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Ellen Lust-Okar
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Introduction

Authoritarian leaders are seldom expected to play by the rules. In the prevailing wisdom, autocracies are characterized by unique leaders with different agendas, supported by slightly broader or narrower coalitions and justified through varied institutional façades. Thus, to understand authoritarian politics, we focus on the leaders – distinguishing the personalities and backgrounds of Stalin, Mao, Peron, and Castro; we contrast the foreign and domestic policies of Nasir and Sadat, Stalin and Khruschev; and we examine the differences between personalistic dictators, military juntas, and various forms of one-party states. However, in marked contrast to studies of democracies, which carefully distinguish parliamentary and presidential systems, analyze electoral rules and even sometimes the finer points of voter registration, we largely ignore formal institutions in authoritarian regimes. Even those turning their attention once again to competitive authoritarianism or "hybrid regimes" have dismissed formal institutions, arguing that institutions "are often weak and therefore easily manipulated or changed by autocratic incumbents."[1]

Yet, formal institutions matter in authoritarian regimes. They do so independently of the larger "rules of the game" that characterize "regime types." They do so with regard to political participation, and they do so even in the Middle East, a region in which institutions are perhaps voted least likely to count. Authoritarian elites use institutional rules to create and maintain very different relationships between the state and political opponents and among various opposition groups themselves. In some cases, incumbents foster a "divided Structure of Contestation" (divided SoC), allowing some groups to participate legally in the formal political system while excluding others. In other cases, they allow all opposition groups to participate in the formal political system, creating a unified Structure of Contestation (unified SoC).

ECONOMIC CRISES, POLITICAL DEMANDS

This book examines the importance of SoCs in the context of prolonged economic crises. Doing so allows us to see how these structures influence the relationships between opposition groups as well as the ruling elites. It also allows us to revise our understanding of the politics of economic reform.

Conventional wisdom holds that economic crises create increased discontent, which opponents exploit to demand both political and economic reform. In many cases, authoritarian elites legitimize their rule with promises of economic growth and stabilize their regimes through the distribution of patronage; the economic failure and loss of distributive goods thus strike at the very basis of these regimes.[2] In addition, economic crises and reforms create new winners and losers among political elites and lead to widespread discontent among the masses. According to conventional wisdom, new coalitions of political opponents then form, capitalize on the masses' suffering, and mobilize popular frustration to make political demands.[3] Political change should follow. In some cases, these demands overwhelm the existing regimes, leading to dramatic changes through replacement. In other cases, incumbents hold on to power long enough to foster the formation of new, more open regimes. In general, however, it was the belief that economic crises provided catalysts for political opponents that led scholars and policy makers alike to predict in the 1990s that political liberalization, and perhaps even democratization, would spread from Latin America, Eastern Europe, and the former Soviet Union through much of Africa, the Middle East, and Asia.

Indeed, so ingrained was the expectation that economic crises lead to increased political unrest that much of the literature on economic reform did not address the assumption at all. Rather, it focused on how economic characteristics (e.g., the level of urbanization, the ability of exporting industries to react to currency devaluations, the types of reforms implemented, and the order of their implementation) and political factors (e.g., the level of state resources, structures of political institution, and the size and nature of the ruling coalition) determine when incumbent elites are best able to implement reforms.[4] The studies took for granted that economic decline leads to greater political unrest. The fundamental underlying notion that opposition elites will take advantage of prolonged economic decline to press their political agenda generally went unquestioned.

Yet, not only has liberalization stalled and sometimes reversed since the early 1990s, but also a close examination of cases reveals that economic crises have not always led to sustained demands for political change. Although the so-called bread riots associated with International Monetary Fund (IMF) reforms appear prominent, often dramatic price increases led neither to spontaneous nor to planned political mobilization. In Africa, only about half of the countries with severe economic crises experienced protest movements by the early 1990s, and there was no clear relationship between the intensity of unrest and the severity of austerity measures or economic conditions.[5] More importantly, the economic crises and discontent far preceded any political unrest in the region. Some countries had experienced economic crisis since 1973, but no major unrest occurred until 1990.[6]

That the impact of economic crises on popular protest takes substantial time to become apparent or varies across cases does not necessarily contradict the fundamental assumption that prolonged crises increase the *likelihood* of unrest. Differences in the effectiveness of political repression or the domestic and international support of opposition groups can explain why protest occurs in some places but not others. However, underlying the conventional wisdom is the expectation that when the regime is weakened or opposition groups are strengthened, political demands and the potential for unrest increase. Opposition elites always *want* to mobilize unrest and demand political change; it is their *capabilities* that determine whether or not they do so. The easier it is for political opponents to demand political change and to mobilize the opposition, the more likely they are to do so. In short, opposition elites are more than ready to take advantage of economic crises and heightened mass discontent, using the threat or reality of mobilizing the masses to pressure incumbents into granting political change.

