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### *Economic Consequences after the Arab Spring: A Comparison of Tunisia and Egypt*

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## *Economic Consequences after the Arab Spring: A Comparison of Tunisia and Egypt*

*by Christopher Holzkecht\**

**Even though Tunisia and Egypt shared a comparable developing process after their independency in the 1950s, the post-revolution transition varied strongly. The purpose of this paper is to examine political and economic consequences of Tunisia and Egypt after the Arab Spring and to identify, where these deviations come from. By analyzing the recent history of both countries as well as the Arab Spring itself, the causes of a varying transition path after the Arab Spring can be found in diverging social characteristics, the role of the military and a different relationship between religious and secular groups.**

In this paper, we discuss from an institutional perspective the differences between Tunisia and Egypt regarding the effects of the recent revolutionary uprising referred to as “Arab Spring”. The main reason why we compare Egypt and Tunisia is that the two countries show many similarities throughout their past at first sight, but still end up in two fundamentally different developments after the Arab Spring. While Egypt’s state can be basically described as being the same as it was before the revolution, Tunisia seems to have managed to pave the way towards a modern democracy. Thus, we aim at answering the questions: Are there any distinctions (political and economic) and if so, why and where do they come from?

Therefore, the focus will not only be on the Arab Spring and the circumstances involved, but on the history before the revolution in 2010/11. In chapter two, we focus especially on the period after the independency of the two countries, starting in the 1950s until the beginning of the Arab Spring. Its purpose is to find significant reasons and explanations why Tunisia and Egypt find themselves in such diverging political and economic situations today. This will be done by outlining the respective regencies of Bourguiba and Ben Ali in Tunisia and Nasser, Sadat and Mubarak in Egypt.

Subsequently, the revolution and its consequences will be analyzed. Again, this section is divided in three parts, where we distinguish the political impacts of the Arab Spring in Tunisia and Egypt and their economic consequences. Especially the latter were certainly not positive, since both countries suffered heavily from the riots and uncertainty during the revolution.

The conclusions outline the causes why there is a diverging status-quo between the two countries. Based on the research, the presumption is obvious that the two different former colonial systems and the associated diverging social structures may have had significant influence. Another crucial aspect is the role of the military in both countries and also the manage-

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ment of religious minorities (i.e. the Muslim Brotherhood in Egypt). The final chapter offers a brief outlook to possible future developments and difficulties, which both countries will certainly have to overcome.

To observe and compare the ongoing situation and possible outcomes of the Arab Spring in Tunisia and Egypt, it is necessary to first look at the history and the past developments concerning political systems and its economic process. More precisely, in the following we will have a closer look at the evolution of Tunisia and Egypt, starting after the decolonization. Different political approaches of Habib Bourguiba and later Zine el-Abidine Ben Ali, respectively Gamal Abdel Nasser, Anwar as-Sadat and Husni Mubarak may explain today's variation between the two countries' circumstances after the Arab Spring.

#### SOME METHODOLOGICAL REMARKS

The method of comparison concentrates on institutions within the two countries and is based on the framework provided by Douglas C. North et al. (2007), "Limited Access Orders in the Developing World: A New Approach to the Problems of Development". North et al. (2007) focus especially on the difference between the two social states of open access order (OAO) and limited access order (LAO) and the central variances in organization, behavior and consequences. In their view, OAOs are built on free access to political and economic institutions, accompanied by a resulting competition. According to North et al. (2007), almost all of today's developed countries have social orders of open access and ensure three main components: Public access to economic, political, religious and educational activities, its support by organizational forms and an impartially enforced rule of law for all citizens. In the following research paper, however, OAOs will only serve as a desired state, since neither Tunisia nor Egypt accomplished the transition from a state of limited access order to open access order. By contrast, LAOs are strongly characterized by the generation of rents of elitist groups through creating limited access to political, social and economic institutions. While the mechanics of all LAOs rely on the sustained stability for privileged individuals due to exclusive rights, power of violence and institutional access, they vary in kinds and density of organizations. The fragile LAO is the most unstable spectrum, where internal and external threats of violence dominate the political circumstances and do hardly allow any sustainable economic developments within the state. Basic and mature LAOs are specified by a comparable well-established government and controlled power over the outbreak of violence. Nevertheless, especially in basic LAOs, private organizations without any tight connections to the reigning clan are still regarded as potential threat. Hence, political opponents and the evolvement of an open market are suppressed. Mature LAOs are still defined by creating rents due to limited competition but already provide a well-segmented body of law and the ability to distinguish between political and economic actors (North et al. 2007). In the case of Tunisia and Egypt, particularly the forms of basic and mature LAOs are applicable, since many of the characteristics elaborated by North et al. (2007) occurred after their independencies in the mid-twentieth century.

