EGF MENA Briefing:

North Africa after the Arab Spring

Political Outlook for Morocco, Algeria, Tunisia, Libya and Egypt

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1. MOROCCO

Key points:

- *Morocco's monarchy seems to have survived the wind of change blowing on Arab countries last year and is currently trying to hold on to its power by allowing reforms that partly reduce its absolute authority.*
- *The adoption of a new constitution and the victory of moderate and nationalist Islamic parties are signs that mark Morocco's gradual progress towards the demands of protesters who have taken the streets last year.*
- *However, civil society is not yet a primary actor in Moroccan politics and a widespread sense of communalism is still missing.*
- *Tensions are still present in Morocco, due to the unresponsiveness of the central government regarding the high levels of unemployment, structural corruption and deficiencies in welfare and health systems.*
- *Morocco has been praised by the international community for its counter-terrorism efforts, although major security risks stem from the unresolved situation of West Sahara. High unemployment and persisting poverty, however, continue to ensure fertile grounds for terrorist recruiters.*
- *New economic deals with the EU are expected to have a positive impact on the Moroccan economy, which is of great interest for foreign direct investors.*

The beloved King survives the Arab Spring

While the Arab Spring meant drastic change at the highest levels of political leadership in various Arab countries, King Mohammed VI of Morocco agreed to reform a country which has always considered him to be a forward-thinker modernizer. By proposing constitutional changes last June, the monarch has allowed for a reduction of his absolute powers, especially those related to the executive powers needed to lead the country. As Morocco's monarchy is one of the oldest in the Arab world and the ruling family has been in place since the 17th century, Moroccans would find it difficult to imagine their country without it.

Morocco's revolts, sparked by the events in Tunisia and Egypt, have had quite a peculiar impact on the country's political landscape. Popular criticism has focused more on demands for democratic reforms rather than on the departure of King Mohammed VI. Parliamentary elections in late November 2011 resulted in the victory of moderate Islamist Justice and Development Party (PJD), which won 107 seats out of the 395. The nationalist Istiqlal party came second with 60 seats. Elections and the adoption of a new constitution last July came as answers to protesters' demands of reform.

The monarchy's engagement in reform projects in the past made it very popular among Moroccans. Modern Moroccan reforms began in 2004 with the Moudawana – the reform of the family code, with more rights granted to women in issues of marriage, divorce, inheritance, and child custody, while maintaining the woman as the foundation of Moroccan society and her role at the center of the family.

In order to counter the activity of Islamists, especially in the poorest provinces of Morocco, religious reforms were enforced in 2005 with the aim of retraining religious leaders to ensure strong academic backgrounds for their teachings. The same year saw the National Initiative for Human Development which fought rural poverty and promoted social inclusion while also addressing improvements to healthcare, education and access to housing. Between 2006 and 2007, the Equity and Reconciliation Commission and L'Instance Centrale de Prevention de la Corruption (ICPC) were created to deal with human rights abuses during the reigns of Mohammed V and Hassan II (1956-1999) and with corruption.

Recent months have hosted a remarkably concentrated period of reforms which have included increasing the independence of the judiciary,

augmenting powers of the prime minister and the parliament, and strengthening anti-corruption measures. In July, the Interior Ministry introduced election reform bills for consideration by Morocco's key political stakeholders, including provisions such as incremental funding for political parties of specific sizes guaranteeing funds for all parties. While there is a risk that this could lead to the creation of political parties established merely for financial support, this measure is a first step to creating political openness and a flourishing multi-party environment.

Political openness continued to increase incrementally with new parties joining Istiqlal, including the Islamist Party of Justice and Development, the Socialist Union of Popular Forces, and the Party of Progress and Socialism. Although these monarchy-led reforms are seen positively by demonstrators, the limited participation of civil society and the lack of inclusion of other political parties are indicative of the fact that communalism remains missing in the Maghreb.

Skeptics cite superficial reforms of the past as a justification for their doubts, while arguing the hasty timetable indicates that the King's real desire lay not with improving the lives of his people but instead with the pursuit of a political course different from that of his neighbors. Regardless of domestic doubt, all of these areas of reform are of particular interest to Morocco's Western partners and echo the calls of protesters in Tunisia and Egypt whose governments precipitated a different fate.

Bypassing the Arab Spring by procrastinating reforms?

