from 2012 to 2016, as the political system stabilized and the economy muddled through without clear direction. Inflation remained low or moderate in most economies, except for Libya where it reached more than 10 percent.[26]

Financial System

Morocco had the most complex and sizable financial sector among our five Maghreb economies and even compared favorably to Egypt. As of 2013, with a population and GDP about 40 percent the size of Egypt's, Moroccan banks were relatively the largest, with assets equal to 145 percent of GDP, as compared to Egypt's 70 percent, Tunisia's 63 percent and Algeria's 40 percent.[27] For the period from 2010 to 2013, Morocco's banks issued the highest level of credit at 100 percent or more of GDP, while Tunisia and Egypt issued 75-80 percent, Mauritania less than 50 percent, Algeria 0 percent and Libya less than zero.[28] Moroccans also had the highest rate of participation in the banking system, and the lowest rate of non-performing loans.[29]

The five Maghreb economies had about the same number of commercial banks each, between 15 and 21, of which 5 or 6 were publicly owned. All had some privately owned banks, a significant presence of foreign privately owned banks, and some non-bank institutions such as investment companies and international funds-transfer intermediaries, providing diverse functions, such as Islamic finance and microfinance.[30] Morocco's equities market was comparatively strong. The Casablanca bourse had 81 companies listed in 2013, seemingly fewer relative to its size than Egypt with 212 and Tunisia with 76. But the Moroccan companies were relatively richer as a group, with a bourse capitalization in 2012 worth 50 percent of GDP, as compared to Egypt's 21 percent and Tunisia's 19 percent. In contrast, Algeria's stock market had just five members and miniscule capitalization, Mauritania did not yet have a stock market, and Libya's stock market was defunct during the civil conflict.[31]

Financial Policy Dilemmas

As economic growth remained sluggish in 2015-2016 and deficits and debt built up (see individual country figures below), each government faced financial and fiscal policy dilemmas. For example to encourage domestic investment, stimulatory monetary policy dictates lowering interest rates and expanding credit to the private sector. However, higher interest rates are needed to keep current account deficits and inflation under control. Financing budget deficits became more difficult with tighter funds and higher interest rates in international markets. At the same time, borrowing on the domestic market and changing the taxation system to raise more revenue could have a dampening effect on domestic growth.[32] Allowing the currency to depreciate could make exports more competitive but raise the costs of imported food and industrial inputs, thus feeding inflation. One tempting solution to these dilemmas was to turn to the IFIs for support, but that came with conditions, such as austerity budgeting and liberalization requirements, that were politically unpopular.

The IFIs had long criticized the Maghrebi governments for their remaining statist policies and their slowness, albeit at varying paces, to fully adopt liberalizing reforms. While they followed a stable monetary policy and inflation rates were relatively low, governments continued to impose price controls on many consumer items and provided subsidies on fuel and food. They were considered to have unfriendly business environments and to lack competitiveness in global export markets. Other deficiencies were inadequate investment in physical and social infrastructure, especially in more remote regions, and inequalities in wealth and income distribution related to corruption and cronyism, despite the Arab Spring protests.[33]

In exchange for financial backing, then, IFI advisers continued to urge more structural reforms "to strengthen fiscal and external buffers" and to get "coordinated support from the international community for finance, trade and capacity building" in order to reduce uncertainty and win back private investor confidence. [34] These reforms included reducing and gradually eliminating energy and other subsidies, changes in the taxation structure, and reform of governance and budget management, so as to free up funds for approved public investment and for directing welfare payments only to the deserving poor. The IFIs also pushed for opening banking and finance to market forces, improving the business climate (e.g., simplify regulations, protect private property), and reducing protections in the labor market to make it simpler for employers to hire and fire and presumably create more jobs.[35] Of key importance was the IFIs' insistence on the virtues of improving "competitiveness" and opening to foreign direct investment.

Contradictions of Foreign Direct Investment

An integral part of the neoliberal agenda and the programs promoted by the IFIs in the EMDEs and LIDs, openness and accommodation to foreign direct investment (FDI) had long been touted as the gateway to industrialization and catching up to the advanced economies. However, the experience of the Maghreb countries with FDI was not always positive.[36] For one thing, without tightly negotiated contractual arrangements, FDI could be withdrawn or withheld, sometimes on short notice. As indicated in Chart 4.6, Algeria, Morocco and Tunisia, like many other EMDEs, were recipients of higher levels of FDI inflow during the boom years of the mid-2000s, only to suffer sharp declines during the recession years after the 2008 financial crisis. Libya experienced a temporary surge of FDI from 2005 to 2009 after the lifting of sanctions, and Mauritania, with the most volatile record of the group, experienced peaks around the time hydrocarbons were discovered off the coast (2005) and when (under IFI conditionality) it opened more mining and fishing projects to non-national investors (2012).

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As for the argument that FDI helps to industrialize the host country and transfers up-to-date technology and knowledge for dissemination into other parts of the economy, there are two major limitations. One limitation is the foreign investors' motivation and ability to invest in only the sectors that profit them, as illustrated by the sectors in which FDI was active in the Maghreb in the period from 2011 to 2015.[37] In Algeria, the largest shares went into metals, real estate and construction. In Libya, it was real estate, with hydrocarbons a distant second. In Mauritania, the vast bulk was in metals. Morocco's FDI was somewhat more diversified and job-creating as it went into automotive manufacturing, alternative/renewal energy, real estate and business services. Tunisia's FDI was the most diversified, including food and tobacco processing, hotels and tourism, communications, alternative/renewable energy, and automotive components, although 33 percent still went into hydrocarbons. Given Morocco as the partial exception, FDI did not go mainly into manufacturing, and agriculture-forestry-fishing was not even listed as a category for any of the five economies, not even Mauritania, in which fishing was still a major source of livelihood.

The second limitation is that much of FDI, especially in manufacturing, is done in special economic zones (SEZs), enclaves insulated from the domestic economy either to protect intellectual property rights (such as patents on technology) or to produce intermediate or final goods in a global production chain that requires efficient free-zone imports and exports. Under the Ben Ali regime, Tunisia's SEZs were almost hermetically sealed and transferred virtually no new technology or knowledge into the domestic economy.[38] Morocco's Tangier SEZ hosted assembly plants for French automobiles, mostly for export back to Europe, along with multinational automotive parts suppliers. The positive caveat was that in 2014 the government added "a suite of incentives to encourage the emergence of local players… with sector specific training programs" for workers.[39]

The IFIs put consistent and intense pressure on EMDEs and LIDs all over the world to become more "competitive" with each other in the scramble to attract FDI. The World Bank and World Economic Forum put out annual scorecards on all countries in the world, with "competitiveness" measured on the degree to which the many features of "structural reform" were realized by the competing countries. Dhaman, a pan-Arab institution in Kuwait, published its own annual index of "investment attractiveness" tailored to the Arab World. The report scored and ranked the Arab economies using this index, comparing individual countries to one another, subregions to one another, and both of those to regional and world averages.[40]

In the global scores, the Arab region ranked below average in 2015. It came in fourth out of seven regions, below the OECD, East Asia and Pacific, and Eastern Europe and Central Asian regions, but above Latin America and Caribbean, South Asia, and Sub-Saharan Africa. Within the Arab region, the Gulf Cooperation Council (GCC) subregion ranked as "good," the Levant (which includes Egypt) and Maghreb were both considered "poor," but close to average, and the low-FDI group, which includes Mauritania along with Iraq, Sudan and Yemen, ranked as "very poor."[41]

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Chart 4.7 shows the scores and ranks for the North African countries, excluding Libya due to the political crisis there, but including Egypt for comparative purposes.[42] While there was significant variation among countries on dimensions like access to electricity, trade performance, and financial mediation, Morocco got the highest overall score, above the Arab average but below the world average. Tunisia scored at the Arab average, while Egypt, Algeria and Mauritania, in descending order, scored below the Arab average. A summary of the deficiencies in the Arab region that account for these scores included features like the quality of education, the institutional environment (e.g., corruption, lack of transparency, weak rule of law) and the low level of technological advancement.[43]

The Interaction of Economic Malaise and Authoritarianism

The rejuvenation of authoritarianism in the Maghreb, albeit more slowly in Tunisia, in the years after the Arab Spring matched the slowing of human development, weak improvement in the economic lives of ordinary citizens, and the failure to address governance defects like corruption and lack of accountability. The tendency of Maghrebi governments to repress freedoms of the press and association, to control civil society organizations from the center, to constrain labor actions, and to neglect their poor interior regions, seemed to be necessary to the ruling regimes in order to restore their power. This combination undermines citizens' trust in government, restricts the opportunities of citizens to be creative and undertake new economic projects, and shrinks the social capital needed to renew the sense of community and common purpose that the Arab Spring demanded. Although worldwide stagnation imposed external constraints on the Maghrebi economies in these years, their own internal contradictions made adaptation to a challenging global economy more difficult.

Algeria

During the boom years of the 2000s, western energy analysts had considered Europe to be "fortunate to have gas rich North Africa lying off its southern shores" and enthusiastically published charts, maps and detailed descriptions of existing and planned export facilities. In "partnership" with Algeria, Egypt and Libya, they expected the total level of North African natural gas exports to Europe to be sustained through 2020 and, along with expanding sources in Africa, to provide the diversification of energy suppliers needed to reduce dependence on Russia and replace diminishing domestic European production.[44]

This approach was formally endorsed by the European Commission in 2008 in its "Energy Security and Solidarity Action Plan" and directed specifically toward Algeria, Egypt and Libya through the "Barcelona Process: Union for the Mediterranean" signed that same year, with those southern-shore "partners" promising expanded openings for the international oil/energy corporations, still referred to as IOCs due to their oil-dominant heritage.[45] In addition to liquefied natural gas (LNG) export terminals in Algeria and Egypt, as of 2011 there were four working gas pipelines under the Mediterranean to southern Europe, all sharing sponsorship by the Italian energy corporation ENI: the Trans-Mediterranean from Algeria via Tunisia to Sicily and the Italian mainland, the Maghreb-Europe from Algeria via Morocco to Spain, the Medgaz from Algeria directly to Spain, and the Green Stream from Libya to Sicily, where it joined up with the Trans-Med. These pipelines supplied 30 percent of Italian and 20 percent of Spanish gas consumption,[46] and two more were planned, the GALSI from Algeria via Sardinia to Italy and the Trans-Saharan from Nigeria to Algeria and beyond.[47]

However, by 2013 circumstances had changed, and Europe's passion waned. The Arab Spring in 2011, the continuing political uncertainties in Tunisia and Egypt, the civil conflict in Libya, and anxiety about spillover to Tunisia and Algeria undermined the "partnership" approach. Algeria and Libya had failed to offer the better deals to IOCs for foreign direct investment and the IOCs found themselves underbid by competitors from Asia. Algeria was slow to improve its own investment management, while Europeans turned toward more green energy and to importing coal from the United States.[48] Accordingly,

> … Most North African countries have seen their hydrocarbon sectors stagnate and are viewed [in Europe] as unreliable suppliers of energy. Similarly, European demand has stagnated…due to the economic crisis… As the major thrust of the world hydrocarbon markets shifts east in terms of demand and west in terms of supply, the Mediterranean and North Africa will be seen as less important for energy security in the coming decade [2013-2023].[49]

Mainstream analysts and the IFIs had long fretted over Algeria's still-state-dominated economy and relatively "closed" and "opaque" political system with a strong internal security apparatus, while piling their compliments on Morocco and Mauritania, and now to a lesser extent Tunisia, for their encouragement of private business and foreign direct investment.[50] Yet Algeria still managed to pull off a viable economy over its independent history, resisting the heavy hand of foreign financial intrusion and using its comparative advantage as a global hydrocarbon supplier to lubricate the social system. Hydrocarbons accounted for 95 percent of exports and about 65 percent of government revenues, seven out of the 10 largest companies, including hydrocarbon producers, were state-owned, and six state-owned banks served 80 percent of the domestic market. In the global context of 2016, there were some signs that the ruling elite might have to adjust its strategy, but the extent of such adjustment was negotiable.

