The Arab Revolts Against Neoliberalism

Angela Joya
Patrick Bond
Rami El-Amine
Adam Hanieh
Mostafa Henaway

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Egyptian Protests: Falling Wages, High Prices and the Failure of an Export-Oriented Economy

Angela Joya

This essay by Angela Joya appeared in June of 2008 describing some of the forces and events that prefaced the Egyptian revolt some two years later. The essay concluded with this remarkable statement: "What remains open ended is whether the Left can reemerge and build on this wave of protest and link the various urban/rural struggles as one struggle against capitalism, or if it will fail to recreate itself and thus miss a historic opportunity." The Left did not in fact miss the opportunity to overthrow the Mubarak regime, but these same questions still are alive in the post-revolution context.

In April 2008, after a wave of protests over low wages and high food prices, including an attempt to generate a general strike by many workers and social activists on April 6 and led by workers in the state-run textile industry, the Egyptian government suspended its export of rice and cement in order to meet local demand. This suspension of exports is a response to the failure of the export-oriented economy that the World Bank and the International Monetary Fund (IMF) prescribed for Egypt in 1991. More than a decade and a half of neoliberal reforms in Egypt has brought the Egyptian society to the brink of a deep social crisis. Fearful of the collapse of the political order, the authoritarian political regime of President Hosni Mubarak recently conceded to the demands of the poor and the workers and promised a 30 percent wage increase for public servants and urged the private sector to offer similar compensation. As representatives of Egyptians workers have pointed out, the rising food prices while not being the main cause, has indeed exposed the dire situation of Egyptian workers and peasants who have suffered declining standards of living and increasing poverty since the mid-1990s.

In late 2007, the depth of social polarization in Egypt was captured in two controversial yet popular Egyptian movies – Heya Fawda and Hayna Maysara, which played in theatres across Cairo and other major cities. The movies were welcomed by a frustrated Egyptian population that has suffered from a lack of political liberties, economic rights and state oppression. The movies depicted

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Angela Joya lives in England and is completing a study on the political economy of Egypt.

the brutality of the Egyptian state and the failure of its policies through the experience of a community that inhabited one of the many slums of a big city. In a country where over 40 percent of the population lives below or near the poverty line (less than $2 a day), and the popularity of these movies among the Egyptian public is a sign that people have had enough. Effective expression of frustration has taken on an organized form only in the recent years and only among the industrial working class. For example, 2006 witnessed 222 industrial actions, and in 2007 there were 580 actions among diverse sectors including transport, textile, garbage collectors, and followed by while collar strikes which included physicians, property tax collectors and university professors. This year has seen even greater numbers of industrial actions to day, and over a 1000 protests of various kinds. Peasant resistance has remained hidden from the general public and suppressed by the state, although the land grab underway by land developers and the tourism industry has faced often tough – if divided – resistance, from the Egyptian popular classes across rural Egypt.

In its coverage of Egypt, the western media, in line with American President George Bush's call for liberal democracy and open elections, has focused on the abuses of political rights and suppression of civil society in isolation from an analysis of how the agenda of global economic integration by the western imperialist powers has been responsible for the suffering of the majority of Egyptians. Egypt has remained a strong ally of the U.S. in the region and has played an important role in mediating the Israeli/Palestine conflict. This regional role played by Egypt has often overshadowed Egypt's domestic politics. Consequently, the recent wave of strikes and protests in Egypt, which dominated the western media at first seemed as if overnight Egyptian workers and citizens had decided to take action despite the anti-terror law, which replaced the emergency law and bans any activity including strikes and protests that might be deemed as disrupting social order and peace.

The reality remains that Egyptian citizens, workers and peasants have experienced a fundamental social change as Egypt embraced a free market economy in 1991. A deepening of capitalist social relations has occurred with a radical increase in the use of coercions and violence by the Egyptian state. Such political repression is connected to the radical decline in the material conditions of ordinary Egyptians.

Enter the IMF

In line with the Economic Reform and Structural Adjustment Programme signed with the International Monetary Fund in 1991, the Egyptian government has been steadily privatising the public sector, liberalizing prices and rents. By 2005 the government, either wholly or in part, had sold off 209 of the 314 public sector companies earmarked for privatisation. The sale of the public sector has been accompanied by massive lay-offs, an end to job security and a downward spiral of wages and benefits for Egyptian workers. Female workers especially have become the victim of unemployment, as previously public firms become privatized.

The Egyptian opposition claims that economic liberalization pursued by Nazif has made the rich richer and the poor poorer in Egypt. As a result of the 1990s wave of privatization, precarious labour conditions (low wages, temporary jobs, reduced benefits and shift work) have become generalized among the existing working class in major cities, while many others have faced a loss of employment. For Egyptian big business interests, business has boomed and growth has remained positive, and thus it can be safely concluded that profits mounted at the expense of workers' livelihoods. The weakness of the neoliberal mode of economic organization became exposed when food prices began hiking while wages remained stagnant, although the economists and the ruling classes in Egypt have been celebrating the positive growth rates of the economy. This deterioration of workers' lives has corresponded to a rise in labour unrest since 2005.

Labour Unrest: Old and New

The most unforgettable moment of crisis and public protest in Egypt's recent history has been the bread riots of 1977, which occurred in response to Sadat's liberalization of bread prices. The extent of state brutality was evident then as over 100 people were killed during the riots. Since taking over power in 1981, Mubarak has been careful to prevent a repeat of 1977 riots. He even used the fragility of political situation in Egypt as an excuse in slowing down implementation of IMF and World Bank demands. However, the dominance of a neoliberal minded cabinet under Prime Minister Nazif overlooked the real condition of Egyptians.

Since 2005, there has been a radical increase in the number of strikes and protests in Egypt. The protests of 2005 occurred in the context of presidential elections and aimed at exposing the absence of political rights and space for political debate. However, the labour protests of 2006 and after have marked a crucial departure in social protest in Egypt. These protests have been in response to the privatization of public sector firms, which has been accompanied by low wages and diminishing benefits for workers. At the same time, the collusion between managers of public sector firms and the main Egyptian state-controlled General Federation of Egyptian Trade Unions (GFETU), has led Egyptian industrial workers to seek autonomy from the union. Fed up with GFETU and its failure to voice the concerns of workers, in 1990 labour lawyer and political activist Youssef Darwish established the Center for Trade Union and Workers' Services (CTUWS). The CTUWS was indeed the first step towards establishing an independent trade union that could genuinely represent the interests of the workers and defend their rights. Unfortunately, after the April 2008 protests, the CTUWS became the target of attack by state security, which resulted in the forced closure of the center and its various branches across Egypt. This was part of a mass arrest of political activists on the eve of the April 6 strike call. These kinds of arrests have continued.

The legacy of the Left in Egypt has been one of concessions to the ruling party's demands. In the course of the 1980s, the Left allied itself with the ruling NDP (National Democratic Party) against the Muslim Brotherhood and this cost the Left the support of the poor and peasants from rural Egypt. A further retreat of the Left occurred in the wake of IMF/World Bank demands to shift the Egyptian economy towards an export orientation. Accepting the general shift of the economy without taking into consideration the effects of such a shift on working people, the Left lost most of its popular support among Egyptians. One instance that highlighted the weakness of the Left and their understanding of the current global economy was when the Left parties opposed privatization arguing that it was an attempt at ‘selling Egypt to foreigners.’ The ruling party easily defended privatization demonstrating how it was Egyptians who had gained control of the privatized firms and not foreigners.

With a Left in disarray and disoriented, it should not be a surprise that the people feel they cannot successfully press their demands through Left parties. As a result, the workers, the unemployed, those living in slums and others began self-organizing. The most prominent of these groups has been university students who are seen as a threat and thus controlled by the state security apparatus within university campuses. As guarantees of employment for university graduates came to an end under Mubarak, university graduates have been left disillusioned and unemployed. Those employed earn around LE 300 which is insufficient to even pay the monthly rent for an apartment. Young people feel a lack of dignity as most are incapable of starting a family due to low salaries, lack of employment, and the high cost of living. In an attempt to regain their lost dignity due to lack of employment, these young men have joined Islamic groups who oppose the government due to its unjust policies. Universities in Cairo and other parts of Egypt have thus become sites of activism, rebellion and a corresponding heavy police presence. Thus, while workers of Mahalla al Kubara demanded a rise in their wages, others involved in the April 6 general strike (and other subsequent calls for mass strike action) have deeper grievances about a failing economic and political system and a corrupt ruling class who have benefited at the expense of the general Egyptian population.

Egyptians have suffered from the absence of personal liberties, right to education in the context of a deteriorating public school system, right to economic freedoms and guarantees of a descent livelihood, underscored by the April bread riots that left more than seven people dead. It can be concluded that the current protests and calls for general strike are motivated by material interests of Egyptian workers and a disappearing middle class and demonstrated by recent protests of white collar workers such as journalists, doctors and accountants who are faced with a radical rise in the cost of living while their salaries have remained low. Twenty two percent of Egyptians or 14.2 million live below the poverty line of $1 dollar a day, and millions other live close to poverty line.

Mahalla al Kobra

Mahalla al Kobra, which lies 110 km north of Cairo, has been known for launching industrial action in the recent past (such as the major strikes of December 2006) similar to its recent strike action in support of better wages and benefits for more than 250,000 public sector manufacturing and textile workers. The workers of Mahalla factory constitute one quarter of the million textile and garment workers in the public sector.

What makes Mahalla el-Kobra so important to the Egyptian state? First, Mahalla has been the largest state run textile factory, meeting the demands of the state for textile, a company that was established in 1928 by Bank Misr as a symbol of Egyptian nationalism. Second, its workers have been at the forefront of industrial labour in Egypt, resisting the pressures to privatize the factory. The push for competitiveness has left the remaining public sector workers with low wages and at Mahalla monthly wages stand at $34 per month, most of which is absorbed by the high rents for workers' residences, food and transportation.

Earlier in 2006, Mahalla workers went on strike when Prime Minister Nazif reneged on his promise to increase sufficiently annual bonuses, which supple-

Protests in Mahalla - April 2008.

ment low wages. The strike was successful in that workers were offered bonuses equal to 45 days of their work as opposed to the two months that they had demanded.

In the recent April 2008 Mahalla protests, where over 15,000 protested the rising food prices, over 150 arrests were made and possibly two deaths occurred at the hands of the security apparatus. Angry young men who joined the workers ripped and burned posters of president Mubarak. Police shot dead a 15 year old boy who was in his apartment. The state police prevented and/or arrested journalists from reaching out and reporting stories of people whose relatives were detained. Over 150 people were detained during the protests. At the same time, the state controlled media depicted the two day uprising in Mahalla as destruction of public property and vandalism by thugs just as the 1977 bread riots were labeled as ‘the revolution of the thieves’ by the state. There continued to remain a dominant presence of state security police (30 security trucks) in Mahalla even after the protests were suppressed. The state authorities cancelled council elections in the Mahalla al Kobra and in other parts of the Nile Delta fearing an electoral victory of pro-labour and Muslim Brotherhood sympathizers. Nonetheless, factory officials attempted to discourage strike action by offering LE90 of food allowances, which was rejected by workers who claimed that rising food costs would require LE150 instead.

In response to the recent socio-economic crisis that has engulfed Egypt, the Egyptian government has adopted a two-fold approach, which focuses on limited redistribution and repression. On the one hand, the state announced suspension of exports of key food items and construction material (cement, steel and rice) in order to reduce the cost of living on Egyptian citizens. This suspension of exports, which will continue until October 2008 was accompanied by a more important announcement of 30 percent salary increases for public servants across Egypt. On the other hand, President Mubarak recently announced that any attempt to disrupt social order will be met with heavy force.

Political Repression

Since the bread riots of 1977, the Egyptian emergency law has often been used to prevent freedom of association by workers and citizens. After 2001, the Egyptian state attempted to align its emergency law with the anti-terror law that carried deeper implications for all sorts of social protest or contestation of state policies as it defined all kinds of activities that could disrupt social order as constituting a terror activity and thus subject to police action. The Egyptian state and ruling National Democratic Party (NDP) has been using these extended power of the state to prevent the emergence of an alternative to the current order, be it a left response or an Islamist one. In order to maintain a firm control over the presidential power, the NDP introduced constitutional amendments limiting the ability of other parties to run candidates for presidential elections. In order to nominate a candidate for presidential elections, a party needs the support of 10 members of every local council in 14 provinces. Thus, local council elections have recently been the target of state repression due to fear of election of anti-government councilors who might support opposition parties. As a result, the 2008 council elections saw only 30 per cent of the 52,000 council seats as being contested. The MB boycotted the elections after many of its potential candidates were arrested by the state.

The Unfolding of Neoliberalism and Possible Alternatives

As happened in 1977, in 2008 Egyptian citizens took to the streets protesting an increase in bread prices. State officials hoped would help in the reduction of the budget deficit. The protests have warned officials that Egyptians will not remain quiet when their most basic needs are made inaccessible to them. Fearing a further escalation of kind of protests that occurred in early April, officials have announced price controls, an increase in salaries and a channeling of export of food and cement towards domestic consumption. The Egyptian president ordered the army to bake bread using the army ovens to respond to the food shortages. These measures have been taken at a time when Egyptian workers are faced with the lowest levels of wages. Egyptian workers earn 92 percent less than workers doing similar work in Israel, 81 percent less than in Turkey, and 65 percent less than in Tunisia, 40 percent less than in India and 15 per cent less than in Pakistan). Meanwhile, food prices have more than doubled since 2007 while rents and costs of transportation have experienced sharp increases. Even with two jobs and over 12 hours of work, Egyptian workers are incapable of paying the minimum rent for a small flat which costs around LE 300 per month (because of the rise in cement and steel prices).

The phenomenon of food and shelter insecurity has engulfed Egypt ever since it embarked on an export-oriented economy that saw local produce targeting international demand while ignoring local needs. What is significant about the current protests in Egypt is that it questions the legitimacy of the current neoliberal economic development that was pushed through forcefully by the Nazif government. In the coming months, it is possible that the government will focus on damage control through some redistributive measures. However, the extent of discontent and the spread of state violence and dispossession across Egypt cannot be contained without fundamental changes to the existing set of socio-economic policies.

