

## **THE ARAB SPRING AND BROADER STRATEGIC IMPLICATIONS\***

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Ladies and Gentlemen,

I feel honored indeed to participate in this important conference and I want to congratulate the organizers for their initiative to gather us. The topic that was assigned to me is "the Arab Spring and broader strategic implications". Let me say that I am not a scholar on Arab issues but, being an economist by training and a politician, I feel that I have the privilege to speak about any subject!

More seriously now, the subject is actually a complex one for a number of reasons but, primarily, because the Arab Spring can not be considered as an isolated event that occurred within a stable world environment, but rather as inseparable part of a cluster of events that have destabilized the world order. In the terminology of the economists, we cannot examine the "Arab Spring" in the context of "ceteris paribus" of a partial equilibrium approach but in a much broader, general disequilibrium framework where everything is changing. In brief, when the whole world order has been derailed, one has to approach the subject in an unorthodox way and think outside the box.

This is what I will try to do and speak more about the world context within which the Arab Spring is taking place and less about the Arab Spring as such.

Let me give you a report from the area, and I read out: "In Tunisia, protesters escalated calls for the restoration of the country's suspended constitution. Meanwhile, Egyptians rose in revolt as strikes across the country brought daily life to a halt and toppled the government. In Libya, provincial leaders worked feverishly to establish an independent republic." No, the reporting was not about the 2011 events, it refers to the uprising in 1919!

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\* Summary of presentation at the Conference *New Threats and Challenges for Regional Security in the Eastern Mediterranean*, which was organized by the Center for European and International Affairs of the University of Nicosia in cooperation with the Embassy of the Russian Federation in Cyprus and the Representation of Rossotrudnichestvo, on April 24, 2012.

I emphasize this coincidence of events because I want to highlight from the beginning four fundamental points:

1. The Arab Spring is not a unique historical phenomenon. It happened in the past. In fact, it's a phenomenon that repeats itself from time to time.
2. To be sure, the Arab Spring phenomenon is reflecting internal unrest but is triggered by outside events that relate to shifts in the balances of global geopolitics. Thus, in 1919, the new reality after World War I was expressed by President Woodrow Wilson's 14 points and it was this vision that electrified people around the world. Last winter, the Arab world, reacted to stimulus emanating from changes in the geopolitics of the broader area and the imitation effect of the western consumer society.
3. The Facebook campaigners differ in techniques but not in substance from the Arab nationalists in 1919. The technical instruments are different. Facebook now, telegraphs and broadsheets then.
4. The 2011 revolts in Tunisia, Egypt and Libya reflected divergent economic and social dynamics. In fact, the Arab Spring did not evolve under one banner. In Tunisia, the demonstrations originated in the neglected rural areas, outside the capital. In Egypt, it was the cosmopolitan youth in Cairo, while in Libya, it was the bands of armed rebels with distinct tribal and regional characteristics.

I have made these four points as an introduction to the main questions, I want to pose:

Will the Arab Spring evolve to become a stabilizing force in the region and will it lead to normal democratic process in these countries or will it turn into a destabilizing factor where the countries involved will become pawns in the struggle for influence by the global players?

To answer these questions we must first place the Arab Spring in the proper world context for a number of reasons but, mainly, because, as I indicated, the uprisings have their source in changes in the world environment. I insist on that point and I intend to use a good part of my address to the issue relating to the global framework.

So, let me try to give you a sketch of the main global features that have a bearing on our topic. I want to start with a general observation which, I believe, is accepted by all, namely that we live in uncertain times. Uncertainty is something which holds true for the world as a whole and, more specifically, for Eastern Mediterranean. We know the world we left behind us and I think that we have to convince ourselves that this world is not going to return. We are going to live in entirely different

circumstances and it will be a fatal mistake to try to reconstitute the old world and live old stereotypes. New situations require fresh thinking and courage to see things as they develop.

Now, of the many factors which give rise to changes in geopolitics, let me highlight three which have a bearing on the issue we are examining:

- the drastic and structural – I emphasize structural – shift in the distribution of wealth, income and reserves away from traditional industrial countries to the “new world”, primarily to Asia and some parts of Latin America.
- Very divergent demographic trends which eventually give rise to massive migration from South to North and
- Intensive competition among countries for access to energy resources.

The first factor is discussed almost exclusively in the context of the Euro-crisis but it has important repercussions in the Mediterranean region, especially in the economic and political relations between surplus and deficit countries. So, I think it’s important to say a few words about it.