Additionally, North et al. (2007) particularized that the transition from a state of mature limited access order towards an open access order can only be accomplished by fulfilling the doorstep conditions. More precisely, the most crucial requirement for enabling the doorstep conditions is the impersonal exchange among elites in terms of rule of law, sustainable property rights, perpetually lived organizations and consolidation of violence (North et al. 2007).

In the following, we compare the prevalent social orders of Tunisia and Egypt with the North et al. (2007) framework in order to identify the similarities as well as the differences of their progress throughout the last 60 years. Both countries will be analysed on the basis of their dominant coalition during the different presidencies and their influence on domestic institutional forms such as socio-political actions, the law systems, control of power over violence as well as economic performances. In the case of Tunisia, we will also analyse the situation with respect to the article “Limited Access Order in Tunisia: Elements of a Political Economy of Autocratic Regimes” by Gerhard Wegner et al. (2013). They do not only describe the changes over time in Tunisia under autocratic regimes but also refer to the theories published by North et al. (2007). Wegner et al. (2013) expand the theory of LAO and OAP by adding the idea of neopatrimonialism in post-colonial autocratic regimes. In their view, neopatrimonialism systems differ from regimes in LAO with respect to a “legal-rational logic of rule” between autocrats and bureaucracies, which may almost be comparable towards the rule of law. This will provide a comprehensible and methodological approach to shed light on why the two countries find themselves in rather different circumstances today.

#### HISTORICAL BACKGROUND OF TUNISIA

Tunisia’s economic development after their independency from France in 1956 is among the strongest of African countries. By introducing reforms, Tunisia was able to exhibit relatively high and robust annual GDP growth rates over the last two decades. Particularly Ben Ali’s reforms in development policies raised hopes for more stable and robust economic structures within the country. Indeed, so called economic indicators as GDP growth and a decreasing budget deficit followed after Ben Ali’s takeover (Friedman 2010). Nevertheless, Tunisia’s development over time should be treated with caution. Behind increasing figures, several human rights violations took place.

##### *Habib Bourguiba’s one-party rule after 1956*

By the time of Tunisia’s independence of the French protectorate in March 1956, the country was able to draw on relatively well established structures, which were introduced by its former colonial power. Different from other systems of colonialization in African countries, the French rule created institutional structures, which can be classified as the fundament of a modern state. Alfred Stepan (2012) examined that the influences of the former colonial power already established a broad acceptance between

religion and secularism and was speaking of a well-established “twin-tolerance” within the country. To some extent, this will also influence the post-revolutionary decision-making in 2011 (Stepan 2012). The legal system was also influenced by French colonial rule and so the implementation of the “code civil” was a logical consequence. Nevertheless, a lack of social equilibrium and the drive for redistribution of economic interests led to Tunisia’s independence in 1956. What followed was a one-party rule, internalizing the now available monopoly of coercive power. This enabled the ruling coalition not only to disempower former members, but also to create economic structures and rents on behalf its own welfare (Wegner et al. 2013).

One crucial aspect, which has to be kept in mind, is that the influence of the military was quite low (in contrast to Egypt) since the take-over of Bourguiba. This also holds for the later upcoming regime of Ben Ali. Another crucial shift was the reduction of the Islamist influence in Tunisia by Bourguiba. The closing of the Zeitouna University can be mentioned as one of many examples (Stepan 2012).

The new reigning party initially introduced measures to prevent a rapid economic decline by expanding the public sector. Furthermore, Bourguiba took advantage of the state monopoly and created rents by installing political relationships within the public sectors to experience political support in return. To gain even higher profits, Bourguiba’s regime limited outsider’s access to the public sector and eventually imprisoned Ahmed Ben Salah, then-Prime Minister. Consequently, Tunisia’s economy experienced a constant worsening, while elite’s rents rose (Wegner et al. 2013). Stability could no longer be maintained either, which called for changes and inevitably led to Bourguiba’s final years in office.

