



# THE DAY AFTER

## A Coming Decade of Arab Decisions

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**As the old order in the Arab world collapses, the region needs governance that can resolve its crises and harness its potential.**

The coronavirus pandemic is the fourth major crisis to hit the Arab region in a decade. The first three—the 2011 Arab uprisings, the 2014–2016 decline in oil prices, and the 2019 protests in Algeria, Iraq, Lebanon, and Sudan—shook the foundations of the old Arab order. This latest crisis may yet put the final nail in the old order’s coffin.

The pandemic has brought into sharp focus the structural inequalities afflicting the rentier economies of the Middle East and North Africa. It is also compounding problems in conflict-affected countries, where political and military actors are weaponizing the public health emergency. Amid the global economic downturn, inequalities in health, education, and economic opportunity will pose even greater difficulties for Arab states and may trigger significant upheavals. A transition to stability and prosperity requires the region’s leaders to respond to the pandemic’s fallout, as well as future economic shocks, through inclusive policies that ensure equity and equality among citizens.

The central question is not whether the old Arab order, based largely on authoritarian governments and rentier economies, can survive the pandemic. It’s whether Arab leaders will finally make the policy decisions necessary to get ahead of an inevitable wave of change or, once again, allow it to swallow up their governments and their people.

### The Old Arab Order Is Dead

The coronavirus has further accentuated fundamental weaknesses of the old Arab order and with it

the region's once dominant authoritarian bargain. In the quid pro quo that underpinned the bargain, governments engaged in lavish social spending, fueled directly or indirectly by oil revenues, and in exchange, societies acquiesced to authoritarian rule and a sense of stability and order. With no stability, no order, and no money, that bargain is collapsing.

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Rather than engage with the legitimate demands of their citizens—for accountability, justice, socioeconomic equality, and a greater voice in governance—many Arab governments have opted to clamp down harshly on dissent. Yet in clinging to an order whose foundations are no more, many are only hastening their demise while heaping even greater misery on their populations.

The pandemic's economic impact will be seismic. The International Monetary Fund (IMF) estimates that gross domestic product (GDP) in the Middle East will shrink 4.7 percent. Fragile countries or those in conflict will likely face an even greater decline. Remittances, on which most fragile countries in the region rely, are expected to tumble by at least 20 percent due to a decline in global growth. Given falling prices and demand for oil, oil-exporting countries are likely to see especially large negative fiscal balances. Prospects for a quick recovery are slim.

The social impact of the pandemic has also been catastrophic. It will now be even harder for Arab governments to address perennially high unemployment in the region, where almost half the population is under the age of twenty-five and average unemployment was already nearly twice the global average. Massive job losses have pushed many workers below the poverty line, particularly those in the informal sector.

Healthcare systems are overloaded, while distance learning has often proven unworkable, especially in underprivileged areas. Inadequate social protection mechanisms make few allowances for unemployment benefits and health coverage. As citizens express greater demands for social services, the necessary increases in taxation may drive demands for better governance and representation.

The ravages of war on countries such as Libya, Syria, and Yemen have left them dangerously exposed to the aftershocks of the pandemic. They are in economic freefall, while medical shortages and lawlessness amplify their fragmentation and trigger humanitarian crises.

## A New Way Forward

Arab governments must invest in their people before it is too late. Social peace cannot be achieved by force or through financial incentives, and reform will ultimately exact a lower cost than trying to maintain the status quo. Building the new and stronger institutions and social contracts necessary for prosperity will entail five key strategic shifts across the Arab world.

### **Inclusive Decisionmaking**

If Arab states are to become self-reliant and survive the difficult interim period of greater economic sacrifice and potential political turbulence, they will have to adopt an inclusive approach to the

governance of their societies.

In most Arab states, citizens have little trust in government and perceive high levels of corruption and inequality. To ensure that citizens accept the pain associated with post-pandemic austerity, Arab states must provide venues for them to voice their concerns and participate in decisionmaking. Even well-considered plans will provoke civil unrest if citizens are asked to sacrifice more without being treated as partners in shaping their future. Such a process will require negotiating new social contracts and developing systems of checks and balances that strengthen the legislative and judicial branches of government at the expense of the executive.

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Change will not happen on its own. Unless citizens are given a credible voice, their distrust of institutions will continue to grow. With most of the region's political elite reluctant to implement more inclusive governance, Arab citizens will continue their collective bottom-up push for reforms. These reforms include revising election laws, where they exist, to ensure proper participation and representation; creating councils that allow citizens to participate in political decisionmaking and social and economic recovery plans; and recognizing and upholding freedom of the press and the right to information.

## Education for Active Citizens

Preparing citizens to function in the twenty-first century is fundamental for the long-term prosperity of Arab states. Decades of emphasis on rote learning have denied countries innovation opportunities and a chance to build knowledge societies and thriving economies. Rote learning was believed to result in passive citizens; instead, it produced frustrated generations that ended up in the streets.