As a result of globalization that started in the ‘80s, there has been a dramatic shift of the centre of production, away from North America and Europe to developing countries such as China, India, South East Asia, Brazil and some countries in Africa. This major shift of production was of course associated with a redistribution of world income. Now, notice something very important. If the constituent countries of the world do not grow in a balanced way, with some countries growing very rapidly and others falling behind and if further this phenomenon is associated with the fact that the fast growing countries are high savers and the countries which lag behind are high spenders, then, equilibrium at world level is achieved through massive capital flows which give rise to debt. If this situation continues, the accumulated debts will produce a financial crisis. This is the crisis we have today.

Unfortunately, the world has not learned from the past. The cause of today’s crisis is not debt as such. Debt is the symptom of the crisis. The cause of the crisis is the fact that we have not found a way to manage the world in a balanced way so that no country remains, for a long period, either in surplus or in deficit situation. Let me remind you that, immediately after the WW II, at Breton Woods, Keynes sought to establish a world monetary order that, through a system of penalties, would force both surplus and deficit countries to adjust their pattern of consumption and production so that the world will move on an equilibrium path. He did not succeed and the world paid a high price for that. We say that the Bourbons never learn anything but haven’t forgotten anything, but this holds true also for the political leaders who never forget anything but haven’t learned anything from history.

If you do not recognize the fact that what you have is a fundamental disequilibrium in world competitiveness and a disequilibrium in the distribution of wealth and assets, you are not touching the problem. Trying to solve the problem through financial methods of debt rescheduling is nonsense.

Dear friends, in history, sovereign debt was never, NEVER, paid back.

There are two ways of dealing with sovereign debt, the abnormal, disruptive way and the normal way. The abnormal way is through war and / or massive inflation. This happened after the WW I and Germany was the victim of it. The normal way of settling the debt problem is when the deficit country grows faster than its debt, so it can meet interest payments and roll over amortization. For example, the USA which borrowed massively to finance WW II, never paid back its debt. It simply rolled over the debt but the income increase in the US was so rapid that, over the years, the debt owed was an insignificant part of their national income. If we do not learn from history – and we haven't – then we are going to repeat the same mistakes and we will end up in a crisis and a disequilibrium with Asia moving ahead and Europe and the US falling behind. This will be a source of global instability and political problems.

I have dwelled on this issue at some length for two reasons: First, because it is never brought up as an issue in the context of security and stability in the Eastern Mediterranean region. I believe however that the malaise of structural financial imbalances among the countries in the region, where countries sparsely populated and with rich natural resources will experience surpluses while other countries with fast increasing populations and poor natural endowments will experience severe shortages and deficits. That situation will lead to unrest and insecurity. Secondly, I emphasize this point, because I want, on this occasion, to suggest that it would be useful to consider a special conference on the possibility of developing a mechanism of monetary and financial co-operation in the Mediterranean region, including Mediterranean countries of the EU. To my mind, this will be the strongest possible stabilizing institution that one can devise and can be built on the positive elements of the Arab Spring.

Now, I turn to the second factor which relates to diverging demographic trends. Russia and Europe are falling behind in terms of population increase where the South, and particularly Muslim countries, grow rapidly. In two decades, the Muslim population of the world will account for 38% of the total. In our area, the Mediterranean countries of Europe, from Portugal to Greece, the population will be stabilized in the next 20 years, to around 200 million where the Mediterranean countries of North Africa, including Turkey, will grow from 230 to 450 million people. This kind of change introduces a major shift in the geopolitics and we have to take it into account. These diverging trends, coupled with wide gap in the

standards of living among countries, will give rise to massive migration. Europe must be prepared to accept some 40 million people from Africa and the Middle East in the next 30 years, a development which creates major problems of assimilation of people from different cultures. A multicultural, multi religious Europe is a major challenge in this century.

The third factor is that growth in the world is based on energy. But energy resources are limited. This development is particularly important for the area. Eastern Mediterranean is becoming an important player in the production of energy and as a transit area for energy resources from Middle East and Asia to Europe. We should use this development as an opportunity for co-operation and joint ventures. We should not let foreign powers and multinational companies to enter the area in divisive spirit. They should enter the area in a cooperative spirit, on the basis of a plan that the countries of the area could work out.