### *Tunisia under Ben Ali*

In the late 1980s, the political environment changed as Ben Ali replaced the aging Bourguiba in a bloodless coup. By declaring severe policy changes towards democratization, the new ruling powers paved the way for a more open and liberal Tunisia. Nonetheless, Ben Ali’s regency can be described as a “façade democracy” (Sadiki 2002).

In the first years of power, Ben Ali gained legitimization as he invited individuals outside the reigning elites to participate in the structuring of the public sector. This consequently led to a broader acceptance and a certain control over competitors. However, the autocrat still managed to stabilize his power with relatively tight market access for outsiders on the one hand, but still satisfying certain demands of oppositional groups on the other hand.<sup>1</sup> Furthermore, with the signing of an agreement between Tunisia and the European Union in the mid-1990s, the country proved to serve as a flagship within Arab and African countries concerning development and overcoming the doorstep conditions, mentioned by North et al (2007). Economic indicators mirrored the upward trend, too. GDP has been increasing rapidly since 1986 from 9.017 billion US\$ to over 43 billion US\$ in 2009 (World Bank 2016). The same holds for expenses on welfare, the

<sup>1</sup> For a more detailed description see Wegner et al. (2013) , p. 749

health sector and education, as long as governmental statistics are reliable. Decreasing inflation and rising annual growth rates also strengthened foreign investors and caused Tunisia to expand its Exports politics (Sadiki 2002). These had been factors, which also ensured acceptance among the population and kept possible political opponents covered.

Still, political and economic decisions were almost exclusively determined by Ben Ali and his regime. The central characteristic of the impersonal exchange of elites to actually satisfy the doorstep conditions has never happened. Thus, circumstances were far away to be labelled as an open economy but more of a controlled liberalization. The success of Tunisia's economic development served as a façade for liberalism within the state but in fact, the regime never allowed democracy to fully unfold. Conditions even worsened when Leila Ben Ali (former Leila Trabelsi) made use of her power as First Lady and increased the reigning clan's control over leading enterprises and positions (Wegner et al. 2013). Almost half of all firms were now under control of the dominant coalition. Corruption increased and Tunisia's glorious prophesied path towards a modern, liberal and open economy came unstuck. The contrary was the case. The state of a mature LAO regressed and instead had to struggle with uprising discontents, not only outside the clan but also inside the inner circle of the elite. The struggle for power led to an intense exploitation of the private sector's costs. In its final years, Ben Ali's regime violated several human and economic rights and used a policy of repression, while international experts still denoted Tunisia to be a paramount example of development (Wegner et al. 2013).

According to Wegner et al. (2013) once again, Tunisia had to deal with its heavy load of neopatrimonialism. Also several characteristics of LAO have been apparent during the development process. Crucial aspects were especially the restrictions of market access. At any time, taxes and barriers prevented entrepreneurs outside the elites to make a threatening amount of profits and hence avoided an increase of the private sector. Furthermore, Wegner et al. (2013) also agree with the perspectives of North et al. (2007) that positive economic developments in the short-run distract attention from actual circumstances within a country. Despite constant increasing growth rates, Tunisia faced severe problems with the changing demographics, only one aspect to blame for the following beginnings of the Arab Spring (Wegner et al. 2013).

#### HISTORICAL BACKGROUND OF EGYPT

In contrast, Egypt's pre-independence period was dominated by British colonialization. Even though the "Declaration to Egypt" in 1922 officially broke with British rule, influences of the former colonial era were certainly noticeable. Speaking of the law system, the common law however had little long-term impact. Instead, the Egyptian Civil Code of 1948 was basically built on the French Civil Code (Abdel Wahab 2006). The main economic force by this time had been the agricultural sector, i.e. cotton. After lasting political and economic crisis, circumstances changed dramatically as Gamal Abdel Nasser, leader of a military group, took over and ter-

minated Egypt's autonomous monarchy. In general, the military played an essential role throughout the countries' development, not the least because of the geographic location and the potential of conflicts. Several leaders had their roots in former military functions. Nasser, Sadat as well as Mubarak entered politics after serving as commanders in the Egyptian Armed Forces and certainly took advantage of their good relationships. As seen from the perspectives of North et al. (2007), the repeating usage of military power to control violence as well as the rent seeking behaviour was an obvious indicator of a state of limited access order. However, Egypt's development over time shared commonalities with Tunisia. Both countries suffered under repressive, authoritarian regimes and restrictions in the private sector, although not at parallel points in time.