Joel Beinin in an article which appeared in MERIP on May 9, 2007 captured the problem of building a progressive alternative that could effectively oppose the state in Egypt. He writes that the Egyptian Left never succeeded in linking U.S. imperialism and the Israel/Palestine conflict with the expansion of capitalism. As a result, the Left continued to denounce imperialism and Zionism without building a grassroots movement that could oppose the expansion of capitalist social relations in Egypt. This weakness of the Left has left both workers and peasants without an institutional link to the Left Party and in effect the old Left has become irrelevant in Egypt. However, Beinin sees the rising wave of strikes and labour protests as signs that the struggle between labour and capital is intensifying as the neoliberal project is pushed ahead. What remains open ended is whether the Left can reemerge and build on this wave of protest and link the various urban/rural struggles as one struggle against capitalism, or if it will fail to recreate itself and thus miss a historic opportunity. •

A People's History of the Egyptian Revolution

Rami El-Amine and Mostafa Henaway

No matter how it unfolds, the Egyptian revolution will go down in the history books as a defining moment in the 21st century. Millions of Egyptians brought down one of the world's most repressive regimes, that of the U.S.-backed Hosni Mubarak, in just 18 days. Their bravery, perseverance, and tactfulness in the face of the regime's brutal crackdown not only triggered uprisings across the Arab world but inspired and influenced protests against government austerity in the U.S., Spain, Portugal, and Greece. Despite the fact that it is only a few months old, it's important to begin piecing together a people's history of the revolution to convey what happened and how it happened so that the lessons from this critical struggle can be disseminated.

The starting point for understanding the revolution is the special role that Egypt played in supporting U.S. domination and control of the region, vis-à-vis its relationship with Israel. Egypt began establishing ties with Israel under Anwar Sadat in the mid 1970s, and in 1979 the two countries signed the Camp David Accords with Jimmy Carter's support. As a result, Egypt was rewarded with billions in U.S. military aid, making it the largest recipient after Israel. It's no coincidence that this is when Sadat began eliminating many of the ‘socialist’ policies implemented under Gamal Abdel Nasser in the 1960s, thus paving the way for the introduction of neoliberal policies under Hosni Mubarak.

These measures increased the level of poverty in Egypt, leading to massive disparities in wealth. Moreover, it led to the emergence of a new group of super-wealthy businessmen who benefited from their close ties to the Egyptian state. Hosni Mubarak's son Gamal and steel tycoon Ahmed Ezz were prominent figures of this wealthy class. Both are now in prison, awaiting trials on corruption charges.

Gamal's rise to power is emblematic of how detached and corrupt the regime had become. “The line between businessmen and government was completely erased” by Gamal during this period, according to student activist Hanah Elsisi.

Mostafa Henaway is a Canadian-born Egyptian based in Montreal where he is a community organizer with the Immigrant Workers Centre. He is active with Tadamon! Montreal which works in solidarity with struggles for self-determination, equality, and justice in the Middle East and an end to Israeli Apartheid.

Rami El-Amine is an editor of *Left Turn* magazine.

Not only did he appoint many of these new rich businessmen to powerful government positions, but together they pushed through more of the neoliberal policies that had enriched them and impoverished most Egyptians. They were seen as being responsible for the regime's almost total shutout of the opposition during the 2010 elections, giving the ruling National Democratic Party (NDP) more than 80% of the seats in parliament.

Most of the movements that have emerged over the past decade have been a response to this transformation of Egypt from epicenter of struggles against colonialism and Zionism to defender of U.S. imperialism and Israel, from a state based on the nationalization of industry and benefits for workers and the poor to privatization and the dismantling of the welfare state. It was not just a fight for liberal democracy and against corruption but for real self-determination, including freedom from U.S. domination.

Palestinian Intifada

The first signs of widespread opposition to this new Egyptian power paradigm emerged at the end of 2000, around a campaign of support for the second Palestinian intifada. In Cairo, tens of thousands took to the streets. University students had daily protests and sit-ins for more than a week, and high school students almost shut down the road to the airport. Like most uprisings in the Arab world, the protests centered around issues of democracy, poverty, corruption, and, ultimately, opposition to the regime.

The second wave of mass demonstrations took place in 2003-04 in response to the U.S. invasion of Iraq and the Egyptian regime's support for the war. At one

point more than 30,000 protesters fought the police, briefly took over Tahrir square, and burned down a billboard of Mubarak.

When the weapons of mass destruction failed to materialize in Iraq, and George W. Bush shifted his justification for the occupation to one of building democracy, he went after Egypt to show that he was serious. Although there was never any real pressure put on the Mubarak regime to implement any democratic reforms, the confrontation did, as Mohamed Elagati, Executive Director of Arab Forum for Alternatives, says, “force the Egyptian government to give some space in terms of freedom of speech... more independence by the judiciary as well as more fair elections in 2005.”

Many of those involved in Palestine solidarity work and opposing the Iraq war took advantage of this opening and formed a coalition called the Egyptian Movement for Change, or Kefaya, in 2004. They never gained a mass following but were very daring in terms of protesting even in small numbers. Most importantly, they knew how to publicize their actions and use the media to their advantage.

As Dina Shehata, a researcher at the Al Ahram Center for Political and Strategic Studies, pointed out, many of the youth who played an important role in the revolution came out of the Youth for Change movement which was essentially the youth wing of Kefaya. Leaders like Ahmed Maher of the April 6th movement, the main youth group behind the January 25 Police Day demonstration which sparked the revolution, got their start in Kefaya.

Workers from the Mahalla Textile Company voice their numerous grievances.

Mahalla

The April 6 movement formed out of efforts, in 2008, to support the protests and strikes against surging food prices in the city of Mahalla, the site of the largest textile mill in the Middle East and one with some of the country's most militant workers. Textile workers there have a long history of struggle, but the repression that accompanied the imposition of neoliberal policies in Egypt had kept a lid on any fightbacks for almost 20 years. This peace was shattered in 2006, just two years before the food price riots, when the workers went out on strike over pay and other issues and won. Their victory led to a wave of strikes in the massive textile industry and spread to other sectors.

The name of the youth group comes from the date, April 6, on which they called for a general strike. While the general strike never happened, there were militant mass actions by workers and residents in Mahalla. Known as the Mahalla intifada, it took the government two days to shut it down. Three people were killed and hundreds were detained and tortured. Nevertheless, strikes, sit ins and protests continued for months in other places and eventually led to the formation of the first independent trade unions by the tax collectors, a teacher's union, and a number of other small unions in 2009.

The organizing around this struggle served as an important training ground for the future. The youth's social media skills helped spread the word about what was going on not only across Egypt but to the world. Nothing exemplifies the tech and media savviness of this movement better than Wael Ghonim, the Google marketing executive who became one of the ‘stars’ of the revolution. Even though it wasn't about one particular individual, Ghonim played an important role both in the lead up to the January 25, 2011 protest and at a critical point in the final days of the revolution.

Khaled Saeed

Ghonim was first moved to political activism after police beat to death a young man named Khaled Saeed in Alexandria in June 2010. Ghonim set up a Facebook group called “We Are All Khaled Saeed” to help publicize and organize around the case. It attracted approximately 220,000 members within just a few weeks. The case of Khaled Saeed became internationally known, in part because of this Facebook group, but also because, as Ahmed Shokr, a journalist with the English language daily *Al Masry Al Youm* who is active with the Association of Progressive Youth of the Revolution, explains, “[it] was a campaign that appealed to many of the elements of the Egyptian middle class... And the basic idea of the campaign was, well, if it could happen to Khaled Saeed it could happen to any one of us.”

Critics of the campaign cited the fact that most of the cases of police brutality involve poorer Egyptians and rarely receive publicity, let alone inspire protests. Nevertheless, Shokr says that "at its height in the summer of 2010 it was drawing literally thousands of people out to protests and silent vigils mostly in Alexandria. I remember some Fridays in Alexandria large segments of the Corniche, the Mediterranean waterfront, were lined up with thousands of people standing in silent vigils to support Khaled Saeed and to demand justice over his death."

Despite the success of this campaign, the decision to put out the call for a protest against police brutality and corruption on Police Day, a national holiday held every year on January 25, was a bold and critical one. The corruption and daily humiliation ordinary Egyptians were experiencing under the regime were clearly at a breaking point.

Autumn of Fury

On 17 October 2010, Zeinobia, a prominent Egyptian blogger wrote an entry in her blog Egyptian Chronicles titled "The Autumn of Fury Mubarak Edition," a reference to a book about Anwar Sadat's last days. She said, "Strangely it is like history repeating in its own way and I wonder if the climax that we will witness Inshallah sooner or later is the end of a regime that shows all signs of weakness and fragility."

A couple weeks later, well known socialist blogger Hossam el-Hamalawy wrote a similar entry in his blog Arabawy: "No one knows when the explosion is going to happen, but it seems everyone I meet or bump into today feel it's inevitable." He goes on to relay a very telling conversation he had with a cab driver:

> "Journalists and people on TV talk about Nazif [the Prime Minister at the time] this and Nazif that. But they never mention Mubarak. They are cowards. They should say Mubarak is bad. Mubarak is responsible... There will be another bread intifada, like that of 1977. And this time we will burn the country down. We will not burn the cars, buses or shops. These are ours. No. We will burn them. We will burn this government. We will burn down the police stations."

To tap into this anger and widen its appeal, the main organizers of the demonstration – We Are all Khaled Saeed, the April 6 Movement, activists from Egyptian politician Mohamed El Baradei's campaign, the youth of the Muslim Brotherhood, Al Gabha party, and a few more organizations – added other demands like a higher minimum wage and an end to the state of emergency laws.

However, it was the unfolding Tunisian revolution which had the most significant impact on Egyptians and their view of the January 25 demonstration. In response to the death of one of four Egyptians who had set themselves on fire in a desperate protest against the regime (like Mohamed Bouazizi in Tunisia), Asmaa Mahfouz, an activist from the April 6 movement, made a YouTube video appeal for the demonstration in which she says:

> "These self-immolators were not afraid of death, but we're afraid of security forces? Can you imagine that? Are you also like that? I will not set myself on fire. If the security forces want to set me on fire, let them come and do it. If you think yourself a man, come with me on January 25. Whoever says that women shouldn't go to protests because they could get beaten, let him have some honour and dignity and come with me on January 25."

January 25

Early on in the day it became clear that the protest was going to be bigger than anything the organizers had expected. Elsisi explained that when organizers fanned out that morning to mobilize various neighborhoods in Cairo, instead of getting 30 or 40 people to march to Tahrir square with them, several hundred – and in some places 1,000 people or more – joined them. In total, more than 100,000 people participated in the protests that day.

Ahmed Maher, one of the April 6 leaders, best captured the significance of what was happening: "When I looked around and saw all these unfamiliar faces in the protests, and they were more brave than us, I knew that this was it for the regime," he said.

Shehata reminds us that this "wasn't about planning a series of events that would culminate in regime breakdown... What happened was that the response to the call for a protest on the 25th was overwhelming and it gave rise to a momentum that [the youth organizers] hadn't anticipated. So yes they played an important role but also things took a course of their own and so they had to respond to events as they happened." Shokr adds,

> "January 25 really unleashed something that was larger than any Facebook group or any individual or any political group. It unleashed something – there was sort of a buzz in the air – and suddenly you had this mass popular consensus around this single demand for the ouster of the regime. And you had millions of people on the streets... You know when you have millions of people on the streets I don't think there is any single individual or group that can claim sole credit for that. There was a larger force at work there."

But how did events snowball from this uprising against police brutality on January 25 to Mubarak being forced to step down on February 11? First and foremost was the success of the Tunisian revolution and the uprisings across the

Arab world that it ignited; these gave Egyptians a sense that their actions could actually bring down the regime.

Another factor was the spread of the uprising to other parts of the country. Many used email and social networking sites to spread the word to their networks and others outside of Cairo and Alexandria – but the internet and cell phones were cut off by January 26. That's where independent Egyptian newspapers like *Al Shorouk* and *Al Masry Al Youm* stepped in. As Elagati points out, the former went from a distribution of 30,000 to 180,000 copies, and the latter doubled to 200,000 during the revolution.

Of course, Al Jazeera played the biggest role, particularly since people were able to actually see broadcasts of the violence being perpetrated by the state forces. This was the case in Suez. Initially, the bloodiest and most intense confrontations between the people and the police actually took place in Suez, not Cairo or Alexandria. Protesters there eventually drove the police out, but, as Elagati explains, “It was a real war – like what we're seeing in Libya or in other countries... There were a lot killed. A lot more than were killed in the first three days in Cairo and Alexandria.”

The scenes of the police beating and killing protesters in Suez and elsewhere galvanized even more people to come out for the “Day of Rage” protest called for January 28. Not only did more people come out, but they were better prepared. A pivotal battle took place that day on the Kasr el Nile bridge leading into Cairo. A few thousand protesters faced off against a thousand heavily-armed riot cops for five hours, and eventually beat them back.

Across Egypt, people began to shed their fear of the police. “When they started shooting, people started to move directly at them because after a certain limit of violence people are not afraid anymore,” Elagati says. “Okay, we're going to die if we run. So we're not going to run, we're going to attack.” Shokr says,

> “The speed with which people suddenly confronted the security forces and the violence that they used against them came not just as a shock but as an inspiration to all of us who were on the ground, and that fear barrier was within the span of three days taken down.”

He goes on to say that,

> “Courage was never the absence of fear. It was the realization that there's actually something more important worth fighting for.”

Turning Point

On February 2 Mubarak unleashed his thugs, who rode horses and camels into crowds of protesters. Even though they were slow to get involved in the demonstrations, the Muslim Brotherhood (not the youth wing which was involved from the beginning) threw themselves into the movement after this attack. They made a big difference not only because of their numbers, but because their military-like discipline was critical in these situations. Shehata said that “the Brotherhood was very much present in the square and part of the organizing committee of the square, but they... didn't raise their banners, [or chant] religious slogans, and kept a lower profile. They were careful not to overshadow the youth groups.”

After what became the most violent day in the revolution, the coalition of youth groups steering the movement made a decisive move to call for mass demonstrations on February 4 in order to regain momentum. It worked. The reign of terror unleashed by Mubarak had backfired, inspiring even more Egyptians to join the uprising. A million people in Cairo alone protested that day. It was at this moment that the key demand for the downfall of the Mubarak regime was solidified.

The final blow to the regime was in some ways its own doing. The government said that they would let the protesters remain in Tahrir, but people had to return to work on February 9. “What happened is that the people moved the revolution from the square to their workplaces,” says Elagati. Shehata adds that “groups began to mobilize as journalists, lawyers, as factory workers, under their professional and class identity. They began to do work stoppages and strikes within their workplace. And during the final two days of the revolution, there were strikes in almost every work location.”

“The protests spreading around the country were threatening to become, I don't want to say a real revolution, but something that could remove the regime completely and not just Mubarak,” says Shehata. It was at this point that the military stepped in to take power.

Some argue that this intervention by the military and its use of secret courts to detain and imprison hundreds and perhaps thousands of activists shows that the revolution has been derailed. They also argue that the economic issues that fueled the revolution, particularly the neoliberal policies, are still intact.