Yet, this is not always true. Sometimes, prolonged economic crises have made political opponents more likely to press their demands, just as the conventional wisdom suggests. However, at others, opposition elites have become increasingly unwilling to mobilize the masses, *even though they are more able to do so*. Such was the case in Morocco and Egypt during the 1990s. Initially, opposition leaders took advantage of the increased popular discontent to demand political change. Yet, by the mid-1990s, party and union leaders no longer wanted to mobilize the masses to demand political change. Even though the economic crises had continued and the masses were highly volatile, the opposition actually became *less* willing to mobilize strikes, protests, or demonstrations to demand political reform.

That economic crises do not always lead opposition elites to demand political reform contradicts a fundamental assumption, and it forces us to reframe the question of how economic crises affect political reform. Rather than asking how governments can manage the increased unrest that accompanies mounting popular dissatisfaction, scholars must ask under what conditions opponents take advantage of increased dissatisfaction to press political demands.[7] While accepting the assumption that increased popular dissatisfaction improves the prospects for protest, research needs to move away from the expectation that this alone makes opponents more likely to challenge incumbent elites. To do so, as we shall see in Chapter 1, requires that we return to the question of when political opponents use an increase in mass discontent to demand political reform in authoritarian regimes.

In addition, these cases suggest that political liberalization is not inherently unstable. The assumption that liberalization is a transient state, through which states move toward democracy or authoritarianism, was prevalent in the literature emerging after World War II.[8] Although scholars examining the Third Wave were no longer as convinced as the early modernization theorists that democracy is inevitable, they nonetheless continued to see political liberalization as a unilinear and progressive process – wherein either regimes move toward greater democratization or revert to a more closed system of authoritarianism. Liberalization was not an equilibrium state. Przeworski argued, for instance, that although incumbents choose liberalization in the attempt to maintain their regime, such contingent or partial liberalization is usually unstable because of the "thaw" principle: "a melting of the iceberg of civil society that overflows the dams of the authoritarian regime."[9] Similarly, although Lucian Pye called for the study of "part free and part authoritarian" regimes in his 1990 Presidential Address to the American Political Science Association, he too believed that "the two polar authoritarian and democratic extremes probably have a higher potential for stable equilibrium than any of the stages in between."[10] Since the majority of transitions from authoritarian rule in Latin America and Southern Europe began with "glasnost"-like liberalization,[11] it is not surprising that partial liberalization was perceived as unstable. Consequently, until very recently, scholars spent more time considering what factors smooth the transition from authoritarianism to democracy[12] than considering the mechanisms by which such part-free, part-authoritarian systems are maintained.

Yet, Morocco and Egypt in the 1990s were excellent examples of "liberalized authoritarianism," wherein the regime remains intact and retains "its capacity to control outcomes ex post."[13] Parties were allowed to participate openly in the political system, and indeed, in Morocco, opposition parties held a significant proportion of seats in the legislature. Yet, neither the parties nor the leaders were under the illusion that the parties held real political power. Despite the prolonged economic crisis and mounting popular discontent, partial liberalization had not "broken the dam." Not only did the opposition fail to overthrow the regimes, but also, precisely when incumbents became weakest, opposition elites were more timid in using popular pressure to make demands. Indeed, in both states, the partial liberalization established in the mid-1970s continued nearly 30 years later.