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The government had responded to the Arab Spring demonstrations by amending the constitution in ways that validated the protestors' demands for political reform, including restructuring the internal security system and making it more transparent, requiring greater female participation in political and civil institutions, and protecting females from sexual harassment. Furthermore, in order to stimulate higher growth and greater job creation, the government launched a five-year public investment and spending program to be financed out of then-surplus export revenues.[51] As shown in Chart 4.8a, growth approached a high point of 4 percent in 2015 but created too few jobs, leaving unemployment to rise from 9.8 percent in 2013 to 11.3 percent in 2015. Women's unemployment rose to 16.6 percent and, worse yet, the youth rate was 29.9 percent, while the rural poor still relied on low-productivity subsistence agriculture and the urban poor remained stuck in the informal sector.[52]

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As hydrocarbon revenues declined from mid-2014 to the end of 2016, current account deficits and fiscal deficits worsened (Chart 4.8b), leading the state to draw down on its foreign reserves and sell off some of its sovereign wealth fund assets. The dinar was devalued by 20 percent, raising the cost of essential imports and contributing to an increase in the rate of inflation (Chart 4.8a). While private consumption and investment declined, despite the monetary authorities making more credit available to the private sector, the government sustained public consumption at the expense of public investment, causing gross fixed capital formation to plunge (Chart 4.8a). It paid for the deficit spending by borrowing on the domestic market, causing debt to rise relative to GDP (Chart 4.8b).[53]

Although non-hydrocarbon growth remained sluggish, the state was able to stave off recession in 2016 by restoring a critical source of natural gas[54] to feed into the pipelines to Europe, the higher quantity of gas sold in part compensating for the fall in prices.[55] However, Algeria's ability to increase the volume of hydrocarbon exports might be limited in subsequent years, despite the start of production in new fields, because of increases in its own domestic demand, especially for gas-fueled electricity, the long-term glut of oil and gas in the global market, and the need for massive new investment to revive aging facilities and bring new ones on line.[56] The investment might better be spent on other sectors to reduce dependency on a volatile market and on demand from Europe.

The IFIs continued to push for reforms, such as reducing the wage bill and freezing public sector employment, cutting subsidies and letting domestic energy prices rise, increasing other sources of government revenues, investing more in infrastructure to support non-hydrocarbon activity, and diversifying the economy.[57] As of May 2016, the IMF was pleased that the 2016 budget recognized the need for "consolidation" and that some changes, such as to tax administration and bank regulation, seemed to be underway. However, its report expressed dissatisfaction with the national authorities' limited response to their recommendations, saying "insufficient action was taken in 2015 in response to the oil price shock" and not "reforms that would increase economic openness and reduce the state's control over the economy."[58] Of the 17 recommendations the IMF staff made for structural reforms, they judged that only partial progress had been made on eight items, such as simplifying consumer lending and stock market modernization, while no progress was made on the other nine items, such as lifting foreign exchange controls and lending to SMEs.[59]

Nevertheless, private foreign capital had long had a partnership role in Algeria, for example in building and operating public transportation, and was expecting more from the government's 2016 announcements of greater "openness." Indeed, Sonatrach, the national energy company, negotiated a partnership with ENI, the Italy-based energy corporation, for a major solar photovoltaic project. The private foreign-capital viewpoint is illustrated by the Oxford Business Group, which cultivated a warm relationship with the Algerian government, for example, co-sponsoring the 2016 African Investment and Business Forum and the international trade show for global agricultural and livestock suppliers in Algiers. In 2016, OBG enthusiastically reported on new plans to open more state enterprises to public-private partnerships and list them on the stock exchange, to award 4G licenses to contractors to expand mobile phone services, and to promote investment in high value-added sectors like agribusiness, renewable energy, the digital economy, the automotive sector, and even tourism.[60]

The government promulgated a new investment code in July 2016, simplifying business procedures for private investors and entrepreneurs, and in December broadened the definition of SMEs to make it easier to obtain credit and tax exemptions and other incentives. These programs may have been responding to the IMF's critique, but exemplified the kind of controlled and guided foreign direct investment that defied the IFIs' promotion of unfettered "free market" relations between international capital and developing countries, an alternative strategy used successfully by more statist economies like China during the neoliberal era.

Libya

As of 2010, Libya's economy was even more hydrocarbon-dominated and less diverse than Algeria's, although similar in income per capita, infrastructure development (e.g., water and sanitation access), and human development, as indicated in Tables 4.1 and 4.2. The private sector was very small and limited mainly to trade and personal services.[61] International oil companies, usually of the maverick stripe like Occidental Petroleum, had served as exploration and production partners and service contractors to the Libyan national oil and gas company but, as in Algeria and in other MENA hydrocarbon-exporting countries, were prohibited from owning the resources under the ground. However, when sanctions were lifted in 2004-2005, Libya experienced a surge of FDI similar to the other Maghreb economies (Chart 4.6) and a stock market was created in 2007.

The lifting of international sanctions on Libya also provided a relative opening to trade, tourism and cultural exchange, but the Qaddafi regime still maintained very tight internal security and kept national political institutions small and feeble. As of 2010, there was a weak sense of national identity among the populace and no defined political opposition. When the Arab spring protests began in 2011 and the state responded with violence, the opposition quickly fragmented into competing social forces and the struggle devolved into a complex multi-sided civil war. Elections in 2012 produced a government that was able to claim national authority only briefly, temporarily restoring oil exports and reducing economic anarchy enough to have positive growth. However, when the country became polarized into two competing spheres, oil facilities were again blockaded. Meanwhile, international firms and expatriate workers fled the country, investment collapsed completely, and, when production resumed in 2014, it was on a much smaller scale.[62]

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As indicated in Chart 4.9a, GDP fell dramatically in 2011, rose again in 2012, then decreased each year from 2013 through 2016, while the annual inflation rate accelerated and formal sector unemployment rose to 20 percent.[63] As of 2016, hydrocarbon production and export was one fifth of potential output, with revenues equal to just seven percent of their 2012 value, leading the current account deficit to soar (Chart 4.9b). With net foreign reserves depleted, the dinar lost 73 percent of its value relative to the dollar in the parallel market. Food prices rose as imports became scarcer and more expensive, contributing further to inflationary pressures and placing the population in danger of a widespread humanitarian crisis. Despite sharp cuts in subsidies and wages and capital expenditure, public budget deficits widened (Chart 4.9b) and, due to domestic borrowing to finance the deficit, debt soared to an estimated 110 percent of GDP in 2016.[64]

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The one functioning public institution, the central bank, had become the agent for managing the budget and negotiating export contracts, in addition to exercising foreign exchange controls to try to bring the parallel markets and inflation under control.[65] If the civil conflict were to end and a national unity government formed that included representatives of all groups in the country, and if facilities and infrastructure were rebuilt, hydrocarbon production and export could resume at close to full capacity by 2020. However, sustainable growth and development would require restructuring and diversifying the economy and restoring now-depleted human capacities. Whether that process will be in the form the IFIs prefer[66] or something more like the course that Algeria seemed to be following,[67] would have to be determined through a non-violent political process, and might best be done in the context of regional integration.[68]

Mauritania

Despite its relatively small population of four million in 2015 (Table 4.1) and lack of attention in Western media, Mauritania is an economically, socially and religiously complex society with a vibrant politically active population. Arab-spring-like protests set off by a self-immolation in January of 2011 continued into 2012 and involved thousands of people at a time. The central demands were for democratic reform of a clientelist government that reeled between alternating coups d'états and managed elections, for economic reform that would tackle unemployment, inequality and poverty, and for the final eradication of slavery.[69] As of 2016, the president had been a general who helped lead at least two coups but who was formally elected in 2014 in the face of an opposition boycott protesting its exclusion from the process. Lively and prolonged political activism did not supersede authoritarian tendencies.

Mauritania became a member of ESCWA in 2015, "marking an important step towards realizing the dream espoused by ESCWA of Arab integration," in the words of Executive Secretary Rima Khalaf.[70] Indeed Mauritania was already an experienced regional integrator. It was a founding member of the Arab Maghreb Union (AMU), a project that had yet as of 2016 to fulfill its promise. It was also a founding member of a more active project, the Senegal River Basin Development Organization, with its neighbors to the east and south, Mali, Senegal and Guinea. The project succeeded in building dams and other works to control flooding during the wet season and provide water for consumption and irrigation and other economic uses during the dry season. But it also displaced part of the population, sending young people into the cities to seek a livelihood, and caused environmental problems like the growth of invasive weeds and water-borne diseases, processes which were difficult to reverse.[71]

Advised by the IFIs, which were dissatisfied with the slow pace and inconsistency of change, the government had been pursuing a liberalization and structural reform program since 2011 to encourage the private sector and bring in more foreign investment.[72] It did indeed get the desired foreign investment (Chart 4.6), mainly in oil and mining, but, as shown in Tables 4.1 and 4.2, had a low economic diversity score, high rates of unemployment and poverty, and lagged in human development, in spite of having long been the recipient of development aid and concessional loans. As shown in Chart 4.4, it had the highest official development aid (ODA) per capita among the Maghreb countries from 1990 until 2014 when it was surpassed by Tunisia. One wonders what was done with all that aid.

<INSERT chart04_10a NEAR HERE>

ESCWA grouped Mauritania with its "least developed" member countries, including Comoros, Djibouti, Sudan and Yemen. Based on income per capita, however, the World Bank put Mauritania just over the lower boundary of "lower-middle income" countries in 2016, a category that also includes Morocco and Tunisia higher up in the range, while Algeria and Libya were classified as "upper middle." Mauritania's economic growth fluctuated widely, as shown in Chart 4.10a, but was intermittently high enough during the booming 2000s and again from 2010 to 2014 to pull up its income per capita (Chart 4.2). As indicated in Chart 4.10a, this growth was associated with a big boost of investment in Mauritania's natural resource sectors and the surge of demand for and high prices of its iron ore exports in particular.[73]

Mauritania experienced both the blessing and curse of primary commodity export dependence, with iron ore contributing almost 50 percent of exports, until the collapse of iron ore prices from 2014 to 2016. The boom in the capital-intensive extractive industries had not created many jobs outside the precarious informal sector and the benefits had not been widely distributed, leaving the economy in 2016 with widespread rural poverty, a growing set of social problems from chaotic urbanization, too little investment in infrastructure and human development, and still dependent on foreign aid.[74]

<INSERT chart04_10b NEAR HERE>

The IFIs continued to offer their standard programmatic recommendations for "fiscal consolidation" to reduce the resulting twin deficits and debt at 60 percent of GDP or more, as shown in Chart 4.10b. The government was advised to open more opportunities to foreign capital investment in its mining sector (gold!) and natural gas production in its coastal waters, and to encourage the private sector, including in the fishing and agricultural sectors which employed between one-third and one-half of the labor force, to increase capital-intensive technology and productivity.[75] Whether Mauritania, like Algeria and Libya, could overcome the resource blessing-and-curse cycle and achieve such diversification with adequate job creation and rising incomes for its citizenry remained an open question.[76]

Morocco

The Kingdom of Morocco was a favorite of the IFIs among MENA countries for its close integration with Europe and alliance with the United States on both the economic and security dimensions. It was credited with having taken structural adjustment and liberalizing reforms seriously.[77] For example, as of 2010, state-owned banks accounted for just 20 percent of the financial system. It had a more diverse economy than the other four Maghreb states (see Table 4.1), with a still significant agricultural sector, a well-developed tourism sector, mining, mostly of phosphates, and manufacturing. Although it had to import energy, inputs for industry, and part of its food supply, Morocco's foreign exchange income from exports, tourism, remittances, aid, foreign direct investment, and profits from its own firms' investments abroad generally made up for the costs of imports.[78]

<INSERT chart04_11a NEAR HERE>

While some significant changes were made to the political system in response to the Arab Spring protests of 2011,[79] the new political configuration of a working alliance between the king and the Islamist party that dominated parliament entailed no change of economic program. Instead the government pursued the IFI agenda of improving the business climate, e.g. simplifying customs and property registration, and promoting manufactured exports in conjunction with foreign capital.[80] When growth slowed in 2012, and capital investment plunged, as shown in Chart 4.11a, the government used restrictive monetary policy to control inflation and turned once again to the IMF for support. In exchange for a "precautionary liquidity line" of potential credit of $6.2 billion from 2012 to 2014, the government decreased subsidies on energy and other commodities in order to reduce its fiscal and current account deficits, shown in Chart 4.11b, while debt soared to over 60 percent of GDP. However, unlike the other four Maghreb economies, Morocco also received a surge of FDI, worth more than $10 billion, from 2012 to 2015 (Chart 6).