Recent clashes in Taza (Northeast Morocco) show that old habits die hard. Despite announced reforms and promised change, tensions and protests against the regime are flourishing in Morocco. The relatively peaceful demonstrations seen last year appear to be getting caught up in regional turmoil.

Newly elected Moroccan Prime Minister, Abdelilah Benkirane, has yet to take effective action with regard to many fundamental issues of Moroccan society. Following form the desperate measures of Tunisian counterparts, twenty-seven--year-old Moroccan graduate, Abdelwahab Zaidoun, set himself on fire in January a few days after the official inauguration of the new government. This act has come to represent young Moroccans' distress with the looming unemployment rate (19%), among many other issues. The young man's death stimulated a wave of anti-government demonstrations. Moroccans felt deceived by Benkirane's electoral promises, the realization of which has been postponed to 2016.

The population is asking the government to address urgent issues such as structural corruption, the lack of an efficient health care system, and the unbearable cost of living. Dissatisfaction and frustration are growing equally among young graduates unable to find a job and families that cannot make ends meet. Prosperity seems far away. Cosmetic changes will not be enough: even if stability is so dear, Moroccans are ready to continue protesting if the new government will not produce valid and efficient solutions for the country's endemic problems.

Exceptional security levels and counter-terrorism garner international praise

The international community and particularly the US have expressed their appreciation for Morocco's efforts in the fight against terrorism and nuclear proliferation. Together with China, Poland, Nigeria and Thailand, the country has willingly accepted a major role as a provider of security and stability in its wider region.

Moroccan anti-terrorism efforts have been largely successful in mitigating the post September 11 security environment, although a major blow to the country's largely stable image took place in April last year. A suicide bombing in a café in Marrakesh led to the deaths of 17 people, including 11 foreigners. While there was no immediate claim of responsibility for the attacks, Moroccan authorities said that the fatal terror blast, the deadliest single act of terror in the country since the 2003 bombings in Casablanca, was carried out remotely by a group with links to Al Qaeda. There was no immediate claim of responsibility for the atrocity from Al Qaeda, however. Security experts suggest that Al Qaeda's main threat to the country is currently through its recruitment of young Moroccan men, many of whom venture off to Mali and Algeria for training. This training is most often applied in Iraq, but concerns mount about the fighters bringing their acquired skills

back home. Continued diligence of Moroccan security officials should effectively curtail such activity but it will remain an area to watch in the future.

Although some groups with violent tendencies are believed to operate in Morocco at present, they are thought to be tactically limited splinter groups linked to Al Qaeda in the Islamic Maghreb. The Moroccan Islamic Combatant Group, believed to be responsible for the Casablanca attacks in 2003 and the ones in Marrakesh last year, operates in tandem with Al Qaeda since it declared the Moroccan government an apostate regime. The major threat comes from those parts of the country which are traditionally tribal and have always enjoyed a large degree of autonomy.

Other concerns are related to the status of Western Sahara, whose lawlessness is exponentially increasing the instability of the area as smuggling, drug dealing and weapons contraband have become normal daily activities.

A stain in Morocco's exceptional security environment: the Western Sahara

Steps forward for the disputed territory of Western Sahara seem to have been taken by Morocco with the new constitution, in an attempt to reduce the destabilizing effect of the unresolved conflict on the wider region.

Amid continuous anti-terrorism operations, Morocco has dismantled yet another allegedly international terrorist cell in January. Ethnic unrest and violence have often escalated to concerning levels and socioeconomic grievances are fuelling the infiltration of extremist groups and illegal activities in the area.

After negotiations sponsored by the United Nations between the Polisario front and the Moroccan government hit a dead end last October, new talks were held in March of this year. Once again, no solution has been reached which experts attribute as being due to the fact that, in particular, the Moroccan government has refused to grant any sort of independence or greater autonomy to the area. There seems to be no viable answer to this long-standing territorial dispute in the foreseeable future.

Investing in Morocco

The unrest in Tunisia, civil war in Libya, and closed conditions in Algeria arguably position Morocco as the most stable economy in the Maghreb. Many of its major companies have used the past two decades of stability to form strategic partnerships with other companies and government clients. Their success has enabled the establishment of numerous smaller companies operating in the country. Morocco's stability has also meant government investment in infrastructure and technology which has led to an increase in e-commerce. With the government reporting internet penetration rates at 30% of the population, e-payments and internet marketing have further increased business opportunities.