### *Nasser and the first republic*

Nasser and the Revolutionary Command Council (RCC) immediately proclaimed changes concerning the political and economic course. One important aspect was to end the feudalistic structures of the former monarchy and instead inducing a nationalization program. These reforms had to some extent positive impacts on the lower class of the population. Nevertheless, it was the state and hence the dominant coalition which gained benefits because appropriated lands could again be sold in small lots to individuals (Nagarajan 2013). These land reclamation projects were executed by the Egyptian Armed Force (EAF) and thus increased the military influence in politics. But the redistribution of land was by far not the only field where the EAF played a substantial role. According to Shana Marshall (2015), Nasser commissioned the military with domestic political fields such as public infrastructure, parts of domestic manufacturing and also installed high-ranking officers in civilian factories. It is estimated that the military controlled up to 40 percent of Egypt's economy (Tadros 2012). Therefore, whenever analyses of political and economic decisions are made, one has to be aware that the military played a key role. In return, Nasser made sure that he deserved full protection and support. As a result, the dominant coalition and the military ensured themselves increasing economic and political power and decreasing competition among the public and private sector, two main characteristics of a basic LAO.

Regarding foreign affairs, Nasser had to overcome several tensions. Since the U.S. government cancelled their contribution to the High Aswan Dam project, the flag-ship project of Nasser's nationalization undertakings, Egypt lacked foreign aid payments. As a consequence, the state took over the Suez Canal Company in 1957 in order to finance the nationalization project, which provoked massive conflicts. During that time, Russia stepped in as a financier of development programs and also served as a political protector of the Nasser regime, even though Nasser never described himself as being a communist. By the mid-1960s, the Russia-Egypt Pact came to an end with the death of Khrushchev. Additionally, the political structures and the expansion of the public sector revealed its weaknesses. The incorporation of only very little organizations in the dominant coalition led to a decreasing economic power and mass protests by affected groups (also based on the lost war against Israel). This induced Nasser to utilize the military's

loyalty and its related power over violence to stop the riots. What followed were numerous arrests and repressive actions (Nagarajan 2013). Instead of making progress towards a more developed stage of limited access order, Egypt found itself confronted with severe domestic political conflicts and a dominant coalition which was not afraid to make use of their power over violence.

#### *Sadat's self-contradictory period of government*

In September 1970, Nasser suddenly died and the Vice President Anwar Sadat followed. He was part of the original Free Officers Group of 1952 and hence from the same background as Nasser. Thus, he initially shared most of his views and continued the path of liberalization, which Nasser had followed in his last years. Nonetheless, the basic mood after the death of Nasser was not satisfying at all. Several popular measurements succeeded only in the short run. After Sadat disempowered his Vice President and limited the influence of possible oppositions, he had exclusive control over Egypt's policy. The "Infitah", a new economic strategy, which was characterized by the opening of the country for foreign investors with respect to the private sector, failed to achieve success. Furthermore, despite promises of the election of a new Assembly, Sadat reserved for himself extraordinary authority to intervene, whenever he felt to be in danger. Once again, Egypt seemed to diverge from any development towards an economic and politically liberal country of open access order. Instead, Sadat's acts of discrimination mirrored the characteristics of a basic LAO (North et al. 2007). In 1979, the Camp David Accord was signed and arranged peace between Egypt and Israel. While Sadat was able to please the West, the Arab world reacted with the termination of capital flows. Especially the Muslim Brotherhood (MB), banned during the Nasser regime, raised its voices and experienced brutal repressive sanctions in return. After years of riots, Sadat was finally shot just during a military parade (Nagarajan 2013).

Sadat's regime ended without achieving hardly any progress since the Nasser administration. Even though Egypt could be specified as more open than it used to be under Nasser, the country still suffered repressive and autocratic conditions of limited access order.

#### *Hosni Mubarak*

After Sadat's assassination in 1981, his Vice-President Hosni Mubarak became the new one-man power in Egypt. In his first month, Mubarak's political initiatives were characterized by several attempts to reassure the situation in the country. These measures contributed to the release of political prisoners, the easing of the press and permission of social groups to be active again. From an economic perspective, Mubarak continued the open door policy towards production, albeit not as aggressive as Sadat did. The implementation was once again organized by the military to a large extent (Marshall 2015). However, even with many infrastructure projects and initiatives to boost domestic industries, Egypt's economy was drifting into a severe crisis. Massive protests from all kind of different population strata were just a natural consequence. In order to combat public

riots, Mubarak declared a state of emergency with newly introduced laws allowing him to proceed in an even more brutal way against protesters (Nagarajan 2013).