<INSERT chart04_11b NEAR HERE>

New investment restored the rate of capital formation, as shown in Chart 4.11a. The rate of GDP growth returned to an average of about 4 percent through 2015, second only to Mauritania's average, but was still not enough to bring the unemployment rate below 10 percent.[81] In comparison to Algeria, Libya, and Tunisia, Morocco had a higher rate of growth of exports and a lower rate of formal unemployment, but also a higher level of inequality and a weaker showing on adult literacy, gender equity, and access to modern sanitation (Tables 4.1 and 4.2). Despite the positive public reviews Morocco received from the World Bank, these seeming contradictions were explained in two internal World Bank research papers, which found that neoliberal restructuring tended to induce greater labor mobility in a situation of "jobless growth," and that, in Morocco, these changes were much less accommodating to women jobseekers than to men.[82]

Economic power continued to be centrally concentrated in Morocco and this may have contributed to the higher level of income inequality and lags in human development, particularly in the rural areas, in comparison to its peers in the region and elsewhere. The two largest companies were the state-owned Office Chérifien des Phosphates (OCP) the revenues from which accounted for about 5 percent of GDP, and the Société Nationale d'Investissement (SNI), which is 60 percent owned by the royal family and holds a large share in the biggest private bank, the Attijarawafa Bank.[83]

The Attijarawafa Bank was the sixth largest bank in Africa and, with branches in twelve African countries, was credited as a successful example of an Africa-based multinational corporation.[84] In concert with SNI, it had led other Moroccan firms to expand their businesses into the economies of western and central Africa.[85] Morocco was cited as a successful model for Africa in developing an industrial policy which, in cooperation with foreign capital, balanced production for the domestic market with export promotion.[86]

Morocco is a major producer of phosphates, and was by 2015 the world's leading exporter of unprocessed phosphates. In the decade before 2015, the OCP had put extensive investment into not only raw phosphate production but also new facilities for transporting the raw material to the Atlantic coast for processing into higher value-added exportable products like fertilizer. The integrated facility at Jorf Lasfar was considered a major accomplishment, and, although this commodity export suffered from the decline in global demand and a 50 percent plunge in prices from 2014 to 2016, its future prospects were considered strong.[87] The caveat was that such capital-intensive investment would make only a small contribution to new job creation.

Another aspect of investment in the phosphate industry which tended to be overlooked by IFI and other reports was the cultivation of an integrated mining, processing and exporting facility in the Western Sahara, with a major port in the city of Laajoune.[88] The Saharawi people living in the territory and those living in exile in Algeria protested what they considered to be the usurpation of the right to exploit this resource in a territory still recognized as "occupied" by pan-African organizations and the United Nations. Morocco had claimed this "province" as an integral part of its nation since 1976, and refused to allow a referendum among Saharawis on the territory's fate. Although the European Court invalidated the agricultural component of Morocco's free trade agreement with the EU in 2016 because it involved the Western Sahara, the OCP pursued development of the phosphate complex unhindered.

Morocco had success in reducing poverty from 8.9 percent in 2007 to 4.2 percent in 2014, but nineteen percent of the rural population was still considered vulnerable to poverty (Table 4.1).[89] As in Tunisia, Moroccan families depended on remittances, which were the equivalent of 7 percent of GDP in the years from 2011 to 2015 (Chart 4.5). Like Mauritania, Morocco had long been a recipient of development aid, and ODA per capita actually increased after 2010 (Chart 4.4), even as FDI increased and economic growth rose. Like Mauritania, Morocco's economy was criticized for preserving large pre-capitalist sectors alleged to hold back the growth needed to reduce unemployment and raise incomes. For example, as shown in Chart 4.11a, good weather boosted agriculture's contribution to the 4.5 percent growth rate in 2015, but bad weather helped drag the growth rate down to 1.5 percent in 2016.[90] The World Bank overview of Morocco in October 2016 stated that the economy remained

> …structurally oriented toward non-tradable activities (such as construction, public works, and low value-added services) and a volatile, weakly productive rain-fed agriculture. Given this orientation, Morocco has made little productivity gains over the past two decades despite high levels of investment. Investment efforts – dominated by publicly funded large infrastructure projects – have not yet triggered a growth takeoff. Morocco has yet to secure the productivity and competitiveness gains needed to further integrate into world markets.[91]

This statement stands in contradiction to the World Bank's enthusiastic support for Morocco's grand agricultural program, the Plan Maroc Vert, initiated in 2010. The "first pillar" of the plan attracted FDI into the high-productivity, high-profit production of specialty crops like fruit, flowers and olive oil for export to the EU. Most of that investment went to the most fertile and best-irrigated farmland near the coasts with convenient transport to Europe. The Plan Vert's "second pillar" was supposed to promote the adoption of new techniques by small farmers producing essential crops for food security in the domestic market.[92]

As the achievements of the first pillar mainly benefited wealthier Moroccan investors, foreign capital and European consumers, independent researchers did not find much benefit for ordinary farmers from this "second pillar."[93] Citing a Moroccan economist, one source concludes that "The vast majority of the country's water goes to a few crops with export potential. There is no taking into account of natural resource preservation or of food security."[94] As with Mauritania, one wonders what was done with all the ODA.

Tunisia

As of 2010, Tunisia had been looked upon as a "good student" of the neoliberal reform program that the IFIs had been promoting since the 1990s while still criticizing the remaining statist elements for being a drag on reform and growth.[95] Tunisia was relatively attractive to foreign investment (Chart 4.7) and FDI had come in at a record pace in the boom years of the mid-2000s (Chart 4.6). Both GDP per capita (Chart 4.2) and human development (Chart 4.3) improved over the 2000s. As shown in Tables 4.1 and 4.2, Tunisia's GDP per capita placed it in the middle rungs of the "emerging" economies and its human development and infrastructure accomplishments were among the best in the Arab region. The economy was more diversified than many other MENA economies, including agriculture, mining, manufacturing and services like tourism. The remnants of "statism" in the economy were five public banks that held about forty percent of financial assets at that time, and state-owned enterprises (SOEs) in industry, utilities, transportation, water and agriculture, with employees organized into a strong trade union federation, the Union Générale des Travailleurs Tunisiens (UGTT).[96]

While the IFIs complained that liberalizing reforms had not gone far enough, and ignored the human and civil rights violations perpetrated by the Ben Ali regime, they did not recognize the many negative aspects of Tunisia's structural transformation that were known to first-hand researchers outside of IFI circles. These aspects included corruption, cronyism and growing inequality from slow job creation and stagnant incomes for the middle and working classes, as well as severe disparities between the coastal and inland provinces. Families increasingly depended on precarious employment in the growing informal sector and remittances from members working abroad, mostly in Libya and Europe.[97] As shown in Chart 4.5, remittances averaged close to 5 percent of GDP in the 2000s.

The inflow of FDI in the 2000s helped increase the diversity of Tunisia's economy (Table 4.1) and growth of manufactured exports. However, the most dynamic investment was concentrated in insular export-processing enclaves in the coastal provinces that profited international capital and a set of privileged Tunisian partners connected to the ruling family. Very little knowledge transfer and modern technology bled into the domestic economy, and much of the raw material and intermediate inputs needed for manufacturing were imported rather than supplied by domestic producers.[98] Furthermore, a significant portion of FDI went into the hydrocarbon sector, and when FDI did penetrate the domestic economy, it took the form of financial and telecom acquisitions, construction of luxury shopping malls and apartment buildings for the wealthy, and grand resorts, hotels and transportation facilities to meet the needs of foreign tourists and businesses.[99]

The demands of the protestors in the Arab Spring movement reflected the populace's real and pressing needs for responsive and fair government and for an economy that would generate decent jobs and income for ordinary people. In response to the uprisings, a series of key reforms in the legal and political structures made the system more pluralistic and inclusive and opened elections to genuine competition among political parties for the first time. This entailed a prolonged and contentious dialogue over how to restructure the polity, with frequent turnovers of top government officials. The population was frustrated to find that all of the post-uprising governments were slow to enact reforms to the security and judicial systems and that none had come up with a comprehensive economic program to tackle the many problems that had led to the uprising.[100] The continuing protests, strikes and demonstrations, including against austerity budgets, and the lack of forward momentum in the economy fed into a cycle of decreasing investment, declining tourism, and stalled job creation and income generation, except to the extent that government could create jobs in temporary programs and raise public sector wages.[101]

During the same period, civil strife was raging in Libya and spilling over into Tunisia sometimes in the form of terrorism, with a costly impact on all aspects of the Tunisian economy, especially tourism. Compared to IMF projections in 2010, ESCWA estimated that private investment in 2015 was 25 percent lower than expected and that Tunisia had missed out on 3.86 percentage points of growth per year between 2011 and 2015.[102] In addition, ebbing global demand for phosphates led to a fall in its export price by 50 percent from 2012 to 2016, but Tunisia could not make up in quantity what it lost in price (as Algeria had done with natural gas) as long as labor/management disputes at Gafsa limited supply.[103]

<INSERT chart04_12a NEAR HERE>

As shown in Chart 4.12a, economic growth and investment were low through 2015, while inflation and the current account and budget deficits grew (Chart 4.12b) and unemployment rose to over 15 percent. To cover the deficit, the government drew down on foreign reserves and turned to borrowing, pushing up the projected debt to over 50 percent of GDP by 2016, a situation that seemed unsustainable without a restoration of growth. Without a program of its own, a desperate government turned to the IMF in 2013. The deal was for a Stand-by Arrangement (SBA) in which the IMF would provide up to $1.74 million in concessional lending to be disbursed as needed over two years, from June 2013 to May 2015 (later extended to May of 2016).

<INSERT chart04_12b NEAR HERE>

This form of assurance led to increased inflows from the World Bank and other donors and enabled Tunisia to sell its government bonds on the international market with guarantees from the United States.[104] Chart 4.4 shows the resulting rise in development aid. The external financial support was conditioned on the government's reducing the budget deficit by cutting spending, especially for subsidies, improving revenue collection, and reducing the current account deficit by allowing the dinar to depreciate. Beyond that, the government was to deepen structural reforms which, the IFIs argued, would eventually restore investor confidence, economic growth and job creation.[105]

The IMF compared Tunisia unfavorably to Morocco, ignoring Tunisia's much greater vulnerability to spillover of conflict from Libya and the strain on its resources from caring for refugees. Its "competitiveness" was weaker, so currency depreciation was not followed by an increase in share of global exports as it had been in Morocco. Tunisia's scores on the "competitiveness" indexes for infrastructure, education, finance and trade had all worsened by 2015, and its score on regulatory reform had not improved. Raising public sector wages to help workers had increased Tunisia's budget deficit, whereas Morocco imposed "cost-saving reforms" on its workers and reduced its deficit. Tunisia had made some progress on reforms like phasing out subsidies on energy, electricity and water, increasing central bank independence, and improving taxation to reduce exemptions and loopholes and raise thresholds, but Morocco's progress was judged broader and deeper.[106]

As of 2016, Tunisia still faced the risk of "worsening of fragile domestic security or political instability" due to the "…absence of material improvement in living and business environment conditions in the five years since the Arab Spring."[107] To try to find a fresh approach, the government organized a national dialogue in March 2016 which resulted in the "Carthage Document." The document was signed by top representatives of government, leaders of the trade union federation UGTT and the employers' association, UTICA, as well as representatives of civil society organizations and NGOs. The document was broad enough that it left room for differing interpretations.