Since 2004, Morocco has been party to a free trade agreement with the United States, in addition to the long-standing cooperation with the European Union. Morocco receives most of its foreign direct investments (FDI) from France, followed by Spain, and then the Gulf countries.

Despite these advances and although Morocco and Libya are the only North African states which rank in the top 5 Arab economies attracting foreign direct investment, it is not all roses. The Moroccan government has announced plans to sell off part of its stake in Maroc Telecom to pay for the costs assumed in calming its protests and to boost public finances. Official figures show that unemployment has risen by half a percent to 8.7% over 2010 and 30% of Moroccans under the age of 34 are unemployed. The situation on the ground is likely even worse.

A new deal has been signed between Morocco and the EU last February on the liberalization of fish and agricultural products. Within 10 years, 55% of tariffs on Moroccan products will be reduced, together with an almost 70% cut on the EU equivalent. The deal has fomented protests from Spanish farmers in particular, who fear their agricultural products will be affected by the invasion of Moroccan fruit and vegetables in the European market.

2. ALGERIA

Key points:

- *The upcoming legislative elections are a crucial event in the history of modern Algeria. Different scenarios are expected depending on who is going to form the majority in the new parliament and government.*
- *Social problems are likely to persist and spill over into bouts of political instability despite major on-going social and economic reforms which the government has pursued in order to placate the anxiety of the Algerian street.*
- *Al Qaeda in the Islamic Maghreb (AQIM) remains a violent, anti-regime force, while the country is tightening its counter-terrorism cooperation with its southern neighbours.*

Algeria, one year on

In the wake of the "Arab Spring," Algeria causes concerns as its less than democratic past faces the region's democratic revolutions. Over a year has now passed since the start of the unexpected uprisings in the region, however, and Algeria remains relatively stable. Algerians have not, for the most part, embraced revolution and have not yet challenged the regime.

Algeria is different to Egypt and Tunisia, as well as other North African countries, but shares with them the seeds of revolution. The sealed political elite ruling the country is completely detached from daily life and from Algerians, in particular. Indeed, the population is sympathetic with the neighboring unrest but does not believe action to oust the regime is the solution. The need for economic and social reforms has fallen on deaf ears and the government has missed the chance given by the Arab Spring to enforce those reforms which the country desperately needs.

Protests have been common in Algeria but have yet to reach the level of a real revolution. Algerians are aware of the deficiencies of the regime but refuse to be active actors in the political scene: they are convinced that there exists no political party able to marginalize the long-standing power of the military. Profound links between the military elite and the government renders a possible 'Algerian Awakening' not viable: the regime is not in the hands of a charismatic leader, it is rather the combination of various individuals linked to each other through a complex network.

AQIM threatens Algerian political establishment

Social unrest remains present in Algeria, but levels of disturbance are not concerning. The constant problem for the whole region is the infiltration of AQIM, which has been waging an ongoing insurgency for several years.

After the fall of Libya's Gaddafi in October 2011 Al Qaeda leader, Ayman Al Zawahiri, called on AQIM to overthrow the Algerian government and install an Islamist regime in the country. Later, in December 2011, AQIM threatened to kill European hostages after revealing a bilateral plan between Algeria and Mali to lead a military operation against the terrorist group. According to a recent academic study, AQIM harvested over €183 million in five years from hostage ransoms. The terrorist group is believed to be under-funded, however, according to Algerian authorities, although the instability in Libya helped provide it with developed and sophisticated weaponry. At the start of this year, the Algerian Wali (governor) of Illizi Province was taken hostage by Libyan rebels, in the context of a worsened security environment in Libya. The Algerian military succeeded in releasing him on January 18, after a week of captivity. In March, a car bomb exploded in a gendarmerie in Tamanrasset (1,970 km southern Algeria), injuring 24 people. A terrorist group named the Mouvement Unicité et Jihad en Afrique de l'Ouest (MUJAO), formed in 2011, claimed responsibility for the blast. During a recent meeting held in Tripoli, the Algerian Minister of Interior Affairs urged countries of the region to cooperate more than ever in order to face the growing threat of terror and trafficking as the result of the increasing security deficit in Libya.

As the region's prominent economic and military power, Algeria is taking the lead on initiatives against AQIM. In order to hamper AQIM's activities in the area, the Republic enforced its counterterrorism strategies together with its security policies. According to the Algerian Minister of Interior Affairs, AQIM's infiltration and influence is declining.