Especially religious groups were hit by suppressive rule. The most influential assemblage of these groups was the Muslim Brotherhood (MB), an Islamic assembly, founded in the late-1930s. After the arrestment and execution of many MB members by Nasser and Sadat, Mubarak himself gave a certain amount of power back to the MB and collaborated with them in order to overcome the radicals within the organization. However, the MB was finally forbidden again after Mubarak feared its sprouting influence on the Egyptian population in the mid-1990s. By that time, Egypt gained financial support by the U.S. due to the strategic and geographic importance during the Gulf War and even signed another contract with the IMF. Even though the IMF regarded the implemented measures as a success, a great number of voices also pointed out severe by-effects (Nagarajan 2013). A World Bank Country Study in 1991 reported a serious increase in poverty levels and adverted to the aspect that most population groups “are likely to suffer”. The report also emphasized its doubts that these strategies would really improve the living conditions of the poorest and criticized the lack of precise information and monitoring systems. Many of the implemented guidelines, suggested by the IMF, excited just the transformation of conglomerates from one group to another.<sup>2</sup>

In the years of 1995 and 2000, parliament elections were overshadowed by massive violence and Mubarak’s NDP (National Democratic Party) experienced hurtful losses. Changes could not be prevented any longer. President Mubarak’s son Gamal was integrated into the governing body and responsible for new policy ideas and speedy changes. Businessmen now entered the political stage and eventually broke up with Nasser’s idea of a state-owned public sector by selling all kinds of public companies. In the context of an LAO, the increase of the private sector and its accompanied enhancing competition broke the spell of an almost exclusively dominated economic sector by the government. According to North et al. (2007), the presence of a well-organized private sector could also affect the political landscape within the country. More powerful private organizations protect the “differentiation and autonomy of public institutions” and may serve as a counterbalance to political organizations (North et al. 2007). Nevertheless, the government was tightening its authority over imperious power. In 2007, new introduced variations to the 1971 constitution were put to referendum and declared passed shortly afterwards. Its purpose was the enforcement of restrictions of political opponents, especially the MB. Again, Mubarak strengthened the autocratic power of himself and his clan. What followed, were many different movements protesting against the political system. With the help of modern technology, anti-government protests were organized more easily, such as “The April 6 Youth Movement” in 2008. Even after arrest and persecution of its leaders, the movement lasted until the downfall of the regime in 2011. Egypt was now becoming a deeply troubled country with many riots and high level of vio-

<sup>2</sup> Compare World Bank (1991), p. 120.

lence. Despite drastic measures on behalf of the regime and the military, the hopeless circumstances within the country left the population with no option but to put up resistance (Nagarajan 2013).

Egypt experienced several stages of a LAO but never managed to maintain in a state of mature limited access order and thus to overcome the doorstep conditions. Even though Gamal Mubarak's decision to open the economic market to private actors raised hopes for the establishment of competitive private organizations, the transition towards a more liberal country never happened. Mubarak's continuing exclusion of political opponents not only enhanced the suppressive circumstances within the country but also violated several human rights. Together with the brutal way of proceeding against any kind of rivals, this provided evidence of a basic if not fragile LAO during Mubarak's final month in office.

#### THE REVOLUTION AND ITS CONSEQUENCES

By the end of 2010, Tunisia and Egypt experienced ongoing protests and riots against the leading clans. Even though the start of the Arab Spring has its roots in many different areas of the political and social structure of the countries of the Middle East, there was still one certain trigger point, which was the fuse that lit the fire in Tunisia. On December 17, the self-immolation of Mohammed Bouazizi, a young fruit vendor, caused country-wide demonstrations, called the Jasmine Revolution. His desperate suicide served as a mirror of the predominant frustrations among the population. What followed were not only massive protests against Ben Ali and his clan, but also the request and the desire of fundamental changes within the political system. The lack of perspectives, especially among young people, also affected wealthy Tunisians since almost the half of university-graduates had hardly any chance to find a job. During that time, the Tunisian military played a significantly different role than its counterpart in Egypt. In order to prevent mass bloodshed, the military refused to follow Ben Ali's order to suppress the daily clashes. This protected Tunisia from even more violence and forced Ben Ali and his clan to flee in January 2011 (Manfreda 2015).