From the point of view of workers, civil society and, to lesser extent, UTICA, the document committed the country to a development plan aimed at creating the highest number of decent jobs, in particular in neglected regions of the country and for women.[108] Government would provide support for the start of new businesses and the formalization of informal business, by reducing barriers to finance and registration and counterproductive bureaucratic interference (including corruption on the local level). This would be done in conjunction with active labor market policies (ALMPs) that put the unemployed to work as quickly as possible in building the infrastructure and providing the services needed to improve the quality of life in the hinterlands. Organized training or retraining of workers plus matching workers to jobs would be critical to the success of the program, with incentives to local business to train workers on the job as well. This sounded very much like what the ILO and UNDP had proposed for Tunisia during the year after the uprising.[109]

From the point of view of the IFIs, in contrast, the meaning of the Carthage Document came clear with the formation of a new "national unity" government in August 2016. With public backing from the IFIs and other donors, the government proclaimed a "Five Year Vision" with five pillars aiming to address all the unresolved demands raised during the Arab Spring: (1) transparent and effective government; (2) diversification of the economy; (3) human development and social inclusion; (4) reduction of regional disparities; and (5) economic growth.[110]

However, this vision was not a program. The program to which the government soon committed itself was actually the vigorous pursuit of the same structural-reform package required by the IFIs in exchange for their continued "significant and flexible" financial and technical support. These reforms included unpopular policies like tightening the public wage bill, restructuring management of the civil service and SOEs, and the expansion of the private sector through public-private partnerships (PPPs) in, for example, managing utilities.[111]

The success of this program, in the IFIs' eyes, rested on several assumptions. First, they assumed that for-profit operations were more efficient and effective, a tenet that was not empirically well established and was mistrusted by many Tunisians. Second, they assumed that SMEs were the best-sized firms to promote because they were more innovative and would create more jobs. However, research had shown that "SMEs" were very diverse and that optimal firm size for productivity growth, export performance and employment creation varied greatly by type of product, available technology and ability to capture economies of scale. Even within the broad grouping of "SMEs," it was the larger ones, with 20 to 50 employees each, that provided significantly more jobs and more stable employment than those with less than 20 employees,[112] so an active labor market policy would have a bigger and quicker impact if it targeted the medium-sized firms first.

Third, the IFIs assumed that attracting FDI was the most efficient way to transfer knowledge and advance technical change and become more integrated in the global economy, but Tunisia's previous experience had shown that this was not necessarily true. This transfer is not automatic, but has to be negotiated with potential foreign investors by a savvy and clear-eyed government, as even researchers at the World Bank had come to realize.[113] The IFIs also assumed that global capital flows to, and demand for the exports of, Tunisia and other "emerging" economies would soon revive, and so Tunisia should prepare by improving its business climate and increasing its ability to compete with other EMDEs. However, the IFIs themselves were predicting that global capital flows and demand would remain sluggish in the forecastable future.

Furthermore, the IFIs seemed to assume that the public would not notice if the government gradually restored various pre-Spring authoritarian features of governance. As of mid-2017, these features included using the state-of-emergency (renewed again in November 2017) to restrict freedom of the press, assembly and association (such as in labor unions and civil society organizations), granting amnesty to corrupt officials from the Ben Ali regime, and providing impunity for the security services and police from public scrutiny or criticism of their behavior.[114] Ongoing strikes, protests and demonstrations, however, indicated that the public noticed not only the slippage away from democratic governance but also the failure to implement a meaningful economic program to meet the goals of the Carthage Document.

Prospects for the Maghreb: IFI-led Marshall Plans versus Regional Integration

The IFIs' expressed preference in late 2016 would be to return to the principles of globalization and free trade as the proven ticket to global economic growth.[115] Fearing that continued financial stagnation and rising protectionism "could result in a loss of world output by about 3 percent through 2021,"[116] they urged the EMDEs, including the Maghrebi countries, more desperately than ever to press ahead with liberalizing reforms.[117] However, they had also come to realize that much more might be needed, even to the point of abandoning austerity and adopting planning. They proposed, first, something like a Marshall Plan for the world, including fiscal stimulation in <u>all</u> country groups, second, coordination of cross-border financing of investment in infrastructure and human development, and, last, provision of:

> …a stronger global safety net… to protect [EMDE and LID] economies with robust fundamentals that may nevertheless be vulnerable to cross-border contagion and spillovers, including strains that are not economic.[118]

Region-based organizations, most affiliated with the United Nations, offered an alternative vision, in which the ruling concept was that human well-being, in contrast to economic growth, was the ultimate goal of development.[119] This approach also has three pillars. First, given the global phenomenon of "jobless growth," the prevailing tendency toward precarious employment, and the rise in unemployment globally in 2015, "full and productive employment and decent work for all" should be at the core of new development programming. Indeed, a key element of the Sustainable Development Goals (SDGs) agenda, which 190 countries endorsed in 2015, would be to achieve this world-wide by 2030.[120] It would be the core mechanism for poverty eradication and the reduction of inequality around the world.

Second, this approach proposed restoration of the developmental state, with democratically elected leaders who could pursue a clearly-defined and nationally-agreed-upon vision for sustainable and inclusive development.[121] As ESCWA put it, for example, in explaining the drop in FDI from advanced countries to EMDEs since 2008, potentially investable surpluses were sitting idle in advanced country corporate coffers in what was effectively a "savings glut:"

> Markets have failed to act as an intermediary to direct funds from developed to developing economies, and so an alternative framework is necessary to solve this serious global imbalance.[122]

Third, the necessary programs could be carried out most effectively in the context of regional integration, involving not only trade but also investment finance and labor mobility. This interstate engagement could facilitate development, for example, jointly constructing an integrated electricity grid in the Maghreb fueled not by hydrocarbons but by solar and wind power, and reduce the likelihood of violent conflict and dependence on volatile international commerce and financial markets.[123] Proposals for and reports on existing dimensions of financial integration validated this idea.[124] The effort undertaken by Algeria and Egypt in 2016 to reconcile the main factions in Libya to peacefully negotiating a more inclusive national unity government was another positive sign.

Perhaps Tunisia's announced economic program at the end of 2016 had elements of this second approach, assuming it had strong democratic leadership with a "developmental state" vision. The IFIs were willing to compromise with skeptical workers in Tunisia by including active labor market programs (ALMPs) in their financial support packages for the program.[125] However, Tunisia's program would be more likely to succeed if the war in Libya ended and the threat of terrorism receded, outcomes that can only be achieved in a regional framework. The two alternative approaches diverged on the question of what overarching structure should shape the future trajectory of Tunisia and its neighbors, the IFI-led global orientation or the locally-led regional orientation. Whether the two approaches are substitutes or complements for sustainable development in the Maghreb was still unresolved, as was the troubled interface between the rejuvenation of authoritarianism and the democratic aspirations of the Arab Spring movement.

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Table 11. General Government Fiscal Balance, as Percent GDP

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Table 21. Current Account Balance, as Percent GDP
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Table 23. Total Gross External Debt, as Percent GDP
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Tables and Figures

Table 1. Maghreb Economies -- Basic Economic Indicators

	Algeria	Libya	Mauritania	Morocco	Tunisia
Pop Mns, 2015	39.7	6.3	4.1	34.4	11.3
GDP per capita, $US PPP, 2015	14,386.0	14,793.0	4,039.0	7,986.0	11,304.0
Econ Diversity Index, 2014	4.5	1.6	4.7	47.3	44.4
Export Growth, Avg Ann %, 2010-2014	0.0	-14.7	6.6	9.4	-0.6
Poverty, % Pop < Natl Poverty Line	na	na	(2008) 42.0	(2007) 8.9	(2010) 15.5
GINI Index	(1995) 35.3	na	(2008) 37.5	(2007) 40.7	(2010) 35.8
Labor Force Part Rate, 2013	43.6	53.8	47.1	49.0	47.8
Unemployment Rate, 2013	9.8	20.6	30.8	9.2	15.9

Source: African Development Bank 2016a, Tables 1, 8, 14, 20

Table 2. Maghreb Economies -- Human Development Indicators

	Algeria	Libya	Mauritania	Morocco	Tunisia
Life Expectancy at Birth, 2015	75.0	71.8	63.2	74.3	75.0
Adult Literacy, % Pop Age > 15, 2010-15	80.2	91.0	52.1	72.4	81.8
Prim School, Net enrol, 2010-2015 (1)	97.3	na	74.4	98.4	98.6
Gender Inequality Index, 2014 (2)	41.0	13.0	61.0	53.0	24.0
Gender Development Index, 2014 (3)	84.0	95.0	82.0	83.0	89.0
Access to water supply, % Pop, 2013	84.0	na	58.0	85.0	98.0
Access to Sanitation, % Pop, 2013	88.0	97.0	40.0	77.0	92.0
Internet Users per 100 Inhab, 2014	18.1	17.8	10.7	56.8	46.2

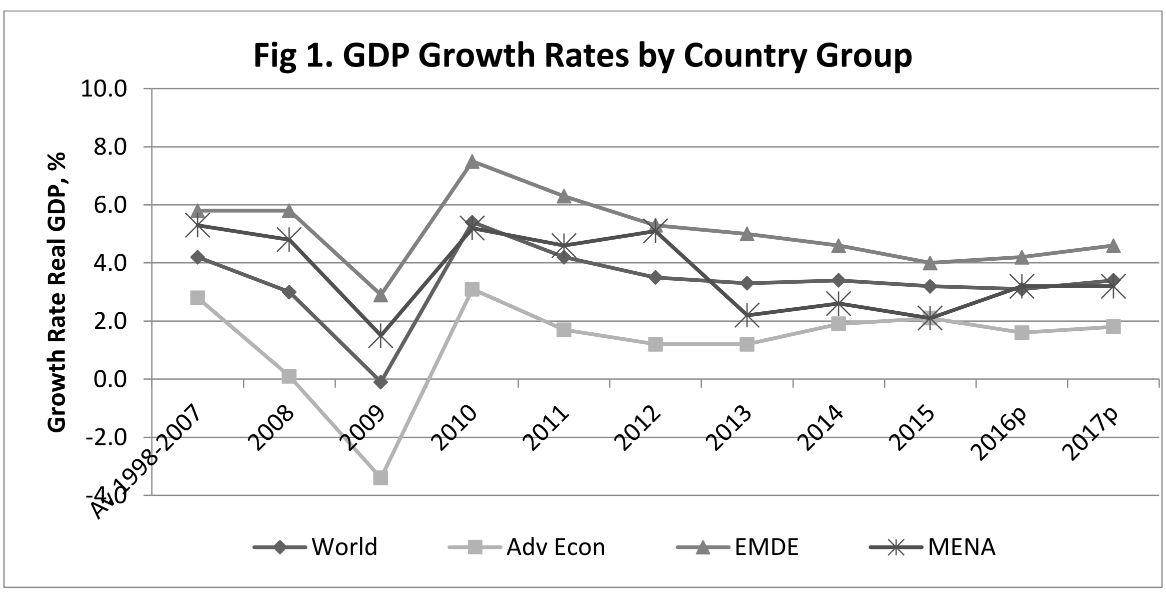
Source: African Development Bank 2016a, Tables 15, 16, 18, 19, 26

Notes:

(1) The percentage of children of primary school age enrolled in school.