Because of increased concerns about recent terrorist activities in the area, Morocco too has called for more regional cooperation in countering illegal groups in the area. The border with Algeria had been closed after the 1994 Marrakesh bombing, reportedly perpetrated by Algerian Islamic militants. Further, in late July of last year, a Moroccan soldier was killed at the border in an armed clash with alleged Islamists. Observers expect borders to be reopened soon, especially after multilateral efforts to build the UMA, the Arab Maghreb Union. Although this may be a good step forward in ensuring the stability of the region, AQIM remains a tenacious opponent for the Algerian authorities.

Algeria's Response to Regional Events

The state of emergency which has been in place since 1992 was lifted immediately after president Bouteflika announced major social, economic and political reforms. Such reforms included awarding lands and low interest rate credits to young entrepreneurs, ameliorating social housing and employment programs, lowering prices for basic food products, opening the media, and modifying laws on the electoral system and political parties, among others.

The next legislative elections will be a major turning point for Algerian political life. The new parliament and government are expected to write a new constitutional amendment in September. For the first time in Algerian history, national and international NGOs will be monitoring elections to prevent fraud. Observers predict Islamists to win, should elections proceed smoothly. This eventuality is not of great concern for Western spectators, as Islamists in Algeria retain a much weaker position if compared to the power held by the military establishment. A reaction, especially from more secular parties, might be expected in case Islamists gain extensive support and demand a power-sharing.

However, mainstream Algerians and especially the youth believe their votes will neither influence governmental decisions, nor improve everyday life. A great majority is promising to boycott the elections. A group of Algerian youth activists is working in collaboration with Algerian civil society to convince young Algerians not to abstain from voting. Indeed, young Algerians should profit from the new electoral law, which allows younger politicians to run for legislative and municipal elections, and should have an active role in ensuring a peaceful "transition of the generation" in the Algerian political scene. The good news is that new parties have been allowed to take part in the elections, even if their likelihood of challenging the ruling elite is modest.

Slowly opening up Algeria to foreign investors

It seems that the Algerian government is slowly giving up its typically aggressive nationalist economy to open the doors to foreign investment, in an attempt to respond to last year's protest and create new jobs for Algerians. The state announced a plan to diversify its economy by empowering small and medium businesses and by restructuring Algerian financial market

Private investment in Algeria was restricted in 2008, when the financial crisis convinced Algerian policy makers that market economies are doomed to collapse. Nationalization of foreign companies, especially mobile phone company Djezzy, followed but new negotiations were initiated in order to allow agreement on another deal. Analysts confirm that Algeria might be moving in the right direction, allowing the country to reinstate its reputation as a valuable destination for investments and to attract foreign assets. Nonetheless, there seems to be no intention from the regime to completely turn Algeria into a fully fledged market economy country: the government will be reluctant to give up its control over businesses, whether national or international. According to this year's edition of the World Bank's report Doing Business, which compares the ease of doing business in different countries in the world, Algeria ranks 148 out of 183 classified countries, five positions lower than last year. Long-term challenges include the general diversification of the country's economy and a relaxation of state control over business, in order to create the best opportunities for the country.

3. TUNISIA

Key points:

- *The October 2011 elections were a sweeping victory for Tunisia's leading moderate Islamist party, Ennahdha. Out of fear for what "moderate" may mean, secular opposition parties are uniting to position themselves for a stronger say in the country's constitution and post-constitutional Parliamentary elections.*

- *Although the interim Tunisian authorities have aimed to root out corrupt judges and weaken executive powers, many of 'Ben Ali's judges' remain in office. Protests have taken place in front of the Palace of Justice in Tunis as a result.*

- *In comparison to its regional peers, Tunisia does not have a vivid history of violent struggle with Islamic radicalism. The security situation in the country remains calm for the most part, despite recent unrest.*

- *Tunisia's main security concern in recent months has been the possibility of Al Qaeda militants reaching Tunisia through Algeria's porous borders. Tunisian security officials have clashed with suspected AQIM personnel on the border with Algeria in recent months. Domestically, violence is negligible but has the potential to flare in response to disagreement between leftists and Salafis.*

- *Western business is highly visible in Tunisia, yet the country's tourism sector has yet to rebound from last year's political upheavals.*