While this may be the case, the ousting and imprisonment of Hosni Mubarak, members of his family, and close associates – and the dissolution of the NDP – has ended authoritarian rule in Egypt and greatly weakened U.S. imperialism. Moreover, there are no signs that the military is planning on standing in the way of the first democratic elections for Parliament in September, nor the writing of a new constitution and election of a president. In short, the Egyptian revolution is still unfolding. •

Egypt's Uprising:
Not Just a Question of 'Transition'

Adam Hanieh

The events of the last weeks are one of those historical moments where the lessons of many decades can be telescoped into a few brief moments and seemingly minor occurrences can take on immense significance. The entry of millions of Egyptians onto the political stage has graphically illuminated the real processes that underlie the politics of the Middle East. It has laid bare the longstanding complicity of the U.S. and other world powers with the worst possible regimes, revealed the empty and hypocritical rhetoric of United States President Barack Obama and other leaders, exposed the craven capitulation of all the Arab regimes, and demonstrated the real alliances between these regimes, Israel and the USA. These are political lessons that will long be remembered.

The uprisings have also shown the remarkable fragility of the nepotistic regimes across the Arab world. These regimes depended upon their networks of secret police (*mukhabarat*) and thugs (*baltajiya*), and inculcated a seemingly unassailable pessimism about the possibility of change that was reflected in the biting sarcasm of Arab political humour. But these mechanisms of control simply evaporated as people shed their fear. The Arabic word *intifada* conveys this sense of shaking off, and the sight of millions of people losing their fear and gaining a sense of the possible will long remain one of the most enduring memories of this revolutionary moment. The historic significance of this process should not be lost – there has quite literally *never* been a moment of such potential in the Arab world.

Capitalism in the Middle East

The purpose of this article is not to recount the story of these uprisings or to attempt to predict the possible future scenarios of Egypt's revolutionary process. Rather, it aims to draw out some of the broader implications for the Middle East as a whole, and to argue that these struggles are best understood through the lens of *class struggle*. These recent uprisings show decisively that class remains the key dynamic to understanding any social transformation and, simultaneously, that the ways in which 'class struggle' is expressed will take a variety of forms that constantly disrupts any reductionist economistic readings.

Adam Hanieh is a lecturer in the Development Studies Department of the School of Oriental and African Studies (SOAS), University of London. He is author of the forthcoming book, *Capitalism and Class in the Gulf Arab States* (Palgrave Macmillan, 2011).

What this means is that we need to think of 'politics' and 'economics' – which we are accustomed to conceive of as separate spheres – as fused and part of the same struggle. To claim that the Egyptian demonstrators are primarily concerned with Hosni Mubarak and so-called 'political freedoms' – which has been the dominant narrative of U.S. and other world leaders and much of the corporate media coverage – is to distort and misread the nature of these protests. Clearly the protests have encompassed a wide variety of social layers with different demands, but their overall logic is inextricably tied to broader questions of capitalism in the Middle East. These questions include: (1) The global economic crisis and the nature of neoliberalism in Egypt, and (2) Egypt's role in sustaining patterns of U.S. domination in the Middle East. These questions are neither solely 'political' nor 'economic' but revolve primarily around which class rules Egypt and in whose interest the Egyptian state functions. The nature of Mubarak's rule cannot be separated from these questions, which is why the struggle against political despotism is inevitably inter-twined with the dynamic of class struggle. It is through this multifaceted understanding of class that these uprisings are best understood.

An Expression of the Global Crisis

The first illustration of the class character of these popular uprisings is their link to the chain of protests that have erupted over the last three years in the wake of the global economic crisis. This is the Arab world's response to that crisis and powerfully confounds the dominant narrative – unfortunately repeated by some radical economists – that the economic crisis was largely confined to the advanced capitalist core and that somehow the so-called 'emerging markets' had escaped the worst effects. Decades of neoliberalism have tied the Egyptian economy into the capitalist world market in a very uneven fashion and, as a consequence, the crisis was to have a devastating impact on the majority of the country's population.

There have been a variety of mechanisms through which this transmission of crisis has taken place. First, the Middle East (and particularly the North Africa region) is highly dependent upon exports to Europe and these have fallen precipitously due to the drop in demand that followed economic contraction. World Bank figures show that Egypt's year-on-year growth rates of merchandise exports to the EU dropped from 33% in 2008 to -15% by July 2009.[1] Similarly, Tunisia and Morocco saw the total value of their world exports fall by 22 per cent and 31 per cent respectively in 2009 – leading the World Bank to note that these countries were facing the worst recessions in six decades.[2]

A second transmission mechanism has been the curtailment of worker remittances on which the Middle East is highly dependent. In the case of Egypt, workers tend to migrate to the Gulf countries, Libya and Jordan. For the rest of North Africa, this labour migration tends to be toward Europe. Egypt is the largest recipient of remittances in the Middle East, representing approximately 5 per cent of national GDP. With the mass layoffs that continue to characterize the global crisis – particularly in sectors such as construction – remittances have fallen rapidly. Egypt experienced a massive contraction of 18 per cent in remittances from 2008 to 2009. For a region where these flows form the basic survival mechanism for millions of people, the decline has had devastating consequences.

These effects also need to be placed alongside the other more recent feature of the crisis – the spiraling cost of basic food and energy items. There is no space to discuss the complex reasons behind this rising commodity inflation except to note that it is another aspect of the crisis itself – partially resulting from the large quantities of extra cash pumped into the system to ameliorate the crisis in the core countries, particularly the U.S. program of quantitative easing.[3] Once again, the effects have been magnified in much of the Middle East. In Egypt, annual food price inflation accelerated to 18.9 per cent in January 2011 from 17.2 per cent in December. These rapid increases in prices are essentially a form of severe wage cuts for those segments of the population that are compelled to spend most of their income on basic items.

Neoliberalism

But any mapping of this crisis needs to go beyond the immediate results of global slowdown and be situated within the three decades of neoliberal ‘reforms’ that Egypt has experienced. What neoliberalism has done is to make the country much more vulnerable to the crisis itself – massively widening the levels of inequality and, simultaneously, undermining potential mechanisms of social support. Precisely because of these outcomes of neoliberalism, the effects of the crisis were sharply concentrated on the most vulnerable layers of Egyptian society. At the same time, and this expresses the essential class character of the neoliberal project, a tiny elite benefited enormously from these economic measures.

This reading of Egypt's neoliberal experience runs directly counter to the account of international financial institutions such as the IMF and World Bank. The IMF was to claim in February 2010, for example, that Egypt had been “resilient to the crisis” because “sustained and wide-ranging reforms since 2004 had reduced fiscal, monetary, and external vulnerabilities, and improved the investment climate.” According to the IMF, the Egyptian government's successful implementation of neoliberalism had “bolstered the economy’s durability and provided breathing space for appropriate policy responses.”[4]

The IMF finds evidence for Egypt's resilience in the relatively high GDP growth rates that the country has managed to sustain. From 2006 to 2008 growth was around 7 per cent annually and in 2009, when much of the world was experiencing negative GDP growth, Egypt recorded 4.6 per cent. But what this GDP-centric account does is to ascribe a general assessment of a country's health on the basis of aggregate macro-statistics. Embedded in this approach is the unspoken assumption that a growth trend at the aggregate level is good for the population as a whole. It hides the reality that capitalism is an exploitative system and the outcome of the unfettered market typically means that overall growth results in the widening of inequality. It is, in other words, a statistical expression of the 'trickle-down effect.' Egypt is a perfect example of the reality behind this myth: neoliberalism has produced rapid growth rates but, simultaneously, it has led to worsening living standards for the majority of the population and the increased concentration of wealth in the hands of a tiny minority (literally just a handful of families).

According to official government statistics poverty increased from 20 per cent to 23.4 per cent from 2008 to 2009. This in itself is a significant increase but official statistics need to be approached with a large degree of skepticism. The official poverty line is set at an absurdly low rate – in fact, some 40 per cent of Egyptians live on less than $2 per day. The official unemployment rate is recorded at around 9 per cent, but again the reality is completely different – more than half of those outside of agriculture are found in the "informal sector" and are not properly recorded in the unemployment statistics. These informal workers live in a society that lacks any decent social provisions for education, health or broader welfare. It is estimated, for example, that one-third of the Egyptian

Thousands of workers from several oil and gas companies are on strike, protesting in front of the Ministry of Petroleum, in Nasr City.

population is illiterate. The demographic question also looms large here. In a country where the leadership consists of men in their 80s, youth make up more than 90 per cent of the jobless.

The onset of neoliberalism in Egypt is associated with the series of policy measures known as *infitah* (opening) that were launched in the 1970s under President Anwar Sadat. After Mubarak came to power following Sadat's assassination, successive governments continued the policy trajectory set by *infitah*. There were two prongs to this policy, particularly as it unfolded under the aegis of an IMF structural adjustment programme in 1990-91. First, a series of policies began to transform social relations in the rural areas. In 1992, Law 96 of the Egyptian Peoples' Assembly liberalized agricultural rents and allowed for the eviction of tenants by landowners after a five-year transitional period. Rents were raised threefold and – with the encouragement of international financial institutions such as the IMF and World Bank, and U.S. government bodies such as USAID – Egyptian agriculture shifted toward the type of export-oriented production that typifies much of African agriculture today.[5] Hundreds of thousands of Egyptians lost their ability to survive on the land and streamed into the informal sector of urban centers – particularly, but not only, into Cairo.

Second, state employment began to be cut back dramatically with the privatization (wholly or in part) of 209 public sector companies (out of a total of 314) by 2005.[6] The number of workers in these public sector companies was halved from 1994-2001. In the banking sector, nearly 20 per cent of the banking system was transferred from public control to the private sector. The consequence of this wave of privatization – hailed by the IMF in 2006 as having "surpassed expectations"[7] – was a massive downgrading of working conditions and the further impoverishment of wide layers the Egyptian population. This was another contributing factor to the expansion of the army of informal workers that characterize Egyptian cities and have played such a critical role in the recent uprising.

It is in response to these neoliberal measures – and the complicity of the official state-linked trade union movement – that independent forms of worker organizing emerged in an important wave of strikes in 2006-08. During 2006 there were 220 major strikes involving tens of thousands of workers in the largest strike wave that Egypt had seen in decades.[8] These strikes linked up with peasant movements, which aimed at resisting the loss of land due to the neoliberal measures described above. These earlier forms of organization and struggle have been a key element to the historical experiences underpinning the current wave of protests.

But accompanying these neoliberal measures was its natural corollary: the concentration and centralization of wealth in the hands of a tiny layer of the country's elite. As Tim Mitchell has thoroughly described, a key feature of the 1990-

91 IMF structural adjustment was the transfer of wealth to the private sector. The result was the strengthening of a handful of massive conglomerates – such as the Osman, Bahgat, and Orascom Groups – whose activities stretched across construction, import/export, tourism, real estate and finance.[9] It was this class that benefited from the privatization process, the access to cheap labour, the government contracts, and the other forms of largesse distributed through the channels of the state.

So while the outrage at the wealth of Mubarak and the state officials associated with his regime is well deserved, we must not forget that Mubarak – and the Egyptian state as a whole – represented an entire capitalist class. The result of neoliberalism was the enrichment of a tiny elite concurrent with the immiseration of the vast majority. This is not an aberration of the system – a kind of 'crony capitalism' as some financial commentators have described it – but precisely a normal feature of capitalist accumulation replicated across the world. The repressive apparatus of the Egyptian state was aimed at ensuring that the lid was kept on any social discontent arising from these worsening conditions. In this sense, the struggle against the effects of the economic crisis would inevitably be compelled to confront the dictatorial character of the regime.

The Regional Dimension

This uprising cannot be understood without situating it within the regional context. Once again, we can see here the intertwining of the political and economic. U.S. policy in the Middle East is aimed, first and foremost, at keeping the oil and petro-dollar rich Gulf states under its influence. This should not be interpreted as meaning that the U.S. wants to directly own these oil supplies (although this may be part of this process), but that the U.S. wants to ensure that

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the oil supplies remain outside of the democratic control of the people of the region. The nature of global capitalism and the dominant position of the U.S. state within the world market rests significantly upon its control over the Gulf region. Any move toward a broader democratic transformation of the region could potentially threaten U.S. power at a global level. This is why the U.S. so strongly supports the dictatorships that rule the Gulf states and also why the majority of the labour in the Gulf is performed by temporary, migrant workers who lack all citizenship rights and can be deported at any sign of discontent.

All other relations between the U.S. and other countries in the region are subordinated and linked to this goal of U.S. hegemony over the Gulf region. This includes the U.S.-Israel relationship (which is why any talk of an 'Israel lobby' controlling U.S. foreign policy is nonsense). The U.S. sees Israel as a key pillar of its overall Middle East policy: it is an ally that is fully dependent upon U.S. military and political support and can always be relied upon to act against the interests of the Arab masses. Precisely because Israel has its origins as a settler-colonial state founded upon the dispossession of the Palestinian people, it is seen as a more stable and steadfast pillar of U.S. power than any of the Arab dictatorships that are exposed to threat of popular revolt. This is why the interests of Israel and the Arab dictatorships are coincident, not opposed to one another – as was so clearly illustrated in the recent uprisings of both Tunisia and Egypt.