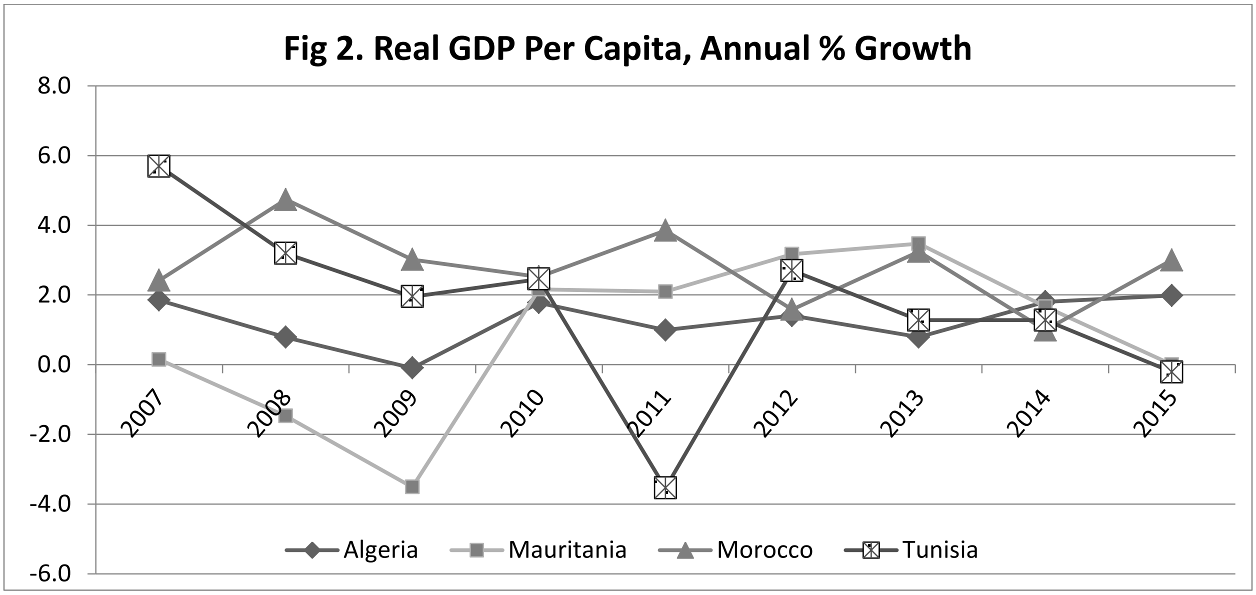
(2) Lower is better: Lower score = fewer socio-ecconomic-political disparities between male and female.

(3) Higher is better: Higher score = closer to parity in human development between female and male.

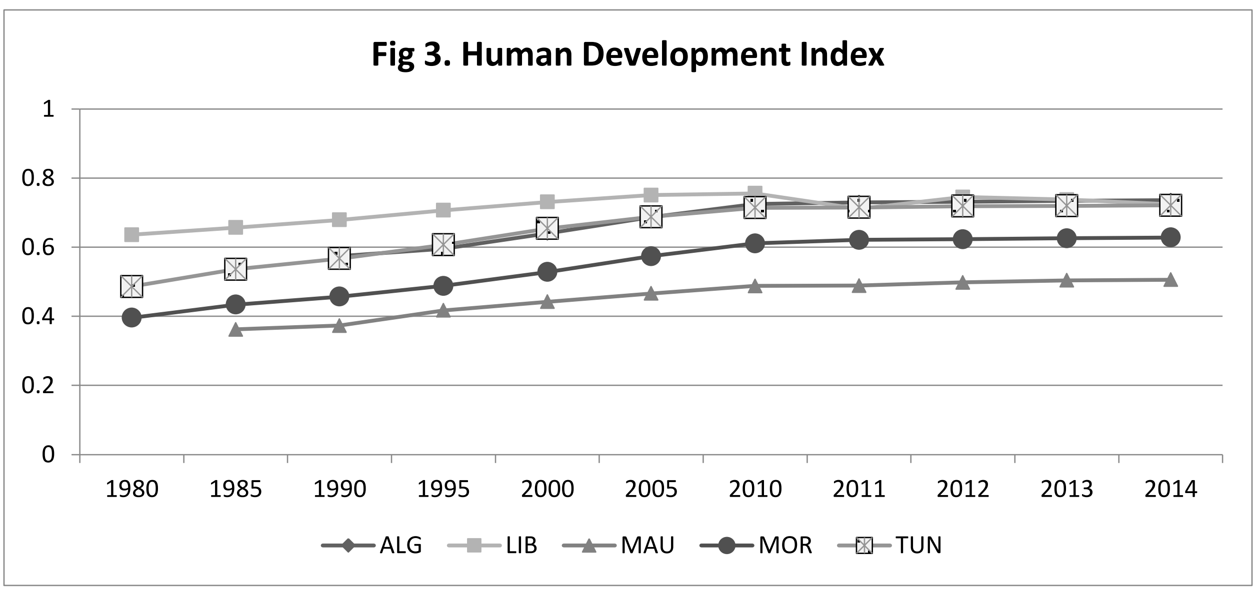


Source: IMF 2016a, Table A1, p. 228

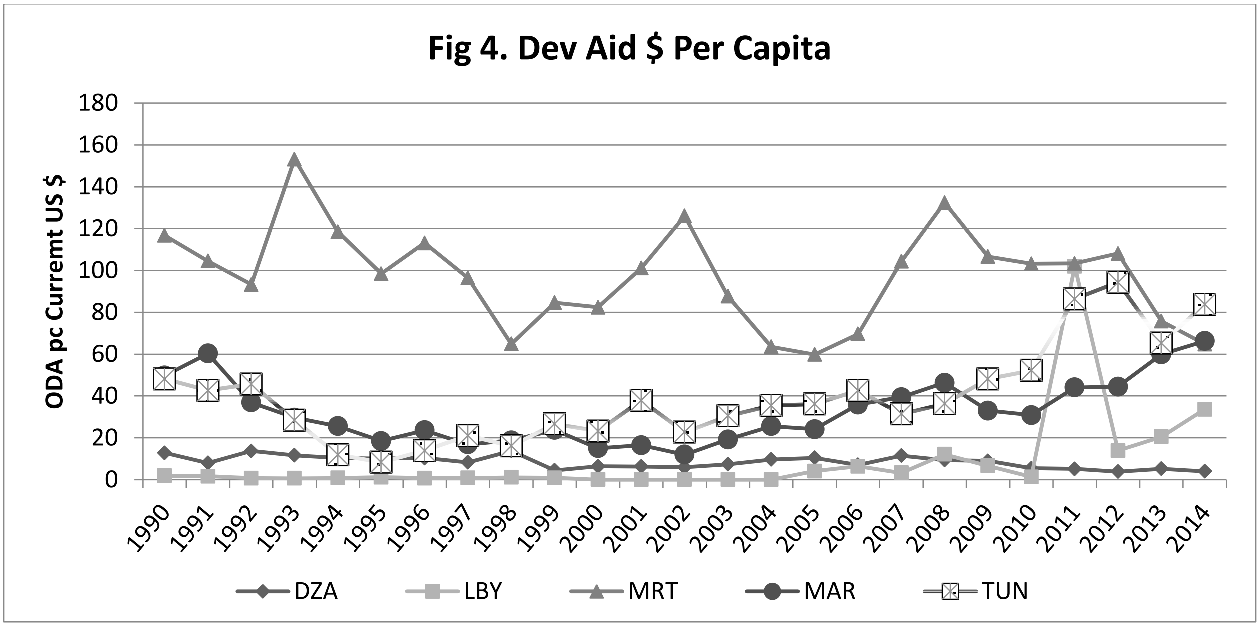
Note: Advanced Economies include United States, Euro Area, Japan, and others at similar level of development. EMDE are Emerging and Developing Economies, and include all regions of the world outside of the "Advanced Economies." Algeria, Libya, Mauritania, Morocco, and Tunisia are included among MENA countries, and all are classed asEMDEs and as upper or lower middle-income by the World Bank as of 2016.



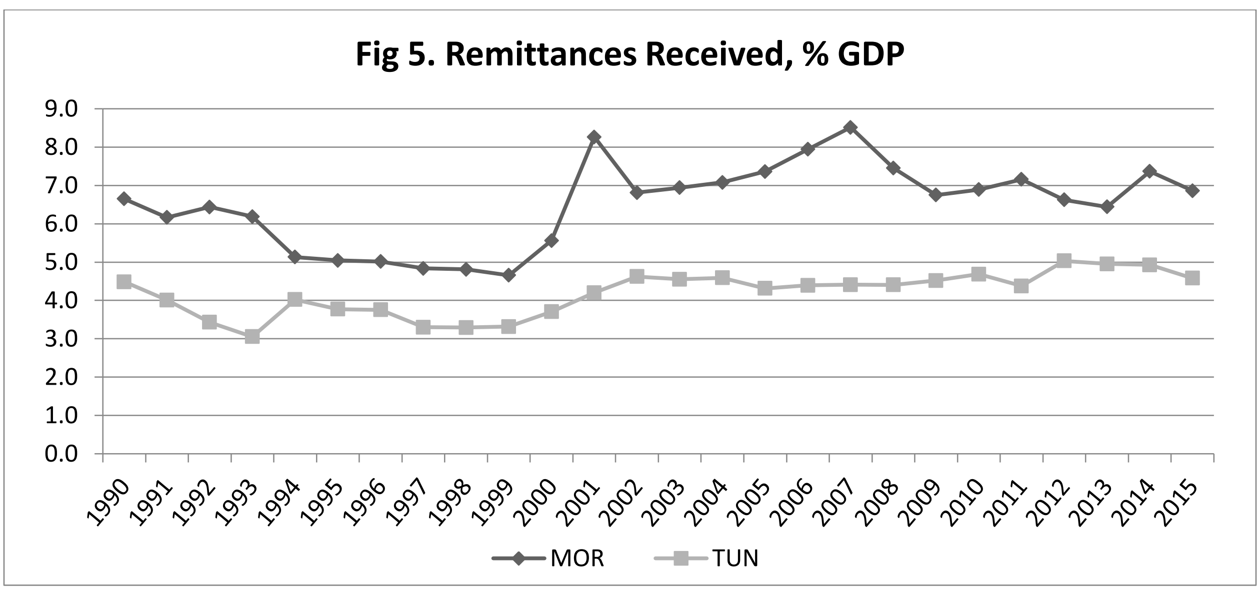
Source: World Bank Data Bank (accessed 12/10/16)



Source: Human Development Report 2015, http://hdr.undp.org/en/data (accessed 1/13/17)
Note: 2014 human development ranges are "very high" 0.896-0.944, "high" 0.744-0.895, "medium" 0.630-0.743, and "low" 0.505-0.629.



Source: World Bank Databank (access 1/5/17)