- *Despite more than a half-century of dictatorial leadership, Tunisian citizens are beginning the pursuit of democratic reform and civic participation. While economic factors remain dubious, militant influence is virtually non-existent. Will the liberal leanings of the past return and usher in real democracy or will the past's corruption and wealth disparity continue under a new form?*

From Dictatorship to Liberalism and Back Again

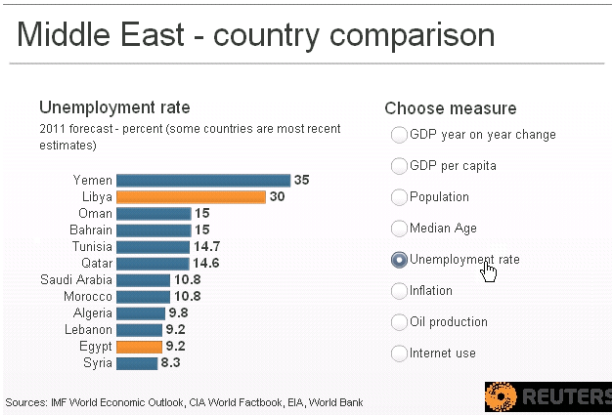
Tunisia takes no departures from its westward Maghreb neighbors in its demographic makeup. Its 10 million people are 98% Arab, Muslim, and Berber with a touch more European influence. Its local monarchy was replaced with French protectorate status in 1883 until Habib Bourguiba founded the Neo-Dustour (New Constitution) Movement to call for independence. Twenty-one years later, France allowed self-governance and then full independence in 1956.

Consequently, Bourguiba earned the nickname "Supreme Combatant" and, as president, successfully raised nationalist spirit and increased western ties and influence. He consolidated power and minimized opposition which made his liberal reforms unexpected. His "code of personal status" challenged Muslim tradition by banning polygamy, conferring rights to women in marriage and divorce and setting a minimum age for a marriage which must be mutually consensual. These reforms raised the status of women in Tunisian society and precluded the selling or manipulation of women for tribal or familial politics.

While enacting such radical domestic reforms, Bourguiba also defended Israel's right to exist and gave safe haven to the PLO, which added challenging dynamics to his relationships with other Maghreb leaders. He was also firm against militant Islam and in the 1980s, arrested and sentenced to death several militant leaders to the chagrin of his nominal political opposition. Citing fears of a civil war over the treatment of the Islamists, in 1987, Zine al-Abidine ben Ali led a bloodless coup to unseat Bourguiba and replace him as Tunisian President.

Ben Ali, irreverently called "Ben A Vie" (a tongue in cheek reference to his status as president "for life") went on to serve as president for 23 years, winning five elections with a fraudulent 90% of the vote. His opulence and fiscal irresponsibility was resented by the people for years and later revealed in the WikiLeaks of US State Department cables.

Ben Ali's terms are not marked by any major accomplishments. Unemployment rose significantly to 14% in 2010 while the corruption of the president and his extended family slowed the country's economic growth rate by an estimated 15%. Despite officially allowing opposition parties, the government remained closed; the upper house of parliament introduced in 2005 was dominated by Ben Ali's party, the authorities protested the alleged biased reporting of Al Jazeera, and journalism was limited and discredited.



Enough is Enough – Tunisians Revolt

College-educated, 26-year-old Mohammed Bouazizi could not face joining Tunisia's "army of unemployed youth" and killed himself through self-immolation. Hundreds of thousands of people protested in the wake of Bouazizi's funeral and continued to reject Ben Ali's attempts at appeasement as empty and meaningless.

Ben Ali's authorities killed more than 200 people in the protests that elicited official responses ranging from rejection, assurances of open elections, and promises of resignation. With zero flexibility among protesters, Ben Ali finally boarded a plane with his family and sought exile in Saudi Arabia. Since his exile, a Tunisian court has found the former dictator guilty of trafficking drugs, weapons, and archeological artifacts and sentenced him to a collective fifty years in prison and a $72,000 fine.

Reform and Reconstruction

Immediately following the revolution, Tunisia's interim government banned the sole organized political party for its loyalty to Ben Ali. As a result and despite consistent turnover, the interim government's composition reflected technocrats with minimal political experience. 80% of Tunisians were initially supportive of this approach in the euphoria following the revolution but polling suggested a loss of faith in the inexperienced leaders. This was reflected in the October 2011 results of an election of Tunisia's Constituent Assembly tasked with drafting the country's new constitution. Here, the moderate Islamist Ennahdha party won more than half of all votes cast in an election with 70% turnout. Out of roughly 90 registered political parties, Ennahdha emerged as the victor touting moderation and following a campaign visibly underscored by Islamic values.