SoCs help explain both the dynamics of government–opposition relations and when liberalization is more and less likely to be stable. In unified SoCs, opponents become increasingly willing to demand reforms during political and economic crises, when the increased public discontent and the weakened state make it both easier for opposition elites to mobilize and more likely that they will succeed. By contrast, in divided SoCs, moderate political opposition elites may become less likely to mobilize during prolonged crises. In this case, included opposition groups may want to demand greater political freedom if they know that, at the end of the struggle, they will be the victors. However, in the divided environment, included opposition elites have two fears. First, they fear that they will lose what privileges they have if they exploit discontent to cause serious regime instability. In addition, where the division of included and excluded political opponents is based, at least in part, on ideological divisions, they fear that the excluded groups may take advantage of unrest, mobilizing to make their own demands. If prolonged political crises make it more likely that excluded groups will join in any ongoing political unrest to press their own demands, the moderate opposition will refrain from mobilizing against the government. Although it may be easier for opposition elites to demand political change, they prefer not to do so. They prefer to maintain the status quo to either losing the privileges they have achieved or affording currently excluded groups greater influence. In short, the opposition elites' choices to mobilize political opposition in divided and unified SoCs are strikingly different

Once SoCs are established, these structures also influence incumbent elites' strategies in choosing whether or not to repress different opposition groups. Even under the same institutional rules, state elites often treat political opponents differently; they may harshly repress some groups while allowing other groups to operate nearly unfettered. Incumbent elites respond systematically to opposition groups, depending on the structures they have created. In unified SoCs, incumbent elites are likely to support the growth of moderate opposition groups at the expense of radical groups. In divided SoCs, incumbents attempt to balance the strength of included and excluded opposition groups. Contrary to what one may initially expect, state elites in divided SoCs do not have incentives to eliminate their radical opposition. The existence of radical opposition groups, and the threat that they may take advantage of political unrest to demand their own policies, serves to repress the included opposition groups. Incumbent elites thus aim to keep a reasonable balance between the threat of radical, excluded opposition groups and included opponents.

Finally, these structures help determine when partial liberalization is and is not stable. In divided SoCs, where incumbent elites allow some opponents the chance to participate in the formal political system while excluding others, political liberalization may be long-lasting and stable. Indeed, in this case, allowing opposition groups to make some demands actually helps to *preserve* the regime. In contrast, in the unified case, when incumbents liberalize by permitting all significant opposition elites to have limited participation in the political system, liberalization creates demands for even more political change.

SoCs in Jordan, Morocco, and Egypt

Jordan, Morocco, and Egypt are particularly useful cases in which to explore how incumbent elites use different strategies to structure contestation, and how these strategies affect the relationships both among opposition groups, and between these groups and the state, during prolonged economic crises. As we shall see in the remaining chapters, ruling elites created different SoCs. In Jordan, King Husayn created a unified SoC, while in Morocco, King Hasan II had established a divided SoC before the economic crises of the 1980s. In Egypt, Presidents Nasir and Sadat had instituted a unified SoC, but in the early 1980s, Mubarak fostered a divided environment. Thus, Egypt had a very different SoC when it faced its economic crisis in the late 1980s and 1990s than it did when it faced a similar crisis in the late 1960s and 1970s. As a result, the dynamics of opposition varied across these cases. In Jordan and in Egypt under Nasir and Sadat, opponents continued to put pressure on the state, leading to increased repression. In Morocco and in Egypt under Mubarak,

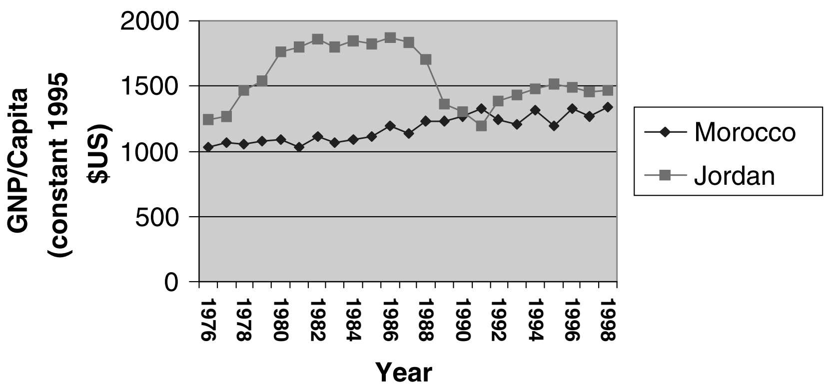

FIGURE I.1. GNP Per Capita – Morocco and Jordan, 1976–1998. *Source:* World Bank tables.

the moderate forces who initially sought to use economic discontent to demand reforms became nearly silent by the mid-1990s, just as the crises escalated.