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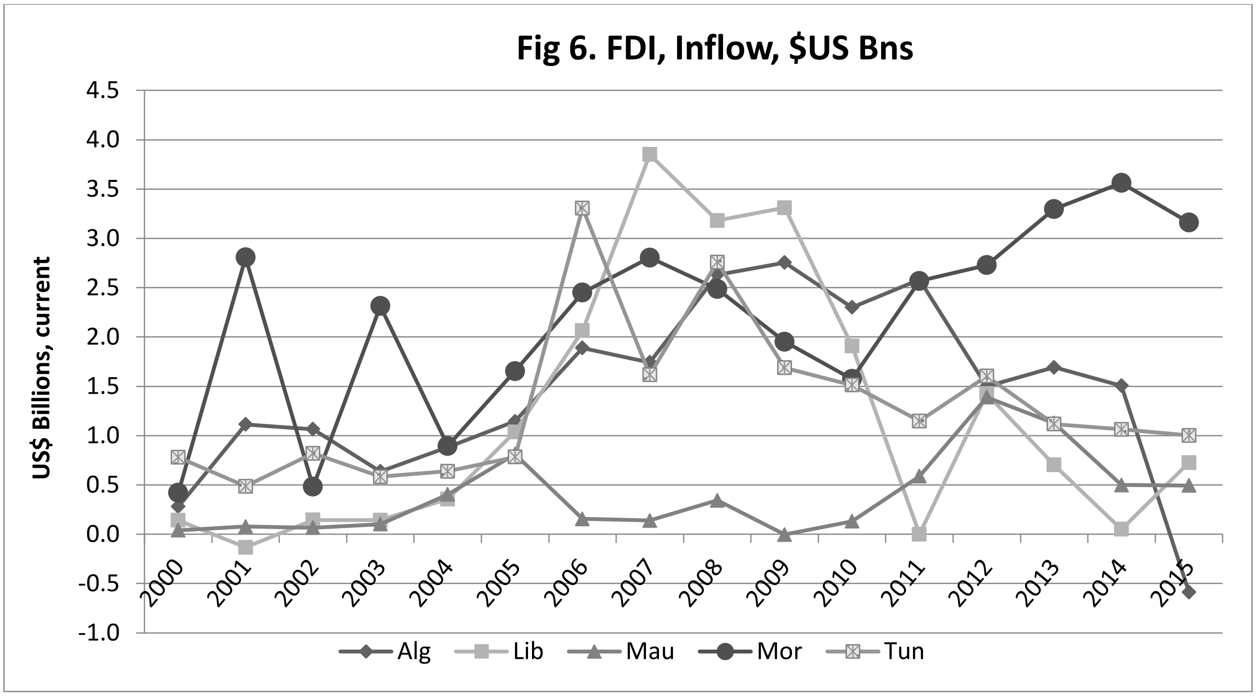
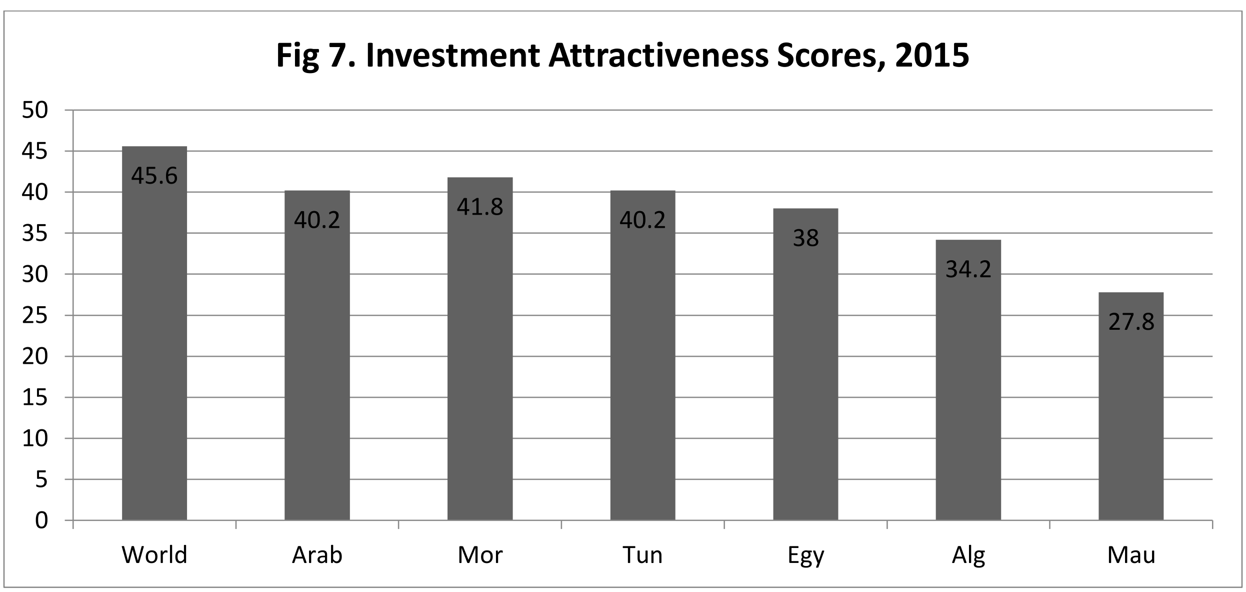
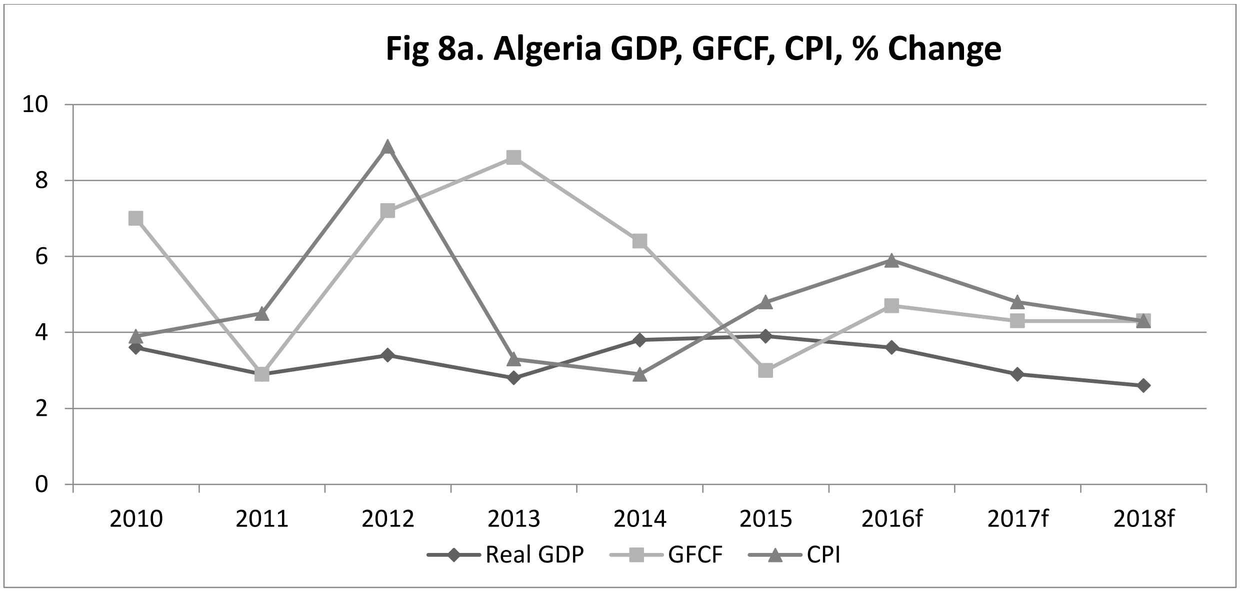


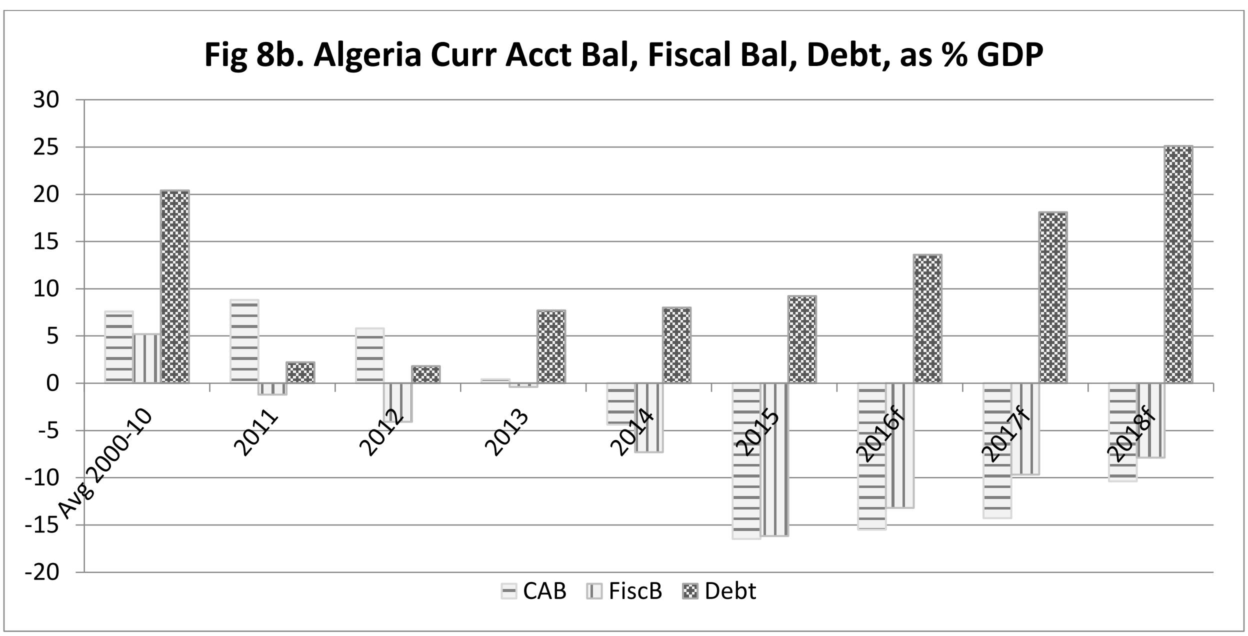
Source: UNCTADStat (accessed 1/15/17)
Note: Morocco on Asset/Liability basis.



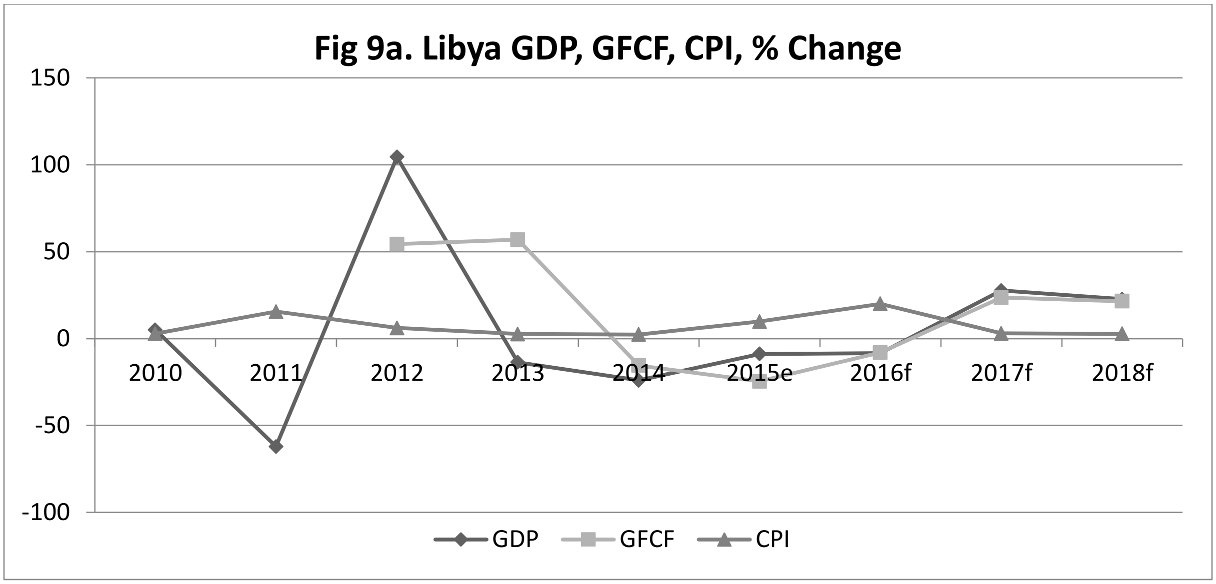
Source: Dhaman 2016: 121, 125, 177, 181, 185



Source: World Bank 2016b, World Bank Databank (accessed 1/18/17)



Source: World Bank 2016b, World Bank Databank, IMF Databank (accessed 1/19/17)