The well-funded Ennahdha had been banned under Ben Ali and its leaders jailed for decades for their belief in political Islam to supplant Tunisia's historical secularism. Some view the party as uncorrupted because of its absence during the Ben Ali years while others believe the party's calls for moderation and tolerance, resulting in the party's lead in current polls. Its leader, Rached Ghannouchi has made moderate public statements and radical ones in mosques, even calling for the application of Sharia law. Since assuming control following the elections, Ennahdha has had a rocky tenure and doubts have emerged about whether it will fulfill many of its campaign promises. Consequently, the party's secular rivals have begun to unite and have called back Beji Caid Essebsi, the 85 year-old who served as Interim Prime Minister immediately after the revolution. As more parties join this bloc, true moderates may take comfort in the prospect of a genuine challenge to Islamism. This is particularly poignant as the Prime Minister (and member of Ennahdha) announced in March that the Constituent Assembly is on track to complete the drafting of the new constitution in March 2013, paving the way for the election of a full Parliament.

Security and Stability…Even After a Revolt

As the most western-oriented and western-influenced Maghreb state, Tunisia's security situation remains the most calm, despite the recent unrest. With European and American businesses visible throughout the capital and surrounding cities, the Tunisian authorities have done well in limiting the influence of

domestic and foreign militant groups. The main security concern in recent months is the possibility of al-Qaeda militants reaching Tunisia through Algeria's porous borders. In response, the Tunisian Interior Ministry announced a new border security plan. As we have already implied in previous briefings, Tunisian national guards have begun patrols of the border following the capture of four suspected AQIM militants in the area. In early July 2011, two Tunisian military members were killed in a clash with AQIM personnel on the border but Tunisia evened the score by killing an armed Libyan and Algerian suspected of AQIM membership, also near the Algerian border. In fact, many security experts argue AQIM's influence has decreased in the wake of the Jasmine Revolution which was brought about through peaceful and democratic means in stark contrast to the violent platform of Al Qaeda and other Islamic militant groups.

Tunisia's current violent concerns largely fulfill the prophecies of many experts who forecast turmoil under a moderate Islamist party such as Ennahdha. In a nod toward moderation, a university in Manouba, near Tunis, banned women from wearing a niqab (or veil) in class and exams. While appeasing the left, this infuriated Salafis (conservative Muslims). Since that move, the two sides of the debate have clashed, staging sit-ins, protests, and sparking nominal violence, disrupting classes, and leading to a national debate. Meanwhile, the Group for Moderation and Reform (formerly the Group for the Promotion of Virtue and the Prevention of Vice) denounced violence and publicly promised to rely on persuasion and reject violence. This juxtaposition shows the delicate nature of today's Tunisian security and its close relationship with nascent civil society. As these domestic discussions continue, Tunisia continues to be held as an example by Western powers of a country reborn, open to good governance and moderation. This is an especially timely and relevant example as Libya continues to struggle to rebuild and Syria defiantly perpetuates civil war. Both independently and by comparison, Tunisia's security and stability are a relief.

Debatable Investment Environment

The pre-revolution Tunisian economy allowed for significant corruption, particularly among the Ben Ali family, so hopes were high for a post-revolt upsurge. Tunisian officials and civil society members flew to Washington and Brussels in droves to fundraise and emphasize their need for economic help over socio-political aid. Experts are divided over their success, however, some claiming an improved investment environment and others say it's grim. The Tunisian Foreign Investments Promotion Agency (FIPA) says that foreign direct investment has contributed more than 6,000 jobs in the first half of 2011, up 3% from 2010 with most jobs concentrated in energy and manufacturing. Also according to FIPA, 85 foreign companies began Tunisian operations in the past six months and 112 existing foreign endeavors in Tunisia extended their operations.

Still, last year Standard & Poor's Rating Services lowered its outlook on the country's economy to negative. Partly to blame for the change was the impact of Libya's civil war which had reportedly cost the Tunisian economy between $1-2 billion USD in lost tourism and trade revenue and contributed to Tunisia's 14% decline in the Tunindex, Tunisia's benchmark. At the same time, other experts argue the opposite citing the increase in industrial production resulting from the closure of Libya's manufacturing plants. Despite this difference, all experts agree that a rebound in tourism is the necessary rising tide to lift the Tunisian economy.