Beyond the Gulf states and Israel the third leg of U.S. power in the region is the reliance upon autocratic leaders such as Mubarak. But lying behind Mubarak (as with his predecessor Sadat) has always been the Egyptian military. U.S. linkages to Egypt have largely been constructed through the military and this is one of the key reasons why the military plays such a dominant role in the structures of the Egyptian state. The vast amount of military aid that Egypt receives from the U.S. (around $1.4-billion annually) is well-known as is the role that the military has played in supporting U.S. policy across the Middle East (the current head of the Supreme Council of the Armed Forces, Mohamed Tantawi, fought alongside U.S. troops in the 1991 Gulf War). The highest ranks of Egypt's military should properly be considered as part of the capitalist class with significant economic interests that overlap with the state and private sector. Precisely because of the military's central role in sustaining U.S. power regionally, and its own stake in the reproduction of Egyptian capitalism, any belief that the Egyptian military is 'part of the people' or 'neutral and above politics' is a very dangerous illusion.[10]

Over the last two decades the linkages between the political and economic configuration of U.S. power in the Middle East has become even more explicit. United States policy has followed a two-pronged track that ties neoliberalism with the normalization of economic and political relations between the Arab world and Israel. The broader goal has been the creation of a single economic zone from Israel to the Gulf states, linked under the dominance of the USA. One of the mechanisms for reaching this goal has been a series of Free Trade Agreements (FTAs) signed between the U.S. and Arab states in the region (Morocco, Bahrain, Oman, Jordan, and Egypt) that, over time, would be knitted together in a single free trade area enabling the unfettered flow of capital and goods across the region.[11]

The bond between normalization and neoliberalism is powerfully illustrated in the character of these U.S. bilateral FTAs, which include as part of their conditions a requirement to lift any boycott or refusal to trade with Israel. In the case of Egypt (and Jordan) the link is more advanced than any other state in the region, and is best shown in the so-called Qualified Industrial Zones (QIZ). These QIZ provide duty free access to the U.S. market for Egyptian exports. But they contain the remarkable provision that a certain proportion of imports (around 12 per cent) must be Israeli in order to qualify for duty-free status. The Egyptian QIZ are concentrated in the textile sector, with 770 companies operating in the zones at the end of 2009. Since the few short years of their existence they have grown to be a significant weight in Egyptian exports to the United States. Egyptian exports from the QIZ grew at an incredible 57 per cent annually between 2005 and 2008, more than ten times the rate of Egypt's exports to the U.S. as a whole.[12] In 2010, QIZ exports made up more than 40 per cent of the value of all of Egypt's exports to the United States.[13]

It is noteworthy that Egyptian activists have raised the demand during the recent uprising to shut down these QIZ. It would be a further powerful step to open the books of these QIZ – accurate and factual information about their operations are notoriously hard to come by and it would be a great service of the Egyptian people to reveal them to the world. It should also be noted that similar QIZ exist in the Jordanian context – with the added twist that many of the workers in the Jordanian QIZ are badly exploited migrants from Asia.

These regional processes thus further confirm the impossibility of separating the 'economic' and 'political' aspects of the current uprisings. The demand to cut ties with Israel and abrogate the regional agreements signed by Sadat and Mubarak are part-and-parcel of resisting the logic of neoliberalism and U.S. power in the region. The authoritarian nature of the state is a direct outcome of these regional processes and, for this reason, if it is to be successful, the struggle for greater political freedom must inevitably take up questions of confronting U.S. dominance of the region and the particular role Israel plays in sustaining that dominance.[14]

Conclusion

The story that has been told in much of the mass media and reinforced by the carefully-worded rhetoric of U.S. and European officials is that these demonstrations have primarily been a struggle to overthrow individual tyrants. There is, of course, a one-sided truth to this: protestors have taken aim at the individual personages of Ben Ali and Mubarak. But the claim that this is a struggle for 'democracy' acts to obfuscate more than clarify what these uprisings are about. Two-thirds of the Egyptian population is under the age of 30. This means that the vast majority of the Egyptian population has not only spent their entire lives under the rule of Hosni Mubarak; they have also endured a very brutal form of neoliberal capitalism. The demonstrations were a direct result of the naked class power embodied by Mubarak's rule. This was, perhaps, no more graphically illustrated than by the way in which the capitalist class essentially fled the country in the first few days of the uprising.[15]

The anti-democratic character of the Egyptian regime is not accidental or a question of individuals, but rather the political form of capitalism in Egypt. It is the necessary way that capitalism functions in a society that is marked by astounding (and ever-widening) levels of inequality, and which is located in a region that is so central to the constitution of U.S. power at a global level. For this reason, the demand for democratic expression in societies characterized by decades of atrophied public space is one facet of a much broader struggle that pivots fundamentally around the question of class. Mubarak was the public face of a military government and removing that face does not change the character of military rule or the way in which that rule sustains the dominance of a particular class. The political form of the Egyptian state is not an ephemera. The role of the Egyptian military cannot be decisively reformed while leaving the structure of capitalism and its regional linkages unchallenged.

This analysis runs precisely opposite to the rhetoric of Obama and other world leaders that whitewashes the West's decades-long support for Mubarak and claims that the Egyptian people's struggle was simply a question of political 'transition.' There is a furious attempt now on behalf of the Egyptian military and elite, the U.S. government and all their regional allies – including Israel – to separate the 'political' and 'economic' characteristics of the popular struggle and confine the struggle to simply a question of Mubarak. This is clearly demonstrated by media reports on 14 February that the military would outlaw strikes and other forms of independent worker organizing. But the struggle against the Egyptian dictatorship remains, in essence, a class struggle. This is not a matter of bombastic pronouncement or an empty political slogan, but an inescapable fact. •

Endnotes:

1. World Bank, *Global Economic Prospects: Crisis, Finance and Growth* (Washington: World Bank), p.142.

2. World Bank, p.142.

3. See: David McNally, "Night in Tunisia: Riots, Strikes and a Spreading Insurgency," *The Bullet*, N. 455, 19 January 2011.

4. IMF, Arab Republic of Egypt – 2010 Article IV Consultation Mission, Concluding Statement, 16 February 2010, 2010.

5. For a detailed description of this process, see: Ray Bush, "Civil Society and the Uncivil State Land Tenure Reform in Egypt and the Crisis of Rural Livelihoods" (United Nations Research Institute for Social Development), Programme Paper, N. 9, May 2004.

6. Angela Joya, "Egyptian Protests: Falling Wages, High Prices and the Failure of an Export-Oriented Economy," *The Bullet*, N.111, 2 June 2008.

7. IMF, Arab Republic of Egypt: 2006 Article IV Consultation.

8. See Jamie Allison, "Wave of struggle shakes Egyptian regime," *Socialist Worker,* 7 April 2007.

9. Timothy Mitchell, 'Dreamland: The Neoliberalism of Your Desires,' *Middle East Research and Information Project* (MERIP), N. 210, Spring 1999.

10. Also see: Gilbert Achcar, "Whither Egypt?," *The Bullet*, N. 459, 7 Feburary 2011.

11. See: Adam Hanieh "Palestine in the Middle East: Opposing Neoliberalism and US Power," *The Bullet*, N. 125, 15 July 2008.

12. Barbara Kotschwar and Jeffrey J. Schott, *Reengaging Egypt: Options for US-Egypt Economic Relations*, Peterson Institute for International Economics, 2008, p.20.

13. Calculated from data at dataweb.usitc.gov.

14. Moreover, any solidarity movements in support of regional struggles (such as Palestine) also tend to grow to encompass the nature of the political regime. It is no accident that the antecedents of this uprising are to be found in the protests that emerged in September 2000 in solidarity with the Palestinian intifada. At that time, as the Egyptian socialist Hossam el-Hamalawy has noted, students attempted to come out on to the streets but were crushed by the regime. See: Mark Levine, "Interview with Hossam el-Hamalawy," *The Bullet*, N. 456, 31 January 2011.

15. It was reported in the early days of the uprising that Egypt's largest business owners flew out on 19 planes to Dubai where they hoped to ride out the storm of the uprising.

Egypt's 'Orderly Transition'? International Aid and the Rush to Structural Adjustment

Adam Hanieh

Although press coverage of events in Egypt may have dropped off the front pages, discussion of the post-Mubarak period continues to dominate the financial news. Over the past few weeks, the economic direction of the interim Egyptian government has been the object of intense debate in the World Bank, International Monetary Fund (IMF) and European Bank for Reconstruction and Development (EBRD). U.S. President Obama's 19 May speech on the Middle East and North Africa devoted much space to the question of Egypt's economic future – indeed, the sole concrete policy advanced in his talk concerned U.S. economic relationships with Egypt. The G8 meeting in France held on 26 and 27 May continued this trend, announcing that up to $20-billion (U.S.) would be offered to Egypt and Tunisia. When support from the Gulf Arab states is factored into these figures, Egypt alone appears to be on the verge of receiving around $15-billion in loans, investment and aid from governments and the key international financial institutions (IFI).

The press releases accompanying the announcement of these financial packages have spoken grandly of "the transition to democracy and freedom," which, as several analysts have noted, conveniently obfuscates the previous support of Western governments for the deposed dictators in Tunisia and Egypt. This article argues, however, that a critique of these financial packages needs to be seen as much more than just a further illustration of Western hypocrisy. The plethora of aid and investment initiatives advanced by the leading powers in recent days represents a conscious attempt to consolidate and reinforce the power of Egypt's dominant class in the face of the ongoing popular mobilizations. They are part of, in other words, a sustained effort to restrain the revolution within the bounds of an "orderly transition" – to borrow the perspicacious phrase that the U.S. government repeatedly used following the ousting of Mubarak.

At the core of this financial intervention in Egypt is an attempt to *accelerate* the neoliberal program that was pursued by the Mubarak regime. The IFI financial packages ostensibly promote measures such as 'employment creation,' 'infrastructure expansion' and other seemingly laudable goals, but, in reality, these are premised upon the classic neoliberal policies of privatization, de-regulation and opening to foreign investment. Despite the claims of democratic transition, the institutions of the Egyptian state are being refashioned within this neoliberal drive as an enabling mechanism of the market. Egypt is, in many ways, shaping up as the perfect laboratory of the so-called post-Washington Consensus, in which a liberal-sounding 'pro poor' rhetoric – principally linked to the discourse of democratization – is used to deepen the neoliberal trajectory of the Mubarak-era. If successful, the likely outcome of this – particularly in the face of heightened political mobilization and the unfulfilled expectations of the Egyptian people – is a society that at a superficial level takes some limited appearances of the *form* of liberal democracy but, in actuality, remains a highly authoritarian neoliberal state dominated by an alliance of the military and business elites.

'Accelerating Structural Economic Reforms'

The most important point to note about the aid packages promised to Egypt is that they do not in any way represent a break from the logic encapsulated in previous economic strategies for the region. In a report to the 26-27 May G8 Summit, the IMF clearly summarized this logic, noting that:

> "Overcoming high unemployment will require a substantial increase in the pace of economic growth … Achieving such growth rates will entail both additional investment and improved productivity. While some increases in public investment may be required, for instance to improve the quality of infrastructure and services in less developed rural areas, the key role will have to be played by the private sector,

including by attracting foreign direct investment. Thus, government policies should support an enabling environment in which the private sector flourishes."

The core argument expressed in this statement is essentially the same message that the IMF and World Bank have been pushing in decades of reports on the Egyptian and Middle East economies. Egypt's problems stem from the weakness of the private sector and the 'rent-seeking' of state officials. The solution is to open Egypt's markets to the outside world, lift restrictions on investment in key sectors of the economy, liberalize ownership laws, end subsidies to the poor for food and other necessities, and increase market competition. By allowing unfettered markets to operate freely, the private sector will be the key engine of growth and, through this harnessing of entrepreneurial initiative, lead to the creation of jobs and prosperity.

Of course these ideas are simply a restatement of the basic premises of neoliberalism, but it is imperative to acknowledge their continuity with earlier plans – the promised aid to Egypt consciously aims at achieving a specific outcome in line with previous neoliberal strategy. The concrete policy implications of this were most clearly spelt out in a flagship World Bank report published in 2009, *From Privilege to Competition: Unlocking Private-Led Growth in the Middle East and North Africa*. The report prescribes steps to be taken by all governments in the Middle East, including "(1) opening protected sectors such as retail and real estate, which have barriers to foreign investors … (2) reducing tariff bands and nontariff barriers; (3) removing protection of state-owned firms by enforcing hard budget constraints and exposing them to open competition; and (4) eliminating anti-export biases." In order to encourage foreign investment, governments should eliminate "high minimum capital requirements and restrictions on foreign ownership" and, in countries where state-owned banks exist "engage in open and transparent privatization."

These are the types of policies that we can expect to see in Egypt as this aid begins to flows – in fact, they are the essential pre-requisites for the receipt of this financial support. The mechanisms of this conditionality are discussed further below, at this stage, it is simply important to note that there has been an unassailable link established between aid and the fulfillment of neoliberal reforms. As the Institute of International Finance (IIF), a policy and lobby organization that brings together the largest financial institutions in the world, noted in early May: "As momentous as the current security and political restructuring challenges may be, it is absolutely critical that the transition authorities … place a high priority on deepening and accelerating structural economic reforms … transition and subsequent governments must articulate a credible medium-term reform and stabilization framework … [and] need to focus on creating the legal and institutional environment for fostering entrepreneurship, investment, and market-driven growth." The IIF went on to bluntly identify this acceleration of structural adjustment as the “context” in which aid to Egypt would be provided.

‘Red Tape’ and Institutional Reform

In addition to these standard neoliberal prescriptions, the other element to the policy logic guiding IFI financial support concerns institutional reform. This reflects a wider shift in the developmental strategy of the IFIs since the 1990s, in which more emphasis has been placed on linking the function of markets with their institutional governance. Within this context, the World Bank and other institutions have emphasized notions such as the ‘rule of law,’ ‘decentralization,’ ‘good governance,’ ‘separation of the legislative and executive’ and so forth, which supposedly aim at reducing the rent-seeking capabilities of state officials and guarantee greater transparency in economic affairs.[1]

This emphasis on institutional reform partly reflects a problem of perception faced by the IFIs. The embrace of issues of ‘governance’ and ‘democracy’ is explicitly designed to ensure greater legitimacy for neoliberalism, particularly in the wake of the disastrous decades of 1980s and 1990s where the open advocacy of structural adjustment wreaked havoc on much of the South. This policy shift, however, does not represent a turn away from the logic of neoliberalism. Rather, it actually serves to reinforce this logic, by tailoring institutions to the needs of the private sector and removing any ability of the state to intervene in the market. In the Middle East, where authoritarian regimes have been the norm, these calls for institutional reform can be easily portrayed as democratic (and, indeed, they are explicitly framed within a discourse of democratization). In reality they are profoundly anti-democratic. By limiting democracy to the ‘political’ sphere and expanding the notion of freedom to include ‘markets,’ they obfuscate the necessary relations of power within the market, and explicitly block the ability of states to determine the use, ownership and distribution of their economic resources. Democratic control of the economy is thus precluded as a violation of ‘good governance.’

In the case of Egypt, the discourse of institutional reform has allowed neoliberal structural adjustment to be presented not just as a technocratic *necessity* – but as the actual fulfillment of the demands innervating the uprisings. In this sense, neoliberal ideology attempts to reabsorb and fashion dissent in its own image, through rendering Egypt's uprisings within a pro-market discourse. This fundamental message has been repeatedly emphasized by U.S. and European spokespeople over the last weeks: this was not a revolt against several decades of neoliberalism – but rather a movement against an intrusive state that had obstructed the pursuit of individual self-interest through the market.

Perhaps the starkest example of this discursive shift was the statement made by World Bank President Robert Zoellick at the opening of a World Bank meeting on the Middle East in mid-April. Referring to Mohammed Bouazizi, the young peddler from a Tunisian market place who set himself on fire and became the catalyst for the uprising in Tunisia, Zoellick remarked:

> "the key point I have also been emphasizing and I emphasized in this speech is that it is not just a question of money. It is a question of policy … keep in mind, the late Mr. Bouazizi was basically driven to burn himself alive because he was harassed with red tape … one starting point is to quit harassing those people and let them have a chance to start some small businesses."