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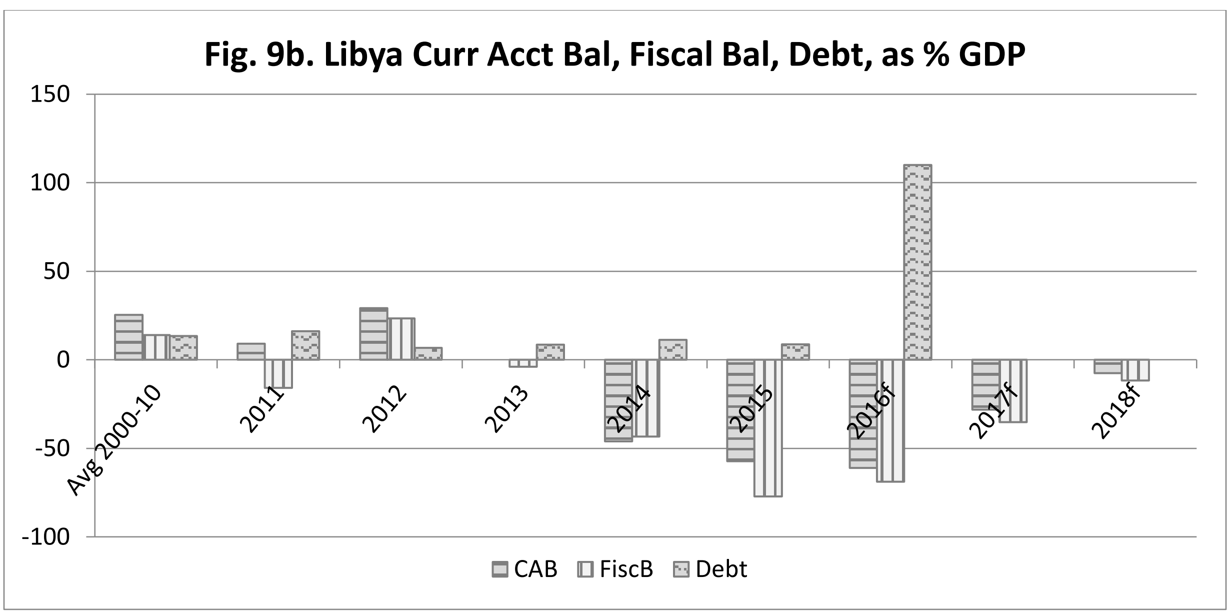
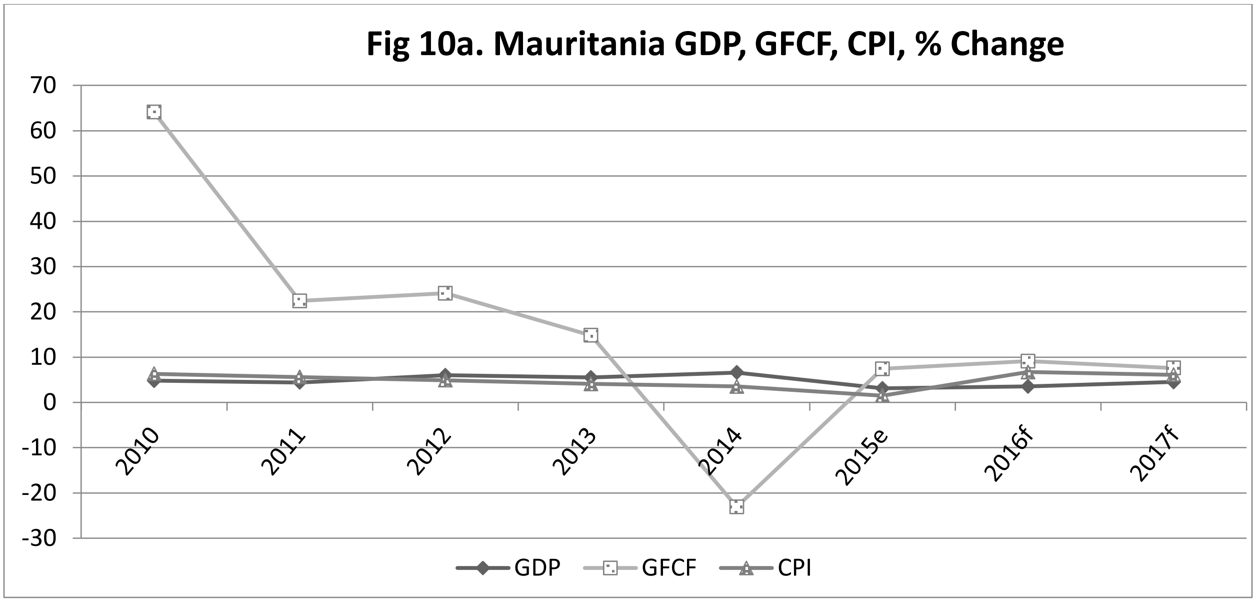
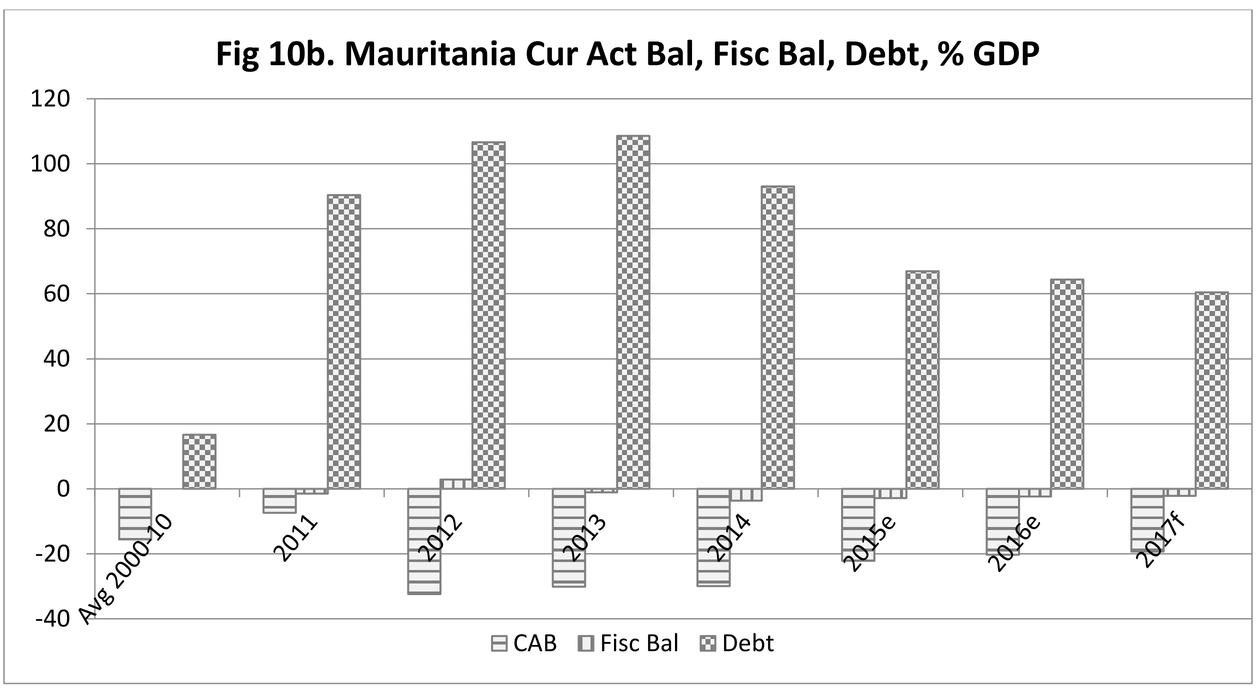


Source: World Bank 2016b, World Bank Databank, IMF Databank (accessed 1/19/17)



Sources: African Development Bank 2016a, World Bank Databank (accessed 1/18/17), Moody's Analytics (accessed 1/18/17)



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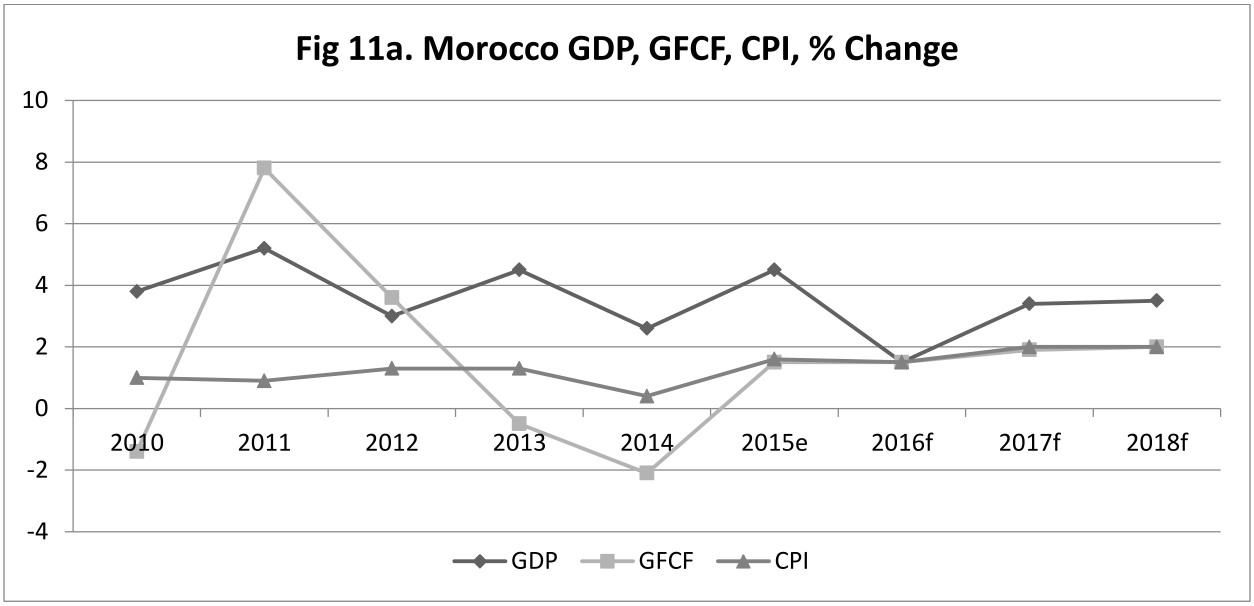

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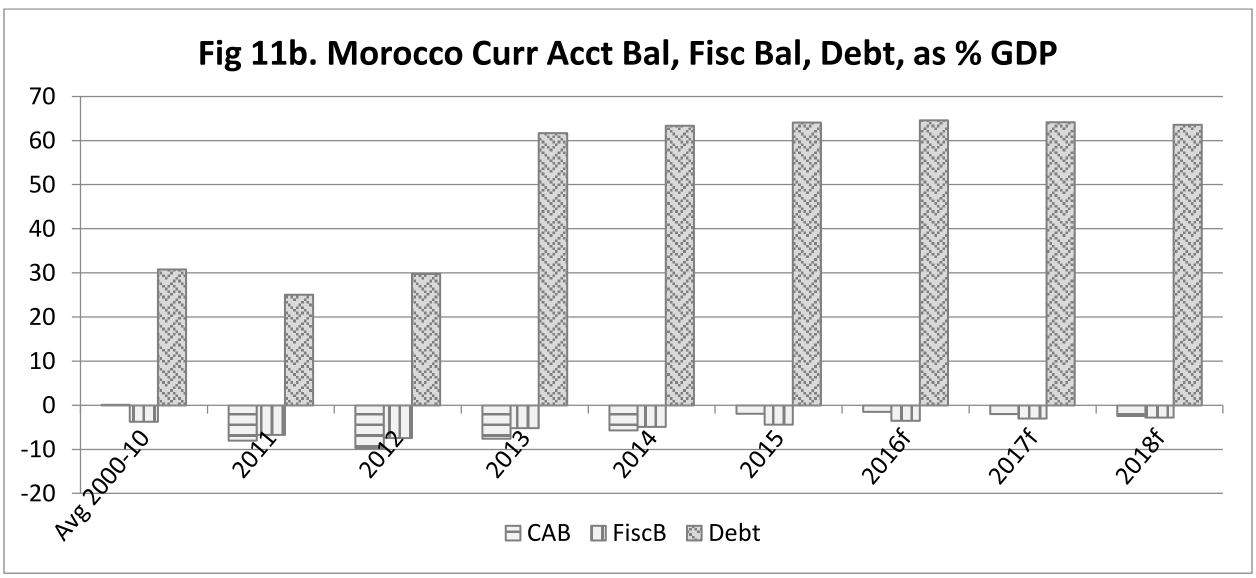