However, Tunisia was not the only country with increasing resistance. Shortly after the successful uprising against the long-term autocratic system, other Arab countries followed. In Egypt, mass protests started at the end of January 2011 and were mainly organized by pro-democracy secular groups. Nonetheless, they were also supported by other liberal parties as well as by Islamists. After Ben Ali's downfall in Tunisia, most of Egypt's population urged for a similar destiny for Mubarak. Organized with the help of social media, tens of thousands occupied the Tharir Square in Cairo and finally forced Mubarak to resign on February 11 (Manfreda 2015).

#### *Tunisia's pursuit of democracy*

As already mentioned previously, the Tunisian military refused to fight their own citizens and instead supported the country with the establishment of the so called Ben Achour Commission. The commission was a 150-member political committee and 16-member technical commission and

composed of different members of legalized parties and several civil societies, comprising not Ben Ali holdovers. The abolishment of one certain privileged elitist group in power and the instead separation of rights in terms of codetermination of the countries' future was certainly one of the most important acts to ensure a democratic transition. As seen from our initial framework of limited access order, Tunisia provided structures that ensured the development of an impartial rule of law as well as sustainable rights and perpetually lived organizations. Institutions should not be dependent on certain individuals or privileged groups but serve all citizens. This was obviously a first but crucial step towards a state of open access order. In further consequences, they established a new constitution before having official elections, in order to clarify how much power the new parliament/president will have. Hence, Tunisians at first elected a constituent assembly. This assembly was dominated by the Islamic movement Ennahda but also included secular members. The installed government and the new Prime Minister Hamadi Jebali (also elected by the assembly), served as a caretaker government with the aim to build a new constitution until the first governmental elections would take place. However, secular oppositions and Islamic representatives had to overcome several obstacles. But despite riots and even political assassinations, the democratisation process continued. This achievement is certainly related to Tunisia's present "twin-tolerance", which has been a main characteristic of the country since the nineteenth century (Stepan 2012). By that time, Islamic and secular representatives created the first common institution, to influence and determine Tunisia's future. The then-collaboration of religious and secular institutions paved the way for a more open and liberal thinking within the population and obviously served as a model for future governments after Ben Ali's regency (Mannheimer 2014).

In the fall of 2014, the first free presidential and governmental elections were held and Beji Caid Essebsi became the new president. The elections were regarded as being generally transparent, without incidents and hence consolidated Tunisia's political institutions. The leading Nidaa Tounes party nominated Habib Essid as Prime Minister, who finally proposed a unity government consisting mostly of members of the smaller secular parties, but also of independent politicians and a minister based in the Islamist Ennahda (POMEPS 2015).

### *Egypt since 2011*

After the resignation of Mubarak, the military in Egypt once again played a crucial and completely different role as its counterpart in Tunisia. Instead of peacefully handing over control to independent constitutions, the military constantly influenced the subsequent developing process of the country. Parliamentary elections were strongly affected by the army, since they still controlled large parts of the economy. Consequently, the MB, which had tight connections to the military, acquired the majority. The transition continued with the establishment of a new constitution, defined by a constituent assembly. The idea was comparable to the one in Tunisia, but varied significantly in its implementation. Instead of including a broad spectrum of interests, most of the members represented Islamic interests,

which again led to riots among secular opponents. Once again, the country was deeply divided in two parts. In the following presidential elections in May 2012, Mohammed Morsi was elected as president. After several contentions with the army and the Supreme Constitutional Court (SSC), Morsi eventually granted himself more power than Mubarak ever had, able to change constitutions without the approval of others. After the economy almost completely plummeted, street protests and massive movements finally led to a military coup and Morsi's dismissal from office in July 2013 (Mannheimer 2014). Egypt now found itself being captured in the same or even worse conditions than after Mubarak's regime and was again ruled by the military. But now the military had official power to create new constitutional laws and made use of it. Thousands of political opponents (especially MB but also secular representatives) were jailed or put under sentence of death, which brought Egypt almost to the verge of civil war. After the presidential elections in 2014, former military general and defense minister Abdelfatah el-Sisi had become the new president and continued repressive rule, violating several human rights (Trager 2015). According to a report of Human Rights Watch (2015), between July 2013 and May 2014, more than 41,000 people were arrested by a politicized judiciary. Additionally, despite of a renewed constitution in 2014 that should guaranty "free expression, peaceful assembly, and association", as well as "the freedom of religion", the regime continued to prosecute journalists and activists who raised their voice against it (Human Rights Watch 2015). Relying on the framework of North et al. (2007), we observe that Egypt's leadership has dramatically failed the transition after the Mubarak regime to an OAO, but instead created unprecedented tight structures of limited access. The enormous presence of the military and its suppressing actions repress several rights and prevent almost all kinds of political and economic developments towards a liberal society. Indeed, Egypt is determined by even more internal violence and pervasive uncertainty about future outcomes.