In this discursive reframing of the uprisings, the massive protests that overthrew Mubarak and Ben Ali occurred due to the absence of capitalism rather than its *normal* functioning. In an ideological sense, this reframing directly confronts the popular aspirations that have arisen through the course of the struggle in Egypt. The political demands heard on the streets of Egypt today – to reclaim wealth that was stolen from the people, offer state support and services to the poor, nationalize those industries that were privatized, and place restrictions on foreign investment – can be either disregarded or portrayed as 'anti-democratic.' Precisely because Egypt's uprising was one in which the political and economic demands were inseparable and intertwined, this effort to recast the struggle as 'pro-market' is, in a very real sense, directly aimed at undercutting and weakening the country's ongoing mobilizations.

The Mechanisms of Structural Adjustment

This understanding of the basic logic presupposed in the IFI financial packages allows us to turn to the precise mechanisms through which structural adjustment is unfolding. There are two common elements to all the financial support offered to Egypt to date – an extension of loans (i.e. an increase in Egypt's external debt) and promised investment in so-called Public-Private Partnerships (PPPs). Both these elements are tied to Egypt's implementation of structural adjustment. Strategically, it appears that the initial focus of this structural adjustment will the privatization of Egypt's infrastructure and the opening of the economy to foreign investment and trade through PPPs (these are discussed below). In addition to the U.S. government, World Bank and IMF, the other main institutional actor in this process is the European Bank for Reconstruction and Development (EBRD).

Debt

Currently Egypt's external debt runs at around $35-billion (U.S.) and over the last decade the country has been paying around $3-billion (U.S.) a year in debt service. From 2000 to 2009, Egypt's level of debt increased by around 15%, despite the fact that the country paid a total of $24.6-billion in debt repayments over the same period. Egypt's net transfers on long-term debt between 2000 and

2009, which measures the total difference between received loans and repayments, reached $3.4-billion. *In other words, contrary to popular belief, more money actually flows from Egypt to Western lenders than vice versa.* These figures demonstrate the striking reality of Egypt's financial relationship with the global economy – Western loans act to extract wealth from Egypt's poor and redistribute it to the richest banks in North America and Europe.

Of course, the decision to borrow this money and enter into this 'debt trap' was not made by Egypt's poor. The vast majority of this debt is public or publically guaranteed (around 85%), i.e. debt that was taken on by the Mubarak government with the open encouragement of the IFIs. Egypt's ruling elite – centered around Mubarak and his closest coterie – profited handsomely from these transactions (estimated in the many billions). This is indicative of the fact that much of Egypt's debt is what development economists call 'odious debt' – debt that has been built up by a dictatorial regime without regard to the needs of the population. Mubarak does not hold sole responsibility for this process. The World Bank, IMF and many other lenders continued to encourage this borrowing (and to praise Egypt's economic direction under Mubarak) precisely because it was such a profitable enterprise.

This is the essential background context to the discussions around Egypt's foreign debt. In his 19 May speech, U.S. President Barack Obama made much of a promise to relieve Egypt of up to $1-billion in its debt obligations. Obama described this as the U.S. government's attempt to support "positive change in the region … through our efforts to advance economic development for nations that are transitioning to democracy." In addition to this monetary support, Obama also promised to urge the World Bank, IMF and other countries to help "stabilize and modernize" Egypt and "meet its near-term financial needs."

Putting aside the hubris of this speech, Obama's offer needs to be understood accurately. Contrary to what has been widely reported in the media, this was not a forgiveness of Egypt's debt. It is actually a debt-swap – a promise to reduce Egypt's debt service by $1-billion, *provided that money is used in a manner in which the U.S. government approves.* This debt-swap confirms the relationship of power that is inherent to modern finance. The U.S. is able to use Egypt's indebtedness as a means to compel the country to adopt the types of economic policies described above. Obama was very explicit about what this meant – stating that "the goal must be a model in which protectionism gives way to openness, the reigns of commerce pass from the few to the many, and the economy generates jobs for the young. America's support for democracy will therefore be based on ensuring financial stability, promoting reform, and integrating competitive markets with each other and the global economy."

This same policy language has been clearly articulated alongside the loans promised to Egypt by the World Bank and IMF. On 12 May, Caroline Atkinson, Director of the External Relations Department at the International Monetary Fund (IMF), announced that the IMF was studying a request from the Egyptian government for $3-4-billion (U.S.) of loans and would “visit Cairo shortly to begin discussions with the Egyptian authorities on an arrangement.” Indicating that these loans would come with conditions, Atkinson noted that “the size and scope of Fund support will be defined as discussions progress.” An advisor to Egyptian Finance Minister Samir Radwan confirmed this, declaring “How the money will be spent will undergo a process of negotiation.” On 24 May this conditionality was set out following an announcement by the World Bank and IMF that they would provide $4.5-billion (U.S.) to Egypt over two years. Noting that “reforms were as important as money,” World Bank President Robert Zoellick explicitly linked the initial $1-billion “to governance and openness reforms with a further $1-billion available next year dependant on progress.”[2] The remaining $2.5-billion (U.S.) would be invested in development projects and private sector loans (see below).

Unless these loans are refused and the existing debt repudiated, Egypt will find itself in a cul-de-sac from which there is little chance of escape. Foreign debt is not a neutral form of ‘aid’ but an exploitative social relation established between financial institutions in the North and countries in the South. Trapped in this relationship, countries become dependent upon a continuous stream of new loans in order to service previously accumulated long-term debt. It is a means to deepen the extraction of wealth from Egypt and – precisely because of the continued dependency on financial inflows – serves to chain Egypt to further structural adjustment measures. The Egyptian people are being punished for an indebtedness that they did not create, and that punishment consists of being locked into even greater indebtedness by the institutions that put them there in the first place.

Foreign Investment and Public-Private Partnerships (PPPs)

Also in his 19 May speech, Obama pledged $1-billion in investments through a U.S. institution known as the Overseas Private Investment Corporation (OPIC). OPIC's mandate is to support U.S. business investment in so-called emerging markets; it provides guarantees for loans (particularly in the case of large projects) or direct loans for projects that have a significant proportion of U.S. business involvement and may face political risk. Perhaps emblematic of OPIC's activities was its first investment in Afghanistan following soon after the invasion of that country by NATO-led forces in 2001 – a new Hyatt Hotel in Kabul that would be used as “a platform for business persons” visiting the country. OPIC was also a key partner in encouraging the free-market ideology that underpinned the economic policy of the Coalition Provisional Authority (CPA) in Iraq following the U.S.-led invasion of 2003.[3] The U.S. government openly asserts the link between OPIC and U.S. foreign policy objectives. This is well encapsulated in the organization's slogan – “support[ing] U.S. investment in emerging markets worldwide, fostering development & the growth of free markets.”

Because OPIC's investment depends upon reducing barriers to foreign capital and accelerating the privatization of state-owned enterprises, its activities are predicated upon, and help to reinforce, the extension of neoliberal program described above. In the case of Egypt, this is likely to take place primarily through the use of U.S. government funds to establish Public-Private Partnerships (PPPs). [Ed.: see John Loxley on PPPs at LeftStreamed No. 96.] A PPP is a means of encouraging the outsourcing of previously state-run utilities and services to private companies. A private company provides a service through a contract with the government – typically, this may include activities such as running hospitals or schools, or building infrastructure such as highways or power plants. For this, they receive payments from the government or through the users of the service (such as highway tolls). PPPs are thus a form of privatization, which, in the words of one of their foremost proponents, Emanuel Savas, is “a useful phrase because it avoids the inflammatory effect of “privatization” on those ideologically opposed.”[4]

OPIC's intervention in Egypt has been explicitly tied to the promotion of PPPs. An OPIC press release, for example, that followed soon after Obama's speech, noted that the $1-billion promised by the U.S. government would be used “to identify Egyptian government owned enterprises investing in public-private partnerships in order to promote growth in mutually agreed-upon sectors of the Egyptian economy.”

The focus on PPPs, however, is illustrated even more clearly in investment promised by another international financial institution, the European Bank for Reconstruction and Development (EBRD). The EBRD was established at the time of the fall of the Soviet Union, with the goal of transitioning Eastern Europe to a capitalist economy. As the EBRD's President Thomas Mirow put it in the lead up to the Bank's discussions on Egypt: “The EBRD was created in 1991 to promote democracy and market economy, and the historic developments in Egypt strike a deep chord at this bank."

The EBRD is shaping up to be one of the lead agents of the neoliberal project in Egypt. On 21 May, EBRD shareholders agreed to lend up to $3.5-billion to the Middle East, with Egypt the first country earmarked for receipt of loans in the first half of 2012. This will be the first time since its establishment that the EBRD has lent to the Middle East. Catherine Ashton, the European Union foreign policy chief, has remarked that the EBRD could provide 1-billion euros annually to Egypt, which would give the institution an enormous weight in the Egyptian economy – as a point of comparison, the total investment value of all PPP projects in Egypt from 1990-2008 was $16.6-billion.

Anyone who has any illusions about the goals of the EBRD's investment in Egypt would do well to read carefully the *EBRD 2010 Transition Report.* The report presents a detailed assessment of the East European and ex-Soviet Republics, measuring their progress on a detailed set of indicators. These indicators are highly revealing: (1) Private sector share of GDP; (2) Large-scale privatization; (3) Small-scale privatization; (4) Governance and enterprise restructuring; (5) Price liberalization; (6) Trade and foreign exchange system; (7) Competition policy; (8) Banking reform and interest rate liberalization; (9) Securities markets and non-bank financial institutions; (10) Overall infrastructure reform.[5] Only countries that score well on these indicators are eligible for EBRD loans. A research institute that tracks the activity of the EBRD, *Bank Watch*, noted in 2008 that a country cannot achieve top marks in the EBRD assessment without the implementation of PPPs in the water and road sectors.

The EBRD intervention thus likely augurs a massive acceleration of the privatization process in Egypt, most likely under the extension of PPPs. The current Egyptian government has given its open consent to this process. Indeed, at the EBRD Annual General Meeting on 20-21 May where Egypt was promised funds, a spokesperson of the Egyptian government remarked: “the current transition government remains committed to the open market approach, which Egypt will further pursue at an accelerated rate following upcoming election.” The statement noted “that public-private partnerships have much potential as an effective modality for designing and implementing development projects, particularly in infrastructure and service sectors (transport, health, etc.). Therefore we will encourage PPP initiatives.” Moreover, fully embracing the pro-market ideological discourse discussed above, the Egyptian government promised to relax control over foreign investments through committing “to overcoming the previous shortcomings of excessive government centralisation. In addition, we will build on existing initiatives to achieve a greater level of decentralisation, especially in terms of local planning and financial management.”

Conclusion

The projects and investments mentioned are above are not the sole aspects of the IFI-backed neoliberal project in Egypt.[6] But at the most fundamental level, this financial aid confirms a conscious intervention by Western governments into Egypt's revolutionary process. In the very short term, large infrastructure projects and other economic schemes may provide some employment creation, housing, educational training and perhaps the appearance of a return to stability given the prevailing sense of ‘crisis.’ This investment, however, is premised upon a profound liberalization of the Egyptian economy. They will only be undertaken concomitant with measures such as a deepening privatization (undoubtedly in the form of PPPs), deregulation (initially likely to be connected to the opening up of more sectors to foreign investment), the reduction of trade barriers (connected to access to U.S. and European markets), and the expansion of the informal sector (under the banner of cutting 'red tape'). They will necessarily involve, furthermore, a rapid expansion in Egypt's overall indebtedness – tying the country ever more firmly to future structural adjustment packages.

If this process is not resisted, it threatens to negate the achievements of the Egyptian uprising. As the decades of the Egyptian experience of neoliberalism illustrate all too clearly, these measures will further deepen poverty, precarity and an erosion of living standards for the vast majority. Simultaneously, the financial inflows will help to strengthen and consolidate Egypt's narrow business and military elites as the only layer of society that stands to gain from further liberalization of the economy. The expansion of PPPs, for example, will provide enormous opportunities for the largest business groups in the country to take ownership stakes in major infrastructure projects and other privatized service provision. Alongside foreign investors, these groups will gain from the deregulation of labour markets, liberalization of land and retail activities, and the potential access to export markets in the U.S. and Europe.

These measures also have a regional impact. Their other main beneficiary will be the states of the Gulf Cooperation Council (Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar and Oman) who are playing a highly visible and complementary role alongside the IFIs. Saudi Arabia has pledged $4-billion to Egypt – exceeding the amounts promised by the US and EBRD. The Kuwait Investment Authority announced in April that it was establishing a $1-billion (U.S.) sovereign wealth fund that would invest in Egyptian companies. Kuwait's Kharafi Group, which had won PPP contracts in the power sector in Egypt in 2010 and is estimated to have $7-billion invested in Egypt already, announced that it was taking out an $80-million loan for investments in Egypt. Qatar is also reportedly considering investing up to $10-billion, according to its ambassador in Egypt.

As with the investments from Western states, these financial flows from the GCC are dependent upon the further liberalization of Egypt's economy, most likely through the mechanisms of PPPs. Indeed, Essam Sharaf, Egypt's interim prime minister, and Samir Radwan, finance minister, have both travelled frequently to the GCC states over recent months with the aim of marketing PPP projects, particularly in water and wastewater, roads, education, healthcare, and energy. One indication of the direction of these efforts was the announcement by the Dubai and Egyptian Stock Exchanges to allow the dual listing of stocks on their respective exchanges. This measure will allow privatized companies or investment vehicles to be jointly listed on both exchanges, thus facilitating the increased flows of GCC capital into Egypt.

In essence, the financial initiatives announced over recent weeks represent an attempt to bind social layers such as these – Egypt's military and business elites, the ruling families and large conglomerates of the GCC, and so forth – ever more tightly to the Western states. The revolutionary process in Egypt represented an attack against these elements of the Arab world. The uprising cannot be reduced to a question of ‘democratic transition’ – precisely because the political form of the Egyptian state under Mubarak was a direct reflection of the nature of capitalism in the country, the uprising implicitly involved a challenge to the position of these elites. The inspiring mobilizations that continue on the Egyptian streets confirm that these aspirations remain firmly held. Western financial aid needs to be understood as an intervention in this ongoing struggle – an attempt to utilize the sense of ‘economic crisis’ to refashion Egyptian society against the interests of Egypt's majority, and divert the revolution from the goals it has yet to achieve. •

Endnotes:

1. For a detailed critique of these notions, see *The New Development Economics: After the Washington Consensus*, edited by Jomo K.S. and Ben Fine, London; Zed Books, 2006.