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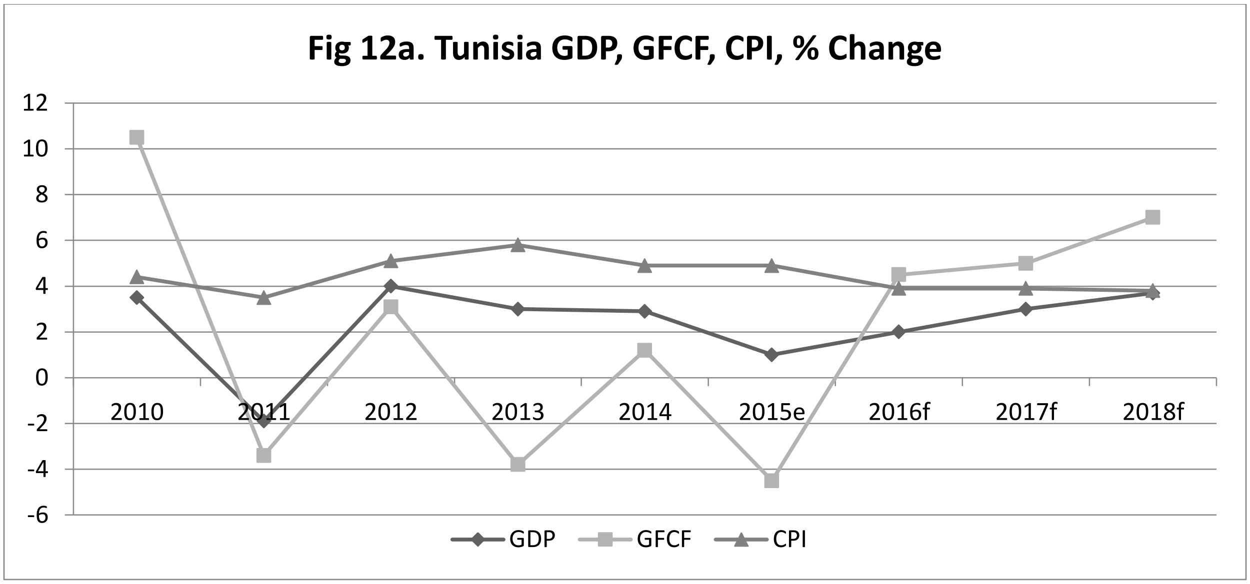

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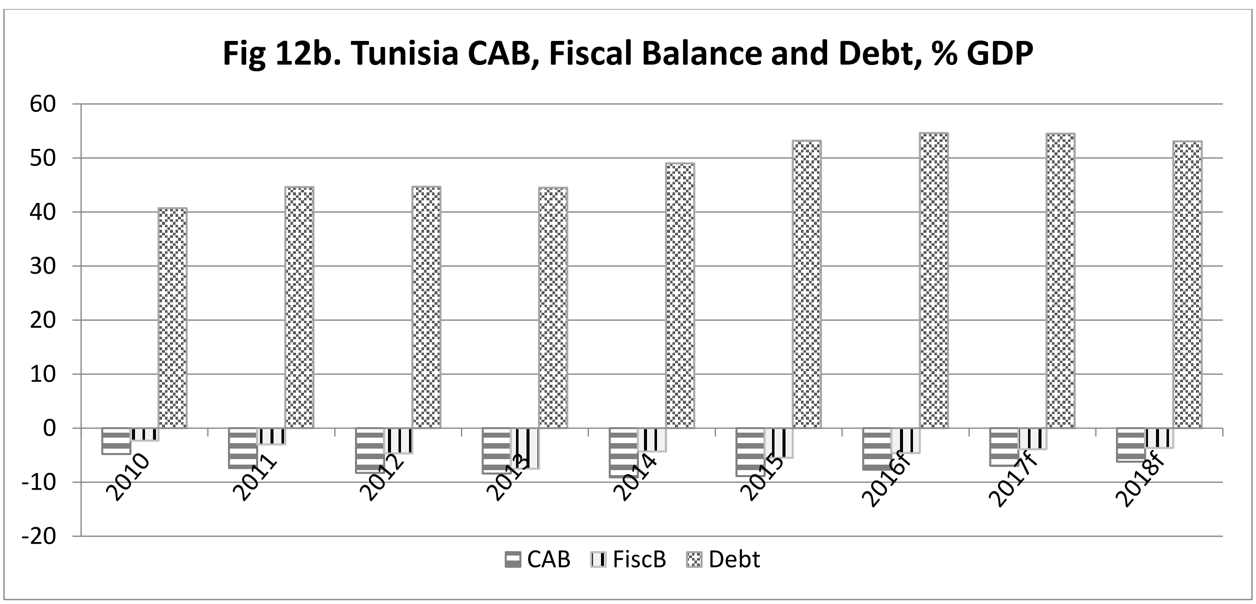

Source: World Bank 2016b, World Bank Databank (accessed 1/18/17), IMF Databank (accessed 1/18/17)
Note: Fiscal Balance for 2010 is average for 2000-2010 (IMF Databank)

Endnotes

[1]See for example ECES, Egyptian Center for Economic Studies, "The Arab Spring Protest Movement Has Cost the Region $614 Billion in Lost Growth," *Our Economy and the World*, Issue 37, Nov. 27, 2016. http://eces.org.eg/MediaFiles/ViewOnNews/7e41ba19.pdf (accessed 11/28/16), which misinterprets ESCWA, United Nations Economic and Social Commission for Western Asia, "Survey of Economic and Social Developments in the Arab Region, 2015-2016," Beirut, Lebanon: United Nations, 2016, https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/survey-economic-social-development-arab-region-2015-2016-english.pdf (access 11/14/16), as citing the uprisings as the cause of subsequent GDP foregone in both the countries in conflict (e.g., Libya) and neighboring countries affected by spillovers from conflict (e.g., Tunisia). Other examples are Mohsin Khan and Karim Mezran, "Aftermath of the Arab Spring in North Africa," *Issue Brief*, Washington DC: Atlantic Council, Rafik Hariri Center, October 2016, http://www.atlanticcouncil.org/images/publications/Aftermath_of_the_Arab_Spring_in_North_Africa_web_1031.pdf (accessed 11/7/16), and McKinsey Global Institute, "Lions on the Move II: Realizing the Potential of Africa's Economies," Brussels, Belgium: McKinsey and Company, September 2016, http://www.mckinsey.com/global-themes/middle-east-and-africa/lions-on-the-move-realizing-the-potential-of-africas-economies (accessed 9/15/16), which describe each country's evolution since 2011 (Algeria, Libya, Morocco and Tunisia) in terms of its own internal dynamics while giving little notice to external forces.

[2] IMF, International Monetary Fund, "World Economic Outlook, October 2016, Washington DC: IMF," 2016, http://www.imf.org/external/pubs/ft/weo/2016/02/pdf/text.pdf (accessed 11/7/16) and "Global Financial Stability Report: Fostering Stability in a Low-Growth, Low-Rate Era," Washington DC: IMF, 2016, http://www.imf.org/external/pubs/ft/gfsr/2016/02/pdf/text.pdf (accessed 11/7/16); World Bank, "Global Economic Prospects," June 2016, Washington DC: World Bank, 2016, http://pubdocs.worldbank.org/en/842861463605615468/Global-Economic-Prospects-June-2016-Divergences-and-risks.pdf (accessed 12/6/16); ESCWA, "Survey Arab Region," and "Annual Report 2015," Beirut, Lebanon: United Nations, 2016, https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/annual-report-2015-english.pdf (access 11/15/16); Binyamin Appelbaum, "A Little-Noticed Fact about Trade: It's No Longer Rising," *New York Times*, Oct. 30, 2016. http://www.nytimes.com/2016/10/31/upshot/a-little-noticed-fact-about-trade-its-no-longer-rising.html (accessed 11/1/16); and Ruchir Sharma, "When Borders Close," *New York Times* Sunday Review/Opinion, Nov. 12, 2016. http://www.nytimes.com/2016/11/13/opinion/sunday/when-borders-close.html?_r=0 (accessed 11/15/16).

[3] IMF, "World Economic Outlook," 1-5.

[4] Sharma, "When Borders Close," and IMF, "World Economic Outlook," Table A9, 241.

[5] Appelbaum, "Fact about Trade."

[6] IMF, "World Economic Outlook," Table A9, 241.

[7] ESCWA, "Survey Arab Region,"24-26, 45, 48.

[8] ESCWA, "Survey Arab Region," 41.

[9] ESCWA, "Survey Arab Region," 31, 33.

[10] IMF, "World Economic Outlook," Table A1, 228.

[11] IMF, "World Economic Outlook,"19-20; International Monetary Fund, "Regional Economic Outlook: MENAP and CCA, October 2016," Washington DC: IMF., 2016, xi, http://www.imf.org/external/pubs/ft/reo/2016/mcd/eng/pdf/mreo1016.pdf (accessed 12/12/16)

[12] McKinsey, "Lions in Africa." Most of McKinsey's report is about sub-Saharan Africa, but the North African economies are mentioned several times, usually in a positive light, e.g. 11-16, 24, 56-57, 63-67, 76, 88, and 93.

[13] IMF, "World Economic Outlook,"16-18.

[14] IMF, "World Economic Outlook," Table A3, 230-231.

[15] IMF, “World Economic Outlook,” 27.

[16] IMF, “World Economic Outlook,” 7-8; Appelbaum, “Fact about Trade.”

[17] Sharma, “When Borders Close.”

[18] ESCWA, “Survey Arab Region,”16, 19.

[19] Appelbaum, “Fact about Trade;” Sharma, “When Borders Close.”

[20] IMF, “World Economic Outlook, 11-13; IMF, “Global Stability,” Forward and xiii-xviii. Immigration of younger generations had previously been demonstrated to transfer a demographic dividend to advanced economies, reducing the labor force dependency ratio, and, in the medium to long run, raising income per capita and productivity growth overall without a significant negative impact on employment or wages of native workers.

[21] Sharma, “When Borders Close.”

[22] United Nations Development Program (UNDP), “Human Development Report 2015,” New York: United Nations Development Program, 2015, Table 1: 222-225, http://hdr.undp.org/sites/default/files/2015_human_development_report.pdf, (accessed 1/13/17)

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[24] ESCWA, “Survey Arab Region,” 52-54.

[25] IMF, International Monetary Fund, *Arab Countries in Transition: Economic Outlook and Key Challenges*, October 2014, Washington DC: IMF, 2014: 3-5, https://www.imf.org/external/np/pp/eng/2014/100914.pdf (accessed 12/23/15) ; Karim Mezran, “North African Transitions in 2014,” *MENA Source*, Washington DC: Atlantic Council, Rafik Hariri Center, 2014, http://www.atlanticcouncil.org/blogs/menasource/north-african-transitions-in-2014 (accessed 11/7/16).

[26] ESCWA, “Survey Arab Region,” 31-32.

[27] Nabil Jedlane and Dhafer Saïdane, “Les Systèmes Financiers d’Afrique du Nord: Mutation Contrastée et Intégration Hésitante,” *Revue d’Economie Financière* 4, no. 116 (2014): 99.

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[29] Jedlane and Saïdane , “Systèmes Financiers,”103-105.

[30] Jedlane and Saïdane, “Systèmes Financiers,” 113-118).

[31] Jedlane and Saïdane, “Systèmes Financiers,” 100-101.

[32] ESCWA, “Survey Arab Region,” 49-50.

[33] Khan and Mezran, “Aftermath of the Arab Spring.”

[34] IMF, “Arab Countries in Transition,” 3.

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[39] McKinsey, "Lions in Africa," 76.

[40] Dhaman, *Investment Climate*, 8-10. Dhaman, meaning "guarantee" or "surety," was the appealing nickname for the Arab Investment and Export Guarantee Corporation, headquartered in Kuwait and funded by subscriptions from the member countries of the Arab League. Founded in 1974, its original formal name was "the Inter-Arab Investment and Export Guarantee Corporation," and its orientation was to encourage investment and trade within the Arab region. Although it was never opposed to investment from elsewhere coming into the region, it gradually shifted to focus on FDI from outside the region in the neoliberal era, especially in the 2000s as it adopted the ideology of FDI as the savior for developing countries and the need for Arab economies to become more business-friendly and "competitive" in the fierce global struggle to attract FDI (Dhaman, *Investment Climate*, 10, 105).

[41] Dhaman, *Investment Climate*, 36-43.

[42] The details on all index components for all groups are in Dhaman, *Investment Climate*, 44-65, and the details for each country are on the "Country Profile" pages, 106-190.

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[51] Khan and Mezran, "Aftermath of the Arab Spring."

[52] World Bank, "Algeria," *Economic Outlook 2016*, http://pubdocs.worldbank.org/en/267701475460651472/Algeria-MEM-Fall-2016-ENG.pdf

[53] World Bank, "Algeria," *Economic Outlook 2016*; ESCWA, *Survey of Arab Region*, 42-45.

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[117] IMF, *World Economic Outlook,*" 32-33; IMF, *Arab Countries in Transition*, 3-6; IMF, "Regional Economic Outlook," xii, 3, 6.

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