### *Economic outcomes and differences*

Both economies have heavily suffered after the Arabellion. Among other reasons, high unemployment and a constant worsening of economic factors were responsible for the uprising against the repressive regimes. Nevertheless, circumstances in both countries had not really changed since then. Domestic and external riots did not allow economic development, but rather worsened the situation. Both countries first had to overcome political struggles in order to achieve short-term stability within the population, instead of concentrating on economic matters.

Tunisia's GDP even showed negative growth rates and unemployment constantly increased shortly after the revolution. However, political progress in Tunisia raised hopes to influence economic activities positively. But terrorist attacks and domestic tensions after 2014 had again negative impacts on growth rates (Khan 2014). According to IMF and World Bank, GDP growth rates decreased in 2015 after they slowly accumulated in 2013. An associated decline in the tourism sector and a production decline in oil and gas were definitely not advantageous too. Also unemployment rate continued to increase slightly, reaching approximately 15%, three percentage

points higher than it used to be before the revolution. At least poverty declined (using the 2011 PPP US\$ 3.1 poverty line), even though statistics are not official (World Bank 2015). Considering the problems in the tourist and mining sector, the in 2015 elected parliament will have to generate new jobs to fight against unemployment rates and to stabilize and encourage Tunisia's economy. Up to now, the economy suffered from the political uncertainties and only served as secondary priority, since the government has been unable to respond to the economic needs. But based on transparent and free parliamentary elections, the new organized government has now the chance to get rid of its pre-revolutionary past once for all and pave the way for an open Tunisia with all its future benefits, which the population desperately needs.

Also the largest economy of all Arab countries suffered after the revolution. Egypt experienced a massive decline in GDP growth after 2011. The unemployment rate followed and exceeded pre-revolution values, whereas youth unemployment rates were estimated to be double or three times as high as the actual unemployment rate (World Bank 2015). In the short run, jobs could only be created by governmental institutions, which again implied tight connections to the military and consequently dependency. Nevertheless, public jobs end up being very costly for a country. Comparable to Tunisia, the absence of tourists and missing remittances increased external current account deficits and led to a loss of international reserves. Nonetheless, despite the already mentioned political developments towards a repeated repressive regime under Sisi, the World Bank announced a surprisingly positive economic development. Growth rates recovered and doubled in 2014/15, compared to the previous five years. Growth is even expected to boost, as manufacturing and tourism rebounded in 2015, which again increased private consumption. But in spite of higher minimum wages on average, poverty remained to be very high, expecting more than a quarter of Egypt's population living below the poverty line. This surely reflects that living standards for the poorest haven not improved by now (World Bank 2015). But even though, the economy seems to accelerate faster than the one in Tunisia, the political system raise doubts that Egypt will finally manage to achieve the transition in the near future. Tunisia instead, may be able to draw on a well-established and carefully accomplished transition process which will consequently also lead to economic success. Although this still has to be proved by the Tunisian government.

In the end, based on the fact that the Arabellion and its changes within the two countries can be specified as a still ongoing process, the real economic consequences remain to be seen. One has to await future events in order to be able to better evaluate what kind of consequences the Arab Spring in Tunisia and Egypt had. The course both countries adopted is definitely completely different and future will show, which country will be better off in the end. However, it seems that Egypt rather diverges from a state of open access order than the other way around. According to their implementation of an obscure rule of law, which clearly prefers certain members of the dominant coalition and suppresses any critical voices against the current regime, Egypt develops exactly conversely to the doorstep conditions required by North et al. (2007). Accompanied with the once again dominant role of the military and its exert power over violence,

Egypt's social order can rather be seen as a basic limited access order. In contrast, Tunisia's aim to follow human rights, openness and a broader tolerance coincides clearly with the characteristics of a mature LAO. Due to its approach towards the impersonal exchange of elites by introducing a multifaceted commission, Tunisia may prohibit the rent seeking behavior of individual groups and thus initiate measures to fulfil the doorstep conditions in the upcoming years. When applied correctly, open access to economic, political, religious and educational activities should guarantee growing competition and thus increase welfare within the country.