A Telling New Year

Tunisia's outlook is optimistic. In relation to its neighbours, Tunisia began peacefully, progressed liberally, and was side-tracked by two decades of greed and corruption. But, that's the worst of its tale. Throughout its history, militant movements like al-Qaeda have not been able to successfully permeate Tunisia's borders and culture.

Its 10 million people actively chose peaceful protest over a violent response to diminishing economic prospects and the result is, at least so far, open dialogue and political development. Reforms continue through the Constituent Assembly's commissions and committees. The important variable, however, is whether those elected are experienced enough and properly focused to enact legislation to begin to trim unemployment rates and quickly raise investor confidence.

4. LIBYA

Key points:

- *The end of Gaddafi's 40 year rule occurred following a decentralized revolution which was aided by NATO military support.*
- *The decentralized character of the revolution has resulted in various factions aligned along family and local affiliations that have yet to evolve into a cohesive political structure. The past month has seen calls for secession from the South and the East.*
- *Security maintenance remains in the hands of the various rebel groups and the Chief of Staff have not been able to disarm and incorporate the militias into a national security force. Protecting resources will prove especially challenging in the South due to the vast landscape that is difficult to police under normal circumstances.*
- *Threats from Al-Qaeda in the Islamic Maghreb (AQIM) and Al-Qaeda in the Arabian Peninsula (AQAP) in neighboring countries, along with the competing militias looking to gain leverage, create an extremely precarious security situation.*
- *Tensions exist among the secular elite of the National Transitional Council (NTC) and those of a conservative Islamic character. Big name Islamic leaders appear to take a moderate stance, but are certainly asserting themselves in the national dialogue. Due to the history of some of the groups and their leaders, serious concerns remain among the secular and Western officials.*
- *The hydrocarbon industry is critical to the rebuilding of Libya's economy. The destruction caused by the civil war will require massive amounts of foreign investment which could have some unique geopolitical ramifications. Maintaining a secure environment is paramount to the reconstruction effort.*

From colony to dictatorship

Libya gained its independence in 1951 under King Idris al-Sanussi, after the allied forces ousted the Italians who had maintained Libya as a colony as early as 1911. In 1969 Colonel Muamar Gaddafi overthrew the King in a military coup that ushered in his 40 year reign preaching the ideas promoted in his "Green Book", which set out an alternative to capitalism and communism, largely trying to emulate Gamal abd al-Nasser's idea of Pan-Arabism. Nevertheless, Gaddafi was viewed internationally as erratic and throughout his reign received numerous sanctions for Libya's role in the Lockerbie bombing of 1988, support of terror groups and his pursuit of chemical and weapons of mass destruction.

In 2003, a shift in Gaddafi's stance toward the international community took a turn, with Libya formally accepting responsibility for the Lockerbie bombing and paying compensation to victims, as well as giving up the pursuit of WMD, which resulted in the lifting of United Nations' sanctions.

The Arab Spring took hold in Libya and the Gaddafi regime's violent response against its citizens again received international condemnation, new sanctions and the UN resolution authorizing NATO airstrikes to protect civilians. The rebel forces that mobilized during the upheaval in Libya succeeded in capturing and killing Gaddafi, ushering in a new beginning for Libya. The mostly self-appointed National Transition Council (NTC) now leads Libya, after the largely decentralized movement overthrew Gaddafi.

The National Transition Council faces Gaddafi's resilient legacy

At the outbreak of hostilities most of the rebel forces formed along family/tribal affiliations or geographically according to city, serving to protect their own self-interest. In Gaddafi's early years, the Libya leader set out to build national unity in the hopes that it would trump tribal sentiments. However, in 1993, after a coup attempt by leaders of the Warfallah tribe, Gaddafi accentuated the tribal affiliations as a principle identifying factor and then began manipulating these loyalties to his advantage, with the Warfallah among his main allies. Gaddafi set rivals against one another and as tribes began competing for favour, rewards of political appointments would be handed out to supporters while excluding opposition. Due to the heavy support of Gaddafi's hometown of Sirte and other cities in the West, regional divides began to take place as the East felt left out of national affairs. Additionally, the national army was