2. This clear message of conditionality makes a mockery of the claim by Egyptian Finance Minister, Samir Radwan, that: "We have an Egyptian programme … I am not accepting any conditionality – none whatsoever."

3. A fundamental part of this process – likely to be replicated in the case of Egypt – was a focus on encouraging Iraqi business to become increasingly dependent upon U.S.-owned finance capital through the support of U.S. bank and finance lending to small and medium-enterprises in the country.

4. Emanuel Savas, *Privatization in the City*, Washington DC; QC Press, 2005, p.16.

5. Belarus, for example, was rewarded for its "removal of price and trade restrictions on many goods and reduction of list of minimum export price" by a rise in its price liberalization indicator from 3 to 3+. Likewise, Montenegro received the same increase for privatizing parts of its power and port sectors.

6. For example, another important vehicle is the Arab Financing Facility for Infrastructure (AFFI), established by the World Bank, International Finance Corporation and the Islamic Development Bank earlier this year to promote investment in the Middle East region. The AFFI aims to raise $1-billion and will focus on infrastructure, explicitly around PPPs. The AFFI focuses on regional integration projects, and is thereby being used to promote the reduction of trade and tariffs within the region. It is as yet unclear what the AFFI involvement with Egypt will be, but it has been highlighted by the World Bank as a major component of its future activities in the country.

Economic Attacks Against Arab Democracy

Patrick Bond

In their latest documents and meetings, the G8, the World Bank and the International Monetary Fund reacted to the democratic movements in the Arab world: The recipe calls – as it did before the popular ousting of the Tunisian and Egyptian presidents – for privatization, austerity measures and "market liberation."

Patrick Bond, economic advisor to the new South African government from 1994-2002, analyses the ramifications of the economic campaign on Tunisia, Egypt, Libya, and Palestine.

1. Washington's seeding of the Arab democratic revolution

An incident two and a half years ago in Carthage spoke volumes about power politics and economic ideology. As he was given the country's main honour, the Order of the Tunisian Republic, on account of his "contribution to the reinforcement of economic development at the global level," International Monetary Fund Managing Director Dominique Strauss-Kahn returned the favour, offering the dictatorship of Zine El Abidine Ben Ali a warm embrace, which turned out to be the kiss of death.

"Economic policy adopted here is a sound policy and is the best model for many emerging countries," said Strauss-Kahn. "Our discussions confirmed that we share many of the same views on Tunisia's achievements and main challenges. Tunisia is making impressive progress in its reform agenda and its prospects are favorable."[1]

In late May 2011, just days after Strauss-Kahn resigned in disgrace after New York police charged him with sexual predation against an African hotel cleaning worker, the IMF outlined a new set of opportunities in Tunisia and neighboring countries: "The spark ignited by the death of Mohammed Bouazizi has irretrievably changed the future course of the countries in the Middle East

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Patrick Bond directs the University of KwaZulu-Natal's Centre for Civil Society in Durban. This report follows a week of consultation in Gaza and the West Bank (16-22 May 2011) while based at TIDA-Gaza, during which a great many Palestinians and TIDA staff were generous with their hospitality, time and insights.

and North Africa (MENA). But each country will change in its own way and at its own speed. Nor will they necessarily have a common political or economic model when they reach their destination."[2] In reality, 'the model' for each is indeed 'common' in Washington's eyes: neoliberalism.

And moreover, there appears to be very little difference in what is being advocated to Arab democrats today and what was advocated to Arab dictators yesterday. For in September 2010, IMF Survey Magazine praised Ben Ali for his commitment "to reduce tax rates on businesses and to offset those reductions by increasing the standard Value Added Tax (VAT) rate."[3]

Mohammed Bouazizi was an informal street trader, and the police overturned his fruit cart a few weeks later, on December 27, presumably because he was not contributing to Value Added Tax with his survivalist business. (There may have been other reasons, but this is typically the rationale offered by authorities for disrupting street traders across the world.)[4]

If the IMF leadership praised the dictatorship, insisted on austerity and advocated squeezing poor people for more taxes, what business does it have today in giving similar advice to Tunisia, or anywhere in the Middle East and North Africa, or for that matter Europe or anywhere at all? What can we learn about IMF thinking in Tunisia, Egypt and Libya, as well as Palestine?

1.1 Tunisia as 'best model'

In its 2010 Tunisia review, called an Article IV Consultation, the IMF approved Ben Ali's policies of "enhancing its business environment and improving the competitiveness of its economy," including a preferential trade agreement with West Africa and "free trade agreements with the Central African Economic and Monetary Community. Bilateral negotiations with the European Union are also under way to extend the Association agreement to services, agricultural products, and processed food; the agreement currently provides for free trade for industrial products."[5]

In addition, the IMF appreciated Tunisia's "reforms to labor market policies, the educational system, and public employment services that will serve to facilitate labor mobility." The IMF applauded the Tunis authorities for "reforming the social security system" (i.e. cuts that might "buttress the pension system's financial sustainability"), exploring "ways to contain subsidies of food and fuel products," and "undertaking reforms to make the tax regime more business friendly" including commitments "to reduce tax rates on businesses and to offset those reductions by increasing the standard VAT rate" (the VAT is a consumption tax and thus explicitly regressive insofar as low-income people are hit by the state for a larger share of their income).

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

This was economic liberalization without much disguise. In contrast, there was no IMF conditionality aimed at reforming the dictatorship and halting widespread corruption by Ben Ali and his wife's notorious Trabelsi family, or lessening the two families' extreme level of business concentration, or ending the regime's reliance upon murderous security forces to defend Tunisian crony capitalism, or lowering the hedonism for which Ben Ali had become famous. According to WikiLeaks, even the notoriously lax-on-dictatorship US State Department was disgusted by the consumption norms of the Ben Ali and Trabilsi families, and their control of half the national economy.[6] As Rob Prince reported,

> Tunisia's economy suffered despite World Bank/IMF claims that the country has weathered the global financial crises better than many places. Tourism was down, as were textile exports to Europe, only aggravating the already existing socioeconomic crisis. But the straw that broke the camel's back in this case is the growing distrust and distaste among the broader population for president Ben Ali's wife, Leila Trabelsi and her siblings, who have been scrambling to dominate whatever sectors of Tunisia's economy they could, dominating the IMF-pressured privatisations that have marked the country's economic transition.[7]

1.2 Egypt

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

> Five years of reforms and prudent macroeconomic policies created the space needed to respond to the global financial crisis, and the supportive fiscal and monetary policies of the past year have been in line with staff's advice. The authorities remain committed to resuming fiscal consolidation broadly in keeping with past advice to address fiscal vulnerabilities… Such adjustment will be crucial to main-

> tain investor confidence, preserve macroeconomic stability, and create scope for future countercyclical fiscal policy.[8]

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

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

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

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

> The January revolution has raised the aspirations of Egypt’s population at a time when the economy is taking a hit from domestic unrest in the short term, the ensuing uncertainty, and large global and regional shocks (e.g., the rise in commodity prices and the violence in Libya). The political shock triggered substantial capital outflows, which in addition to the decline in tourism revenue, remittances, and exports, have led to a loss of foreign exchange reserves of about $15-billion (U.S.) in the four months to end-April.[9]

In that document, IMF staff worried that “managing popular expectations and providing some short-term relief measures will be essential to maintain social cohesion in the short term,” and that this would come at a price: “external and fiscal financing gaps of $9 to 12-billion (U.S.) … which would need to be filled with exceptional support from Egypt’s multilateral and bilateral development partners, particularly given the limited scope for adjustment in the short term.”

The 'limited scope' reflected the breath of democracy in Egypt, but the assumption seemed to be that investments of $1-billion in debt relief (leaving $33-billion to repay) and additional grants would permit Cairo to restore good relations with Washington and to get over the hump of the democratic revolution with its 'reform' agenda intact.

As Adam Hanieh from London's School of Oriental and African Studies concluded just after the G8 summit and allied Arab states pledged $15-billion to Egypt,

> The plethora of aid and investment initiatives advanced by the leading powers in recent days represents a conscious attempt to consolidate and reinforce the power of Egypt's dominant class in the face of the ongoing popular mobilizations. They are part of, in other words, a sustained effort to restrain the revolution within the bounds of an "orderly transition" – to borrow the perspicacious phrase that the U.S. government repeatedly used following the ousting of Mubarak.
>
> At the core of this financial intervention in Egypt is an attempt to accelerate the neoliberal program that was pursued by the Mubarak regime… If successful, the likely outcome of this – particularly in the face of heightened political mobilization and the unfulfilled expectations of the Egyptian people – is a society that at a superficial level takes some limited appearances of the form of liberal democracy but, in actuality, remains a highly authoritarian neoliberal state dominated by an alliance of the military and business elites. [10]

1.3 Libya

The same neoliberal pro-dictator narrative was established in Libya, for example, in the IMF's October 2010 pronouncements in which Muammar Gaddafi's mass firing of 340 000 civil servants was celebrated: "About a quarter have reportedly found other sources of income and are no longer receiving transfers from the state budget. The mission recommends that the retrenchment program be accelerated."[11]

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

> An ambitious program to privatize banks and develop the nascent financial sector is underway… Structural reforms in other areas have progressed. The passing in early 2010 of a number of far-reaching laws bodes well for fostering private sector development and attracting foreign direct investment… Executive Directors agreed with the

> thrust of the staff appraisal. They welcomed Libya's strong macroeconomic performance and the progress on enhancing the role of the private sector and supporting growth in the non-oil economy. The fiscal and external balances remain in substantial surplus and are expected to strengthen further over the medium term, and the outlook for Libya's economy remains favorable (emphasis added).[12]

This optimistic report and others like it annoyed two New York Times reporters:

> Less than two weeks ago, the IMF's executive board, its highest authority, assessed a North African country's economy and commended its government for its "ambitious reform agenda." The IMF also welcomed its "strong macroeconomic performance and the progress on enhancing the role of the private sector," and "encouraged" the authorities to continue on that promising path. By unfortunate timing, that country was Libya. The fund's mission to Tripoli had somehow omitted to check whether the "ambitious" reform agenda was based on any kind of popular support. Libya is not an isolated case. And the IMF doesn't look good after it gave glowing reviews to many of the countries shaken by popular revolts in recent weeks.[13]

1.4 MENA economies under Washington's thumb

Although not objecting to the IMF's neoliberal ideology, the Times cited similar upbeat language in its reviews of Bahrain, Algeria and Egypt, worrying that "the toppling of unpopular regimes will make it difficult for their successors to adopt the same policies. In the future, the IMF might want to add another box to check on its list of criteria: democratic support."[14]

Indeed, Tunisia, Egypt and Libya were not isolated mistakes, but reflected an approach to the entire Middle East and North Africa region. As Masood Ahmed, IMF Director for the Middle East and Central Asia Department argued in the November 2010 International Economic Bulletin of the Carnegie Endowment for International Peace, the countries in his portfolio

> must, first and foremost, boost their competitiveness. Sound macroeconomic policies – in particular, fiscal consolidation – will help, but governments will also need to make greater efforts to improve the business climate. Unfortunately, many of these countries are still characterized by burdensome regulatory systems, weak institutions, and a dominating public sector. Countries must also enhance labour market functioning by improving education (to better match the supply of, and demand for, certain skill sets) and ensuring that wages better reflect market conditions. Finally, trade tariffs need to come down. While they have been streamlined and lowered – mainly under the auspices of trade agreements with the European Union and the United States –

they remain high, averaging over 12 per cent in 2009. Most importantly, with the region's traditional advanced-economy trading partners now growing more slowly, MENA countries should seek new export markets.[15]

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

as governments want to reduce unemployment and ease the burden of high commodity prices, social protection has expanded rapidly in the region. While some measures are desirable, especially those targeted at protecting the most vulnerable, there is a risk that many of these policies are broad and will be very costly. In particular, expansion of public sector employment is costly and difficult to reverse. More effective employment policies are likely to involve short-term employment in public works. In addition, raising minimum wages, public sector wages, and/or unemployment benefits, as has been done in a few countries, will likely reduce equilibrium employment in the absence of other changes. To the extent that fuel is subsidized this creates a distortion and steers resources towards fuel-intensive industries, which tend to be capital intensive. These policies may have the undesirable consequence of reducing employment prospects for those outside the public sector.[16]

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

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

> idly in the region. While some measures are desirable, especially those targeted at protecting the most vulnerable, there is a risk that many of these policies are broad and will be very costly. In particular, expansion of public sector employment is costly and difficult to reverse. More effective employment policies are likely to involve shortterm employment in public works. In addition, raising minimum wages, public sector wages, and/or unemployment benefits, as has been done in a few countries, will likely reduce equilibrium employment in the absence of other changes. To the extent that fuel is subsidized this creates a distortion and steers resources towards fuel-intensive industries, which tend to be capital intensive. These policies may have the undesirable consequence of reducing employment prospects for those outside the public sector. Moreover, it is important they are used to complement and support government reforms, and not as a substitute.[17]

But imposing a new round of Washington Consensus policies risks what even World Bank chief Africa economist Shanta Devarajan in 2009 termed "the specter of political instability and social unrest", a point we take up again in the conclusion. For Devarajan, "market-based reforms, which were painful in the first place but which African countries implemented because they could see the impact they were having on growth, are likely to lose political support because they no longer deliver results." At the same press briefing, Bank Africa Vice President Obiageli Ezekwesili worried, "It is precisely in a season of crisis like this that African governments must stay the course of market-based reforms."[18]

The possibility of MENA governments not taking Ezekwesili's advice and diverting further into Keynesian territory, including imposing exchange controls, was sufficiently strong (especially in North Africa) that a journalist at the April 2011 IMF spring meetings dared pose it to Dominique Strauss-Kahn:

> "Do you have any fears that there is perhaps a far left movement coming through these revolutions that want more, perhaps, closed economies?" For Strauss-Kahn, this was a "Good question. Good question. There's always this risk, but I'm not sure it will materialize." But with Strauss-Kahn engaged in other extremely risky behavior that failed to pay off a month later in a New York Times Square hotel, it was clear that nothing was predictable. For Strauss-Kahn, the bottom-line slogan for his questioner was predictable enough: "We're in a globalized world, so there is no domestic solution."[19]

1.5 The Bretton Woods Institutions and the G8

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

The Bank's May 27 document, "Towards A New Partnership for Inclusive Growth in the Middle East and North Africa (MENA) Region" is exemplary, if only to illustrate either amnesia or hutzpah:

> Economic reforms had started in several countries during the last decade. But in the context of declining state legitimacy, low levels of political participation, nepotism, perceptions of corruption and predation, and little accountability, reforms were too partial to takereal hold or to transform sclerotic intuitions. Often they were perceived to increase inequality, and benefit the politically-connected elite.[20]

A more honest rewriting of this paragraph might be:

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

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

> Citizens are challenging authorities across MENA with the unifying refrain for 'Dignity, Respect and Freedom' and an end to the Arab exceptionalism which has denied rights enjoyed elsewhere.
>
> However, the political nature of the change should not underestimate the role played by economic factors. Countries have been unable to sustain shared economic growth at levels necessary to generate the quantity and quality of jobs expected by a rapidly expanding labour force, notably young men and women.