This divergence is not explained by the nature of the economic crises. Generally, scholars have argued that where crises are short-lived or minor, the masses are unlikely to put significant pressure on incumbent elites. Furthermore, when reform policies are piecemeal, hurting different segments of the population at different points in time, regimes are more insulated from opposition pressures. Finally, not all groups are affected equally, and not all have an equal desire to demand economic and political change.[14]

Yet, it is simply not the case that the crisis in Morocco was less profound than that in Jordan or, similarly, that the crisis Egypt experienced under Mubarak was less significant than the previous crisis under Nasir and Sadat. As shown in Figure I.1, both monarchies, Morocco and Jordan, experienced economic crises in the 1980s that contrasted sharply with the boom years of the 1970s. Morocco's crisis began first. After 1975, two international price changes affected the Kingdom's earnings: the price of phosphate, Morocco's primary export, declined, while the price of oil, one of Morocco's imports, rose. Indeed, expenditures on petroleum increased from 3.6 percent of total imports in 1970 to 13.6 percent in 1973 and to 27.46 percent in 1983,[15] putting a squeeze on the Kingdom's balance of payments. Initially, Jordan was insulated from this shock by worker remittances, increased foreign aid, and the influx of people and money due to the Lebanese and Iran–Iraq wars; In 1981 Arab aid, merchandise exports, and remittances were 17 times higher than they had been in 1973, and they accounted for 84 percent of Jordan's gross domestic product (GDP).[16] By 1983, however, Jordan's fortunes had also changed. As the Iran–Iraq war in the Gulf turned against Iraq, Jordan found itself subsidizing its neighbor's efforts. When Iraq, which had previously received 25 percent of Jordan's exports, could no longer pay for Jordanian goods, Jordan made available $65 million in credit to Iraq to cover outstanding debts.[17] In addition, the Gulf states diverted aid from Jordan to Iraq, and by 1988, Arab aid had dropped from a high of $1.2 billion in 1981 to $450 million.[18] Adding to Jordan's troubles, the King chose to relinquish the West Bank in July of that year. In response, the Palestinian Liberation Organization (PLO) and many in the Palestinian population transferred significant amounts of capital out of the country.

The economic slowdown, as well as subsequent reforms, exacerbated unemployment and underemployment problems. In Morocco, hiring freezes and an expanding population led to an increasing number of unemployed. Public employment decreased from a yearly 40,000 to 50,000 new employees before 1983 to an average of 10,000 new employees per year between 1983 and 1987.[19] Official urban unemployment rates rose from 11.3 percent in 1980 to 18.4 percent in 1984 and declined slightly to 16 percent in 1992. Unofficial estimates were much higher, however, reaching 30 percent in 1984.[20] Educated youth suffered as well as their uneducated counterparts. The unemployment rate among those with secondary education grew from 27.6 percent in 1984 to 43.4 percent in 1990.[21] In Jordan, the official unemployment rate stood at 9 percent[22] by the end of the 1980s, an alarming rate in a country that began the decade with a labor shortage. The situation worsened further following the first Gulf War, when, partially in response to an influx of refugees, the unemployment rate reached an estimated 20 percent.[23]

The unemployment problem was coupled with high inflation. Inflation rates were consistently high during the 1980s, skyrocketing in some cases to more than 30 percent per year. Imported goods became particularly expensive, as local currencies declined in value. In Jordan, for instance, the dinar lost 50 percent of its value between 1988 and 1989.[24] At the same time, most employed found their wages frozen or rising at rates much lower than the rate of inflation. Real wages fell, and the middle classes in particular found their standard of living declining sharply.[25] They joined an already large, discontented populace living below the poverty line.

The crises eventually forced states to turn to the international community for assistance. In 1978, the Moroccan government had announced a new three-year stabilization plan intended to decrease public spending and investment. Implementation was hesitant, however, and the crisis deepened. By 1983, the Kingdom had to turn to the World Bank, and a new program of stabilization and structural adjustment was implemented: restraining government spending and investment, changing the international trade regime, altering the tax system, and reforming the banking systems.[26] Similarly, in Jordan, the government attempted to ease domestic problems, going so far as to sell off part of its gold reserves.[27] In February 1989, however, Jordan agreed to an IMF structural adjustment program. After the Gulf War further exacerbated the state's economic problems,[28] the King entered into controversial international agreements with Israel, partly in the hope of attaining economic benefits.