I cannot see why, the exploitation of resources in the exclusive economic zones in Egypt, Israel, Cyprus, Syria, Lebanon and Greece and so on, could not really become a basis for joint projects and joint ventures. Do not forget that the vision of a United Europe, started with regional economic cooperation, concerning steel and coal. As economic cooperation enlarged, economic institutions for the region developed and opened the field for regional political institutions and political union. So I do not see why we cannot start with joint economic development projects in the area with emphasis on energy and exploitation of sea bed resources and move from there forward to regional integration.

Let me now sum up the global factors which, to my mind, have a bearing on the course of the Arab Spring:

1. Increased instability in the monetary and financial area with persistent structural imbalances between surplus and deficit countries.
2. Divergent growth rates of population and massive migration movements.
3. Increased competition for access to energy resources which, in the absence of regional cooperation, may lead to conflicts in the area.

I think that we could have arrived at a more realistic assessment of the Arab Spring, when it made its appearance, if all that time, we were prepared to consider it in such a broader world context and not as an independent and autonomous factor.

You will no doubt recall that the advent of the Arab Spring was received with great enthusiasm. There was a lot of wishful thinking to be sure but, above all, there was wrong assessment of the situation.

Most of us thought that that was a liberal revolution led by tech-savvy youth, which would open the road to democracy and prosperity.

Where did the early assessments go wrong? I think that we missed the point that the courageous young peoples were a small and isolated elite, with no links with the poor and conservative social groups overcrowded just a few miles away from the Tahrir square. To put it simply, we were wrong in considering the struggle against the repressive regime as a movement by the masses for democracy and liberal values. To be fair, there were some voices, which timidly told us "Remember Tehran", the 1979 revolution which overthrew the Shah but was quickly succeeded by another repressive regime, that of Ayatollah Khomeini.

But, we did not want to listen, we did not want to hear the messages that history sent to us. We wanted to be optimistic. We wanted to live our own myth.

The developments disappointed us. Surely, the developments in Tunisia have not been unfavorable. Actually, Tunisia is finding again its road to democratization and Europeanization. In Libya, the loose coalition of tribes has effected an uneasy balance which will allow foreign companies to proceed with exploitation of energy resources.

It is in Egypt where things went against the early expectations. In Egypt, soon, the Arab Spring brought the Arab winter. After ten months of the uprisings in the Tahrir square, the Islamists won 72% of the seats in the Egyptian parliament.

Scholars around the world are hard to explain why the Islamists won. A full account of what really happened will not be available for some time. In the meantime, we have to satisfy ourselves with some guesses.

Several explanations are offered: Some emphasize that the Islamists were better organized, others prefer to talk about election fraud.

A more serious and well documented explanation relates to the electoral system, a confusing compromise in which 2/3 of the seats are chosen through party lists and 1/3 in individual districts. In practice, this electoral system gave a clear advantage to the smaller rural areas at the expense of Cairo. It's estimated that the urban centers were deprived 58 seats, most of them from Cairo.

While of all these "explanations" have a bearing on the outcome?, I do not believe that they were the main cause of the non-Islamists' defeat.

To my mind, the main reason is the lack of a program of development. The non - islamists, the so-called "the Egyptian block", instead of engaging the Islamists in a dialogue on a program for the economy, employment and development, fell into the trap to focus on the issue of identity - whether the state should be Islamic or a "civil". That was a fatal mistake because, in the worlds of a scholar, "Islamism offers a

coherent worldview presenting its followers an explanation of the past, present, and future – and of the world itself. Islamism encompasses a moral structure that is the only available one for Egyptians. When an individual in Egypt might not be particularly religious, there is no alternative ethical compass to guide one's life other than Islamism".

All these factors coupled with the lack of democratic tradition, inability of the middle class to organize itself around a political platform of economic and social development, widespread poverty and high unemployment among the youth have created a dynamic process that only a miracle could have led the uprising of 2011 towards a smooth democratic process.

Now, what are the prospects? My own view is that the Islamists have won the battle and will be a governing force in the region. I do not see how this can be averted, and certainly should not be averted by non democratic means.

Let them govern. Sooner or later, they will be confronted with problems they cannot handle: Poverty, unemployment, disappointment, frustration and a new call for dignity and better life. Only this time around the secular forces will be, I hope, more mature and ready to organize themselves into a democratic governing force and offer a comprehensive economic and social shared vision for the future.

When the next spring will come? I don't know but, certainly, it's not around the corner. In the meanwhile, the Arab world will be in a sort of transition the context of which is difficult to discern and the Mediterranean area must learn to live as best as it can in these uncertain times.