> Economic reforms had started in several countries during the last decade. But in the context of limited accountability, reforms were perceived to increase inequality and benefit the politically-connected elite.
>
> The public engagement emerging today in several MENA countries opens an opportunity for the people of the region to carry out the kind of reforms needed to overhaul the development paradigm. Greater government accountability and public participation will be essential elements.
>
> As government legitimacy deepens, there is also likely to be more effective regional cooperation in the Arab world, based on solidarity among peoples, and a desire for greater inclusiveness, both regionally and globally.
>
> The Arab Spring creates significant opportunities for the MENA Region and for the world, but there are also challenges and risks. Food and energy price shocks, and in general the global economic environment, could challenge the economic and political reform process. In some countries, there are risks that governments will be driven by populist demands or that necessary reforms stall due to popular backlash.
>
> Political risk perceptions may rise, deterring the domestic and foreign private investment needed to create employment, and government budgets may shift away from investment towards consumption to cool popular discontent. Timely external support for countries to address their peoples' aspirations may fall short of needs.
>
> A crucial issue in the sustainability of the governance transition will be the availability of adequate public and private funding for shortterm financing needs, and for the medium-tolong term investments which will generate the bulk of much-needed jobs, particularly in the private sector.
>
> Innovative financing and risk mitigating mechanisms to support private investment and access international financial markets will be critical to the transition…
>
> In the same vein the opening of external markets – for goods, services and labor – will be fundamental to the success or failure of the transition. Ultimately this will matter more than external financial support. The G8 countries have a major role to play in this regard.

The Bank's main objective appears to be making Arab economies more vulnerable:

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

And that in turn raises serious difficulties for those in Palestine who have suffered enforced siege by Israel, a topic the Bretton Woods Institutions have given some thought to as well, as we see next.

2. Pressure on Palestine: From Washington politics to the Washington Consensus

Just as unconstructive as Washington-centric Middle Eastern politics, such as Barack Obama's May 2011 policy speech, two April 2011 reports on Palestine economics by the IMF and World Bank reflect an overarching failure to grapple with Israel's malevolent power, and rely upon an incorrect assumption that political freedom and free markets are tightly aligned. The IMF and Bank studies downplay the region's fundamental problem, namely Israeli Occupation of both Palestinian territories (as well as economic oppression of Israeli Palestinians). In the two Bretton Woods Institution reports, only 'restrictions,' 'barriers' and the Gaza 'blockade' are remarked upon, not the underdeveloping nature of the settler-colonial economy, ongoing land invasions for illegal settlements, systemic violence, nor the Israeli regime's propensity to sabotage any visible Palestinian progress. (Only at one point, in passing, does the IMF raise the matter of the inability of Palestinians to invest in "Area C," the largest share of West Bank land.) In turn this leaves the IMF and Bank to apply old-fashioned 'Washington Consensus' ('neoliberal') dogma to the West Bank and Gaza, attacking the living standards of poor Palestinians while promoting the same destructive free-market policies that also caused severe strife across the Middle East in recent months.

It is vital to understand the ways the Bretton Woods Institutions have already locked Palestine into neoliberal development strategies, such as adoption of export-led growth, means-testing for social policy, electricity privatization and prepayment metering, pension 'reform' and civil service shrinkage. The following pages first identify the main lines of argument within the two recent documents about Palestine. We start with the Bretton Woods Institutions' analytical scope and then consider the merits of the export-led economic growth strategy, neoliberal social policy advice, and pressure to shrink the civil service.

However, by way of providing context, by no means was 2011 the first time that neoliberalism was proposed for Palestine. For example, as Raja Khalidi and Sobhi Samour argued in March, the project dates to 2009 with ancestry all the way back to the 1993 Madrid negotiations prior to Oslo:

> Just at the moment when neoliberalism is being rejected by widening popular movements in the region and by developments elsewhere in the global economy, the Palestinian Authority (PA) is stepping up its neoliberal state-building program entitled 'Ending the Occupation, Establishing the State'. The program was launched by PA Prime Minister Salam Fayyad in 2009 amidst unprecedented internecine political divisions and a historic crisis of legitimacy, indeed survival, of the national liberation movement. While it promises to build 'good governance' institutions to garner local and international support for the PA's statehood plan, a more critical reading reveals that the PA has embarked on a path that seems to be trading off national liberation for neoliberalism…
>
> By 1993, Harvard economists and the World Bank, in association with several Palestinian economists, had entered the arena. They recommended a fairly neoliberal set of economic policies for guiding the PA through what was still seen as a five-year transition to independence. In 1999, the Council on Foreign Relations (also with Palestinian expert collaboration) argued that the implementation of good governance reforms, rule of law, and policies ensuring a conducive climate for investment were necessary preconditions for Palestinian independence.[21]

2.1 The limited scope of the World Bank and IMF

The World Bank's most recent report to the major Western donors, 'Building the Palestinian State: Sustaining Growth, Institutions, and Service Delivery,'[22] begins with a familiar argument: "If the Palestinian Authority (PA) maintains its performance in institution-building and delivery of public services, it is well-positioned for the establishment of a state at any point in the near future."

A cut-and-paste version of this line was simultaneously presented in the IMF's 'Macroeconomic and Fiscal Framework for the West Bank and Gaza': "IMF staff considers that the PA is now able to conduct the sound economic policies expected of a future well-functioning Palestinian state, given its solid track record in reforms and institution-building in the public finance and financial areas."[23] There was, too, the added (and very unusual) flattery of praising by name a Washington financial bureaucrat who at the time served as the PA Prime Minister, Salam Fayyad:

> IMF staff considers that the PA is now able to conduct the sound

> economic policies expected of a future well-functioning Palestinian state, given its solid track record in reforms and institution-building in the public finance and financial areas… Following steady institutional reforms since 2007, the Palestine Monetary Authority (PMA) is now in a position to carry out the functions of a central bank… The West Bank's strong performance since 2008 has been enabled by PM Fayyad government's sound economic management and reforms supported by donor aid, as well as some easing of Israeli internal barriers. Nevertheless, the West Bank's growth, which is estimated at 8 per cent in 2010, is also bound to wane, especially with the PA's continued fiscal retrenchment and declining aid, without a strong stimulus from a further easing of Israeli restrictions.

In subsequent Bank and IMF documents, there was no acknowledgement whatsoever of the May reconciliation of Fatah and Hamas, the proposed 'technocratic government' anticipated to commence in June, or the proposed September announcement of statehood for Palestine – usually simply known in Washington as the West Bank and Gaza (WB&G). Instead, the narrative seems to be the dangling of statehood endorsement from multilateral institutions (even though the United States and Israeli governments are expected to sabotage such an effort), based on continuing with several tendencies in existing PA practices, which the Bank repeatedly encourages in its report. Gaza's recent governance, Palestinian refugees demanding right of return to Israel, and the struggle of Palestinian Israelis, all go unmentioned even though the numbers of people involved are a majority of the Palestinian people.

So on the one hand, the Bank's grand ambition of helping 'build' a Palestinian state will lack some crucial foundations. On the other hand, the Bank immediately acknowledges one of the most obvious problems with the high (9 per cent) Gross Domestic Product (GDP) rate recorded in 2010, which more generally casts doubt on Palestine's organic economic activity:

> Growth does not, however, appear sustainable. It reflects recovery from the very low base reached during the second intifada and is still mainly confined to the non-tradable sector and primarily donor-driven… The economic growth observed in WB&G is arguably donor-driven, and sustainable growth remains hampered by Israeli restrictions on access to land, water, a range of raw materials, and export markets, to name a few.

The Bank also misses an opportunity to explore the unsustainable economic setting in environmental terms. The idea of sustainability appears limited to whether Palestine is as profoundly aid-dependent as it is now, but to its credit the Bank concedes that the high GDP growth is a function of donor support. In other words, removal of donor inflows that are at least 20 per cent of GDP (perhaps far higher) would have a devastating impact on GDP, and hence it is impossible to judge whether there is any genuine organic growth occurring through the PA's adoption of Washington-friendly economic policies.

2.2. An export-oriented economy?

There are several ways to generate organic GDP growth, and they boil down to whether the emphasis in economic activity is internally oriented (to meet local needs through local production) or externally oriented (to meet world market opportunities).

The Bank has traditionally opposed the former, and for Palestine there is no exception, notwithstanding the Palestinian people's oftremarked creativity in adapting to extreme economic strangulation at the hands of Israel. So it is no surprise that the Bank aims to increase Palestine's international trade as 'the basis' for its future economy:

> In order to lay the basis for future sustainable economic growth, the PA stands to benefit from a focus on its trade regime and infrastructure as well as the readiness of its human capital. Developing the legal, institutional, and physical infrastructure required to manage a sophisticated trade regime will take time and considerable resources, so it is important that the PA begin immediately…
>
> As a small open economy, the future Palestinian state is likely to depend upon increasing trade and especially the export of high value added goods and services that exploit its comparative advantage arising from a workforce with low wages relative to its high level of education…
>
> The Palestinian market's small size means that, without access to the world market, Palestinian producers will not be able to achieve minimum efficient scale. In addition, becoming competitive on the export market will force Palestinian producers to improve their productivity, thereby increasing employment, raising wages, and lowering poverty. Since 1967, trade in WB&G has been overwhelmingly oriented towards Israel. As of 2008, Israel accounted for nearly 89 per cent of WB&G's exports and 81 per cent of imports. The majority of exports were for low value added goods that required a minimal level of processing. In order to achieve sustainable growth, the WB&G economy must increase overall trade, expand trade beyond the Israeli market, and increase the value added in exports. To do this, an appropriate trade policy regime must be in place, including the necessary institutional, regulatory, and physical infrastructure that will facilitate trade.

> Globally speaking, the last 60 years have witnessed a significant drop in transportation costs, matched by a similar increase in international trade… the PA needs to publicly establish goals and principles now so that investors in the private sector can begin to prepare and make investments that will prosper and not be untenable under the trade regime of a future state…
>
> The policy must be set to facilitate trade, not to raise government revenues, redistribute resources, or favor one sector over another. Tariffs must be low and there should be no quantitative restrictions or other non-tariff barriers to trade. Given the vital importance of trade, the government of a future Palestinian state might consider eventually moving to a policy of free trade as Estonia, Hong Kong, and Singapore have done. Above all, trade policy must be transparent and not captured by special interest groups. Keeping it simple and anchored in international agreements, such as those of the World Trade Organization (WTO), will help the government resist pressure and should be a key part of the strategy.

The Bank's supreme confidence in promoting export-led growth strategies is evident in the last paragraph's insistence on low tariffs and its prohibition of infant-industry protection and policy 'capture' by self-interested Palestinians (whether crony-capitalists or trade unionists or simply democrats). But the overweening focus on exports is disturbing not only because this was the core belief that left so many Resource Curse economies so maldeveloped in recent decades, but because there appear to be no studies by the Bank or allied institutions that bear out the cheap-labour comparative advantage argument. The Israeli economy's easy 1990s substitution of imported labour (both migrant and immigrant) for hundreds of thousands of Palestinians (allegedly with no adverse impact on the wage bill) is one indication of the need to reconsider this claim more carefully.

Moreover, there appear to be no World Bank Domestic Resource Cost studies about the economic merits of light industrial sectors in which Gaza retains a small semblance of manufacturing capacity: furniture and garments. The three agroexport examples typically invoked for Gaza – strawberries, carnations and cherry tomatoes – are hampered in the short/medium-term by Israel's stop-start-stop border controls (not to mention the Boycott Divestment Sanctions movement which aims to close Israeli ports) and in the longer-term by Europe's growing use of carbon taxation and ecological footprinting against long-distance agricultural and horticultural imports.

Instead, the World Bank acknowledges that organic economic activity currently faces a narrow range of options:

> The fastest growing sectors in WB&G included agriculture, and ho-

> tels and restaurants, which grew by 22.8 and 46.3 per cent, respectively. Construction grew by an impressive 35 percent, and public administration and defense continued to expand, growing by 6.4 per cent in 2010. By contrast, initial estimates indicate that manufacturing output fell by nearly 6 per cent and it remains more than 10 per cent below its 1999 level… Though firms in Gaza report that most needed inputs are now available, the increase in imports from Israel combined with the lack of exports appears to have led to a fall in manufacturing by nearly 4 per cent.

This is economic growth paralleling the parasitical style of the U.S. economy prior to the bubble crash of 2008, not the productive economy so desperately needed. Gaza's deindustrialization, for example, is usually estimated at 75 per cent thanks Israel's Operation Cast Lead and the subsequent siege. And not only does Israel present itself as a terribly unfriendly trade partner, it was also a small and stagnant contributor to Palestinian trade, the Bank admits: "Israel remains WB&G's largest trading partner, yet in the first three quarters of 2010, exports of goods and services to Israel were only about US$480-million in nominal terms. This is only 6 per cent higher than in the same period in 2009 and nearly 22 per cent lower than in 2008."

As for the potential for increased trade with emerging democracies in the region, or for taking advantage of the apparent destruction of the Cairo-TelAviv-Washington alliance? Not a word (see below for some reasons the Bretton Woods Institutions would be nervous). Trade is an unrealistic driver of growth if the Allenby crossing to Jordan, the potential routes north via Lebanon or Syria, direct access to Mediterranean Sea ports, the main regional airport in TelAviv, and indeed all Palestinian contact with the outside world aside from (still-policed) tunnels to Egypt and a newly opened border crossing, are all controlled by Israel.