These reforms increased mass discontent.[29] When these states instituted structural adjustment programs, their immediate task was to solve the balance of payments problem. The initial stabilization programs focused primarily on reductions in government spending (i.e., wage and hiring freezes in the public sector, decreased subsidies on foodstuffs and other basic goods, reduced government investment). For the masses, this meant that prices rose, unemployment increased, and real wages fell. Even where the programs were successful on the macroeconomic level, the results for the masses were disastrous. Throughout the 1980s, mass discontent increased.

In Egypt, the economic crises after the 1967 war and again after the mid-1980s were equally painful, and both provided important catalysts for the political opposition. The first economic crisis actually preceded the 1967 war, although it was also exacerbated by it. Economic growth, which had averaged 6 percent per year from 1960 to 1965, slowed to 1 percent in 1966–1967. The decline was even steeper after the war. Egypt lost foreign exchange it had previously gained from shipping through the Suez Canal, which provided an annual $164 million in revenue from 1960 to 1967; it no longer benefited from oil deposits in the Sinai; and it suffered a decline in investment from about 17.2 percent of GDP in 1964–1965 to about 13 percent in 1967–1975. At the same time, military expenditures increased given Egypt's stalemate in the Yemeni civil war and during the ensuing War of Attrition against Israel, and the largest cities faced increased social pressures as nearly 1 million inhabitants from the towns in the Suez Canal region migrated. These pressures were only partially offset by aid, primarily from the USSR, and the Egyptian deficit increased 86 percent, from $202 million in 1959–1966 to $375 million in 1967–1972. Egypt turned to external borrowing, and by 1975 the external debt reached $6.3 billion, more than triple its size in 1970.[30]

The economic decline was a major blow to the social contract between the regime and the people. The revolutionary regime, which had taken power in July 1952, had been justified in part by its ability to promote economic growth and provide employment. In the face of the growing crisis, unemployment rose from 2.2 percent in 1969 to 7.7 percent in 1976.[31] Equally important, Egyptian salaries failed to keep pace with inflation, and the earning power, particularly of degree holders, declined. As a result, as we shall see, Egyptians became willing to mobilize against the regime, with political involvement extending beyond the few Marxist or Islamist cells that existed prior to 1967 to include increasing numbers of Egyptians.[32]

Economic conditions improved after 1974, but at the cost of painful economic policies, a turn toward the West, and eventually a peace treaty with Israel that further heightened Egyptians' ire. Oil revenues increased; workers' remittances from the Gulf countries rose; and revenue flowed once again from transit through the Suez Canal. In addition, in 1981 Egypt received significant U.S. aid. As a result, the economy grew an average of 9.1 percent annually from 1974 to 1983, and per capita incomes doubled from $334 to $700.[33]

By the late 1980s, this tide was once again changing.[34] Growth declined to 2.6 percent annually from 1986 to 1988, and per capita growth was negative. Mubarak at first attempted to alleviate the economic decline through increased borrowing. By 1988 Egypt's debt had reached more than 115 percent of GDP, an increase of more than 26 percent over 1981 levels,[35] and debt service payments were 60 percent of exports. Consequently, external donors put pressure on the regime to cut public spending, from 63.5 percent of GDP in 1982 to 41.1 percent in 1989.[36]

These reforms hurt Egyptians significantly. The standard of living fell as GDP growth rates slowed to nearly 1 percent in 1989–1990 and the population growth rate remained nearly triple that size. Unemployment reached 1.46 million persons, according to a Central Agency for Public Mobilisation and Statistics (CAPMAS) Labor Force Sample Survey, with 78 percent of the unemployed having at least an intermediate degree.[37] U.S. Embassy officials put the total unemployment at nearly double official figures, estimating in 1991 that between 2.5 and 3 million Egyptians were out of work.[38] Those who were employed fared poorly as well. The Egyptian government tried to reduce unemployment, in part, by dividing the wage bill among an expanding workforce; by 1987 the salaries of government employees had reached only 55 percent of their 1973 level.[39]