Arab education systems need to broaden their focus from acquiring "defined and approved bodies of knowledge" to fostering the skills of analysis and synthesis that support engaged citizenship. Such a citizenry would be more capable of meeting the challenges of living and working in the twenty-first century, amid dramatic shifts in social and political engagement, economic opportunities, and employment patterns.

These systems will also have to address the inequalities highlighted by the pandemic, such as the digital skills gap and disparities between public and private schools. Without these changes, Arab countries will lose more ground, as their region remains mired in conflict and misery.

To make progress, Arab societies need to shed their fears that proposed revisions of their educational systems represent attacks on their culture and religion. Knowledge and critical thinking increasingly define global lines between power and impotence, success and failure.

## From Patronage to Productivity

The end of the oil era in the Arab world means that oil-producing countries can no longer sustain a welfare state model. Oil killed productivity and merit. It allowed for the establishment of inflated public sectors that were often used as instruments of patronage and clientelism. It also hindered much-needed processes of political and economic reform by promoting a culture of no taxation and no representation. Oil-importing countries, in turn, can no longer rely on Gulf largesse to sustain their inefficient economic systems.

Arab governments will have to build more inclusive economies while operating under greater fiscal constraints. Recent studies indicate that Arab countries are the most unequal in the world with regard to income and opportunity. Accordingly, Arab governments need to rethink their economic models and the role of the state in economic activity.

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An inclusive approach means providing essential health, education, and transportation services at reasonable costs to citizens, while withdrawing states from their traditional roles of providing jobs and subsidizing commodities. Other policies associated with such an approach include providing macroeconomic stability, diversifying economic activity away from oil and services, building human capital through education and training, encouraging international trade, and relying on merit to raise productivity. To do so, governments must facilitate the establishment of small and medium enterprises and allow the private sector to become the main provider of jobs and the key engine of economic growth.

Governments also need to promote transparency, including easy access to information about laws and regulatory requirements for government contracting, subsidies, privatizations, and public land transactions. Outside donors—including the United States, the European Union, the IMF, and the World Bank—should prioritize transparency and anticorruption measures when deciding on the form and function of aid and loans to Arab states.

## **Nurturing Pluralism**

In the twenty-first century, the wealth of nations will be measured by their human capital. The Arab world is populated by myriad ethnicities and religious communities, a diversity that should be a source of strength. Yet not all communities enjoy the same rights, and those disparities have kept the region from realizing its full potential.

Wars, too, have undermined social diversity in the Arab world. Conflict has driven millions of people to seek refuge away from their homes and often outside of their countries. Today, the greatest share of the world's refugees and internally displaced people are from the Middle East and North Africa, even though the region accounts for only 6 percent of the global population. As a result, it is losing decades of development gains, especially as health and education continue to lag.

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Changing demographics offer some hope for breaking old barriers and bringing new dynamism. But this will require governments to treat citizens as integral partners in rebuilding their societies, not as potential threats who need to be coerced. The rights of citizens from all religious and ethnic groups, and those of refugees, must be recognized equally.

New arrangements are also necessary to revise constitutions, create more independent judiciaries,

and allow local governments greater latitude in managing their own affairs. Such measures would accord the equal rights of citizenship to different communities, protected by the full letter of the law, and allow citizens to be involved in local decisionmaking. Meanwhile, measures to ensure the human and civil rights of refugees and displaced communities, as well as their right to safely return to their homes, must also be upheld.

## Embracing Regional Cooperation

Since 2011, respect for state sovereignty has eroded in the absence of an effective regional stabilizer. The conflicts in Libya, Syria, and Yemen are all cases in point. The dearth of regional dispute mechanisms and diplomatic protocols has led to catastrophic levels of conflict, devastation, and human suffering.

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To overcome a legacy of fragmentation, end conflicts, and ensure sustainable development, Arab governments need to revive plans for political and economic cooperation. As the uprisings showed, events in one Arab country often ripple across the region. On the political front, an agreed-upon framework for regional cooperation would allow Arab countries to work together more effectively, especially when addressing transnational political, security, and socioeconomic challenges. Paramount among these are the myriad conflicts, the question of Palestine, and the refugee and migration crises. A cooperation framework would also allow for a stronger positioning in international forums.

Arab economic integration would also have a demonstrably positive effect on economic productivity, while reducing unemployment and poverty. By one estimate, an Arab customs union could raise GDP by roughly 1.5 percent.

## First Steps

The Arab uprisings voiced a clear demand for political freedoms and social justice. But they were unable to articulate a coherent vision for achieving them. In the post-pandemic world, reconciling those demands through collective effort has become imperative. Bold changes will require fundamental shifts in the way the region is governed. As difficult as such changes might be, without them the region will simply be unable to function properly in the global order while maintaining stability at home.

Past experience has shown that Arab governments are unlikely to take the necessary measures, which will encourage potentially destabilizing demands for bottom-up change. The central question of the moment will be whether Arab states and the international community can channel those demands into constructive change that preserves order and expands prosperity. A more inclusive Arab region would make for a more prosperous and stable global community.

## About

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