In this regard, it is all too easy to declare not only that "The IMF is a toy of the United States to pursue its economic policy offshore" (as did Massachusetts Institute of Technology professor Rudiger Dornbusch in 1998),[24] but also its foreign policy. A direct link between what the Bretton Woods Institutions impose in Palestine (export-led growth) and what is good for Israel (Palestine's trade dependency) can be drawn from Strauss-Kahn, who on April 28, acknowledged to Liberation newspaper that he once publicly stated, "se lever chaque matin en se demandant comment [il pourrait] être utile à Israël" ("each morning I rise thinking what can I do to be of use to Israel").[25]

2.3 Neoliberalising social policy

Wherever they go, both IMF and Bank intervene in state social policy in a manner that degrades the potential for generous, universal, dignity-enhancing, gender-equitable, rights-based welfare and basic services. This is also evident in the way the IMF understands the challenges a Palestinian state will face from an impoverished, restive citizenry:

> By 2009, a staggering 71 per cent of the Gaza population benefited from at least one form of social assistance. The reliance on social assistance means that even those households that are currently above the poverty line remain highly vulnerable, i.e. at high risk of falling into poverty…
>
> Because of the need to fund development projects for which designated aid was not received, the PA was forced to increase bank borrowing and accumulate arrears at an unsustainable rate. Net domestic bank financing increased by about US$84-million, with gross borrowing of US$200 million, so that at the end of 2010, total domestic debt stood at about US$840 million, which may be close to the PA's borrowing limits. In 2010, the PA paid close to US$23-million in arrears in net lending, but it accumulated another US$144-million in new arrears. While most of this was to the pension system, about US$50-million was in non-wage and development spending.

The IMF solutions to these multiple problems are simple: impose a 'means tests' (to check incomes), privatize electricity with prepayment meters, dramatically reduce state subsidies and raise the retirement age:

> To ensure steady progress toward fiscal sustainability and reduced reliance on recurrent budgetary aid in line with the medium-term fiscal targets, it is essential to step up the implementation of the key structural reforms as set out in the draft PNP:
>
> Further streamline and better target social assistance. In 2010, several cash assistance programs in the West Bank have been merged into one central program with a single payment modality, based on a proxy means test that more accurately identifies vulnerable households. The Ministry of Social Affairs will be regularly updating the database of targeted households to ensure that only those below the poverty line receive assistance. A key measure to be implemented by mid-2011 is the "lifeline electricity tariff," for households in the latter database, at which a "lifeline" amount of household electricity consumption is billed only at cost. This measure is especially important given the increase in prices as electricity distribution is commercialized.
>
> Phase out electricity subsidies (imposed on the MoF due to non-payment by municipalities of their electricity bills) by completing the transfer of electricity distribution from municipalities to commercial companies. An important step taken in early 2010 was the transfer of electricity distribution from the municipality of Nablus to the North-

ern Electricity Distribution Company (NEDCO), and the installation of about 170,000 pre-paid meters to improve bills payment. An action plan was prepared in 2010 to complete the transfer of distribution from the remaining local governments in the northern West Bank region to NEDCO, with the regions of Qalqilya and Tulkarm to be covered by mid-2011. The transfer of distribution in the remainder of the West Bank to other private electricity companies is expected to be completed by end-2011. Progress in electricity sector reform has helped reduce electricity subsidies from 6 to 3 per cent of GDP in 2009–10.

> Reform the public pension system. An important step taken in July 2010 was the adoption of a comprehensive public pension reform action plan for 2010–12, in collaboration with the World Bank. The plan aims at restoring the viability of the pension system in several phases during 2010–12. The first phase, to be completed during 2011, consists of indexing pensions to the CPI, raising the retirement age from 60 to 62, and ensuring that pensions are paid only to those who have reached the minimum age and served the minimum number of years required by law. The remaining steps for 2012 include the elimination of lump sum payments at retirement…

> [I]t is essential for the PA to step up the implementation of structural reforms, including electricity sector, pension, and civil service reforms. For 2011, it is particularly important for the PA to abide by the expenditure ceilings set in the 2011 budget to achieve the targeted reduction in the recurrent deficit from 16 to 13 per cent of GDP, especially given the highly uncertain global environment and prospects for donor aid.

Even though some administrative tasks will dramatically increase as a result of this kind of social policy shrinkage (such as stigma-inducing means-testing), the IMF and Bank believe it is logical to also cut back the civil service, no matter that it is Palestine's main employer.

2.4 Civil service shrinkage?

The World Bank recognized the perilous situation in the dysfunctional labour market, with unemployment above 30 percent in Gaza alone:

> The current PA payroll is just over 150,000… In the fourth quarter of 2010, unemployment for WB&G was 23.4 percent, compared to 24.8 per cent in the fourth quarter of 2009… the share of the government in total employment rose from 17 to 26 per cent between 1999 and 2009, while that of private sector jobs fell from 47 to 38 per cent… Israel and its settlements remains an important employer of Palestin-

> ian labour, employing nearly 79,000 Palestinians from the West Bank in the fourth quarter of 2010, up from about 72,000 in the fourth quarter of 2009.

Even in this context, the IMF endorsed shrinkage of the largest source of employment, given

> a sharp reduction in donor aid for recurrent spending, from $1.8-billion in 2008 to $1.2-billion in 2010, with a view to a further reduction to less than $1-billion in 2011… The PA has pursued a tight fiscal stance in 2010, and continued to undertake structural reforms in line with the vision toward statehood… The draft Palestinian National Plan (PNP) for 2011–13 envisages a steady reduction in the recurrent budget deficit to about 4 percent of GDP by 2013… The 2010 wage bill was about 4 per cent higher than budgeted (or by about $63-million) partly reflecting adjustment of allowances to some categories of Employees… The number of public sector employees rose by 3,317 in 2010 (of which 452 in health, 1,762 in education, 362 in security, and 741 in other sectors).

That wage bill would now have to be cut, the IMF advised, because (usefully for Washington),

> So far, in 2011, donor aid has fallen short of financing requirements. During the first quarter of 2011, only about $0.2-billion has been disbursed, and another $0.5-billion was indicated by donors for the remainder of the year. Given the projected financing need of $967 million, this yields a financing gap of about $0.3-billion for 2011… Given the uncertainty regarding availability of financing for 2011, it is particularly important to avoid further increases in public sector wage rates beyond those given in January 2011. Any compensation for increases in food and energy prices should be targeted to the needy households using the social safety net, and offset by cuts in lower priority expenditure items.

How should this compression of wages be done, and how far should they be lowered (in relation to GDP)? The IMF answers:

> Initiate civil service reform aimed at a steady decline in the wage bill and greater public sector efficiency. So far, the authorities have relied on controls on wage rates and new employment to contain the growth of the wage bill. While this approach has yielded substantial budgetary savings, it will need to be complemented by additional measures to ensure long-run sustainability and increased efficiency in the delivery of public sector services, especially in view of the continued real erosion of average government wage rates. One important measure that should be implemented in 2011 is a careful review of personnel needs in key sectors, including health and education, to fine-tune

> the current "blanket ceiling" of 3,000 new employees that is automatically placed in annual budgets.
>
> The average public real wage rate is estimated to have declined by a cumulative 6 per cent during 2008–10, and is projected to rise by 1 per cent in 2011…
>
> While the share of the wage bill in GDP has declined in recent years due to limits on increases in wage rates and new employment, at 22 per cent it is still significantly higher than the 10–15 per cent that is typical of countries at a similar stage of development. Bold measures are needed toward a comprehensive civil service reform to reduce the wage bill while improving public sector efficiency. It will become increasingly difficult to reduce the wage bill by relying on a "blanket" restraint on wage rates and new employment, especially as the average public sector wage rate has already declined significantly in real terms since end-2007.

3. Conclusion

The result of these multiple attacks by the IMF on Palestine is going to be a substantially increase in socio-economic misery. The irony is that with Hamas in a strong position in Gaza (albeit probably moving its ministers out of formal power soon so as to implement reconciliation with Fatah), its own impressive self-reliant strategies could infuse a spirit of resistance, just as tens of thousands of nonviolent protesters marched against Israel's borders on May 15. These potentials are terribly important for generating alternatives that Palestinians can pursue, so as to evade neoliberal traps set by the IMF and World Bank (and their local allies). But that is a strategic matter that only Palestinians can properly deliberate.

However, this strategy should be adopted quickly, because class formation is already rapidly underway, and as Raja Khalidi and Sobhi Samour point out, this overlaps with internal political repression by the West Bank authorities:

> The newly empowered Palestinian capitalist class has been described as predatory, oligarchic elite whose dominant position has been favored by the PA's neoliberal program made possible by security collaboration with Israel… The rise of an economic oligarchy is of course a common phenomenon in neoliberal regimes and it comes as no surprise that they have been targeted in the ongoing wave of Arab mass uprisings. The PA is thus not the first government to have resorted to combining neoliberal reforms with a strong-arm security apparatus.[26]

Democracy activists from other countries in the region are also positioned to more forcefully challenge Washington's political and economic agenda. After all, the World Bank regional economic survey of May 2011 linked resistance quite explicitly to neoliberal policy:

> In MENA, prolonged instability, resulting from unmet political and social targets or spillover effects and lack of clarity about the future political transition, is the most serious risk to the short-term regional economic outlook. Prolonged tensions would amplify the negative impact on capital inflows and domestic financial exchanges, tourism receipts and remittances, and in turn on investment, output, and employment. Construction, manufacturing, tourism and financial institutions are most likely to suffer losses with further deterioration of the situation. A renewed loss of investors' confidence would translate into increased cost of capital further dampening growth prospects. Prolonged unrest would also threaten MENA's social policy design and fiscal health, as revenues would remain weak and expenditure would be elevated, especially if commodity prices remain strong.[27]

The prospect for a new round of political protest centred on economic justice is therefore worth taking seriously. Such protest is especially important given that the world's mainstream media has apparently bought into an increased role for the IMF and World Bank in 'supporting' the Arab Spring. Austin Mackell's *Guardian* report on May 25 was one of the few to express awareness much less concern:

> The new loans being negotiated for Egypt and Tunisia will lock both countries into long-term economic strategies even before the first postrevolution elections have been held. Given the IMF's history, we should expect these to have devastating consequences on the Egyptian and Tunisian people. You wouldn't guess it though, from the scant and largely fawning coverage the negotiations have so far received.
>
> The pattern is to depict the IMF like a rich uncle showing up to save the day for some wayward child. This Dickensian scene is completed with the IMF adding the sage words that this time it hopes to see growth on the "streets" not just the "spreadsheets". It's almost as if the problem had been caused by these regimes failing to follow the IMF's teachings…
>
> Beginning in the 1990s, IMF-led structural adjustment programmes saw the privatisation of the bulk of the Egyptian textile industry and the slashing of its workforce from half a million to a quarter-million. What's more, the workers who were left faced – like the rest of Egypt – stagnant wages as the price of living rocketed. Though you wouldn't know it from western coverage, the long and gallant struggle of these workers, particularly the strike of textile workers of Mahalla el-Kubra, is credited by many Egyptian activists as a crucial step on the Egyp-

tian people's path towards revolution.

> This failure to appreciate the revolutions as a rebellion not just against local dictators, but against the global neoliberal programme they were implementing with such gusto in their countries, is largely a product of how we on the western left have been unwitting orientalists, and allowed the racist "clash of civilisations" narrative to define our perceptions of the Middle East. We have failed to see the people of the region as natural allies in a common struggle.
>
> It is this blindness that makes the revolutions appear as instantaneous explosions, like switches suddenly flicked, rather than as events in a continuum. A good place to start the story,if you want it to make sense, would be the Egyptian bread riots of 1977, which came following an initial round of economic liberalisation (which was as much a part of Sadat's change of cold war allegiances as his salute to the Israeli flag in Jerusalem). It should not have surprised us that as people's struggle to survive grew more and more grinding following the IMF-led reforms of the subsequent decades they would rise up once more.
>
> Nor should we surprised at the moneyed fightback, which will no doubt be attempted. During this transition period, forces like the IMF will seek to lock in and enlarge the neoliberal project before there is an accountable government to complain about it…
>
> These new loans from the IMF threaten to bind the newly democratic Egypt and Tunisia in much the same way. Once more, local elites could collaborate with the institutions at the helm of global capitalism to screw the broader population. If this occurs, these revolutions will be robbed of much of their meaning, and a terrible blow will be dealt to the broader Arab spring.[28]

As predicted, the *New York Times* reported on the Bretton Woods Institutions' capacity to 'stabilise' MENA countries just after the G8 meeting:

> At a series of working sessions that lasted until the early morning hours Friday, representatives of the Group of 8 expressed concern that the democracy movement in the Arab world could be "hijacked" by Islamic radicals if the West did not help stabilize the economies of the two countries that touched off the Arab Spring…
>
> How much aid the Western powers would ultimately provide, and how effective any aid would be during volatile political transitions in the two countries, remained uncertain. The group's official

> communiqué promised $20-billion, which would be a major infusion of funds…
> Democracy, the leaders said, could be rooted only in economic reforms that created open markets, equal opportunities and jobs to lower staggeringly high unemployment rates, especially among restless youths…
>
> Officials cautioned that the projected $20-billion in aid from international financial institutions would come in phases and be contingent on democratic and economic reforms. The pledge, an aide to President Obama said, was "not a blank check" but "an envelope that could be achieved in the context of suitable reform efforts."[29]

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

In general the agenda of Washington in both political and economic terms is to use state instability created by popular protest to lock in more extreme forms of neoliberalism via globalization. The IMF, for example, argues that

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

If the new governments pursue this path, then very short-term increases in state spending to quell unrest will be permitted, it appears:

> With mostly limited fiscal space, MENA oil importers confront the immediate challenge of preserving macroeconomic stability while building social cohesion. Additional spending in the short term is understandable and necessary to ensure social cohesion. Nonetheless, oil importers cannot afford to strain public finances, in order not to derail-over the medium-term- the pursuit of the new inclusive growth agenda. To this end, they will need to partially offset some of the additional cost of higher subsidies and other support measures through cuts elsewhere. In the same vein, they will also need to avoid introducing measures that would raise spending on a permanent basis. To preserve market confidence and prevent further escalation of the cost of funding, governments should detail credible plans for unwinding emergency measures.

Those plans, according to the IMF, should include:
• Revisiting the role of the public sector and providing space for a vibrant private sector;
• Improving further the business climate;
• Developing financial systems with a wider reach;
• Fostering trade integration; and
• Strengthening the functioning of labour markets.

Interestingly, the IMF offered one brief *mea culpa* in its May 2011 document:

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

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

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

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

curtains to avoid blood baths on a mass scale, in the final analysis, they decided that in order to preserve the ruling regimes, they would sacrifice the dictators themselves.[30]

It appears that what can be said on the geopolitical and military front also goes for the diplomatic and economic, as the G8 meeting proved on 27 May. But here the terrain is even more fragile than Tahrir Square, given how much is at stake, and how far the peoples of the MENA countries still must engage to criticize a new, yet more durable cause of present and future problems: neoliberalism imposed from on high.

Endnotes:

Sieges and sanctions not only block the flow of people, of food items, medicine or necessary technical equipment. The exchange of ideas, debate, and communication is blocked as well. Tida Gaza and the Rosa Luxemburg Foundation (RLF) cooperate in organizing this exchange between the besieged Gaza Strip and the outside world, either through video-conferencing or visitors' programmes - www.rosaluxemburg.ps.

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