## CONCLUSIONS

Today's differences between Tunisia and Egypt originate in the diverging history of both countries. Former colonial powers have certainly influenced the following institutions and the characteristics of the states. However, despite diverging colonial powers, Tunisia and Egypt developed quite comparably after their independence in the 1950s, even though small but crucial differences may be responsible for the political and economic gap between the two countries today. First, Tunisia was and still is able to draw on a more tolerant and open minded population, concerning the influences of Islamists and secularity. As exhibited earlier, Stepan (2012) specified this broad acceptance between both factions as "twin-toleration" which influenced the Tunisian mentalist since the nineteenth century and had noticeable impacts during the establishment of new constitutions after the Arabellion. These characteristics have been interrupted by the two repressive regimes of Bourguiba and Ben Ali (Stepan 2012). Ennahda and secular representatives apprehended the sensitive position in which the country was after the end of Ben Ali's rule and abandoned to assert total claim to the vacant throne. Instead, both parties followed a way of more or less mutual recognition, although the transition did not proceed peacefully. In contrary, the MB in Egypt drafted a constitution that many revolutionaries rejected. The longstanding suppression of members of the Muslim Brotherhood by former presidents consistently boosted violent attacks and increased the demand for changes within the country. In cooperation with the military, the new established constitutions after the revolution in 2011 left little space for oppositional groups and thus entailed instability from the beginning.

As already elaborated, the role of the military is another aspect, which heavily influenced the transition process in Egypt. Due to its tight connections to the regimes, it gained considerable power. Apart of its importance, concerning the precarious situation of Egypt's external policy, the Army influenced the domestic political landscape sustainably and developed into a large economic player. Hospitals, factories and resorts are just few areas, which were managed by the military. This of course also supported the military in their endeavor to actively co-create the countries' transition process. After the failure of the MB and their first elected President Morsi in the summer of 2013, General Sisi finally ordered to arrest the first freely elected president and paralyzed the revolution, just to give power to himself after highly doubtfully elections. On the contrary, Tunisia's military power has always been held down. Bourguiba and Ben Ali governed more of a police

state than a military state. Still it was the military, which finally contributed to Ben Ali's dismissal. But different to the military in Egypt, the generals left the restructuring of the countries' future to the different representatives of their parties and movements and consequently opened the way to fundamental changes for institutions and also socio-economic policies.

An aspect, which has not been elaborated in this research paper, was the foreign influence of other countries. International impacts on governments can affect domestic political events. To take a single example, the payments of the U.S. government to Egypt's defense budget certainly strengthened the military during the autocratic regimes and also manipulated the transition path after the uprising. Reasons for this kind of transatlantic support are clearly Egypt's strategic location and the demand for quiet in the middle-east region, even though through autocratic regimes (Associated Press 2014). However, this field needs more detailed elaboration and would provide enough material for a separate research paper.

As for the future, both countries will still face several difficulties. According to Maha Yahya (2016), Tunisia desperately needs to capitalise on its successful transformation, especially concerning socio-economic policies. In order to ensure a better future for Tunisian citizens and to prove the successful realization of democracy, particularly regional investments have to be increased. In addition, the political system has to achieve trustworthiness and a broad acceptance between the population and the state, in order to gain legitimacy. The government also needs to draw on the measurements, agreed during the social dialogue in 2012. This might be necessary to be able to promote economic actions, create new jobs, reduce future uncertainties (especially for the youth) and repair the lost connection between citizens and state (Yahya 2016). Furthermore, Yahya (2016) explains: "As opinion polls have indicated, Tunisians do believe that democratic practices, including elections, are fundamental for economic prosperity, and they do want a measure of welfare support from their state. But they also want the opportunity to achieve their potential". On the contrary, Egypt is situated in anything but a desirable status. Political gains which occurred shortly after the Arab uprising disappeared. New laws gave even more power to the military and allowed the government to arrest basically any kind of man or woman, who dares to raise the voice against the regime. This happened not least because of (questionable) international support and recognition of the Sisi-government, including the U.K., Italy, the IMF, the World Bank and many more. Renewed promises, which ensure that this time changes will finally take place, are very likely to deflagrate again (Shenker 2016). Based on this, it seems to be simply a question of time, until the democratic seed, which has been planted among the citizens during the revolution, starts to grow again. However, the Arab Spring and its impacts still influence strongly the development of both countries. Final results and its permanent consequences will require further research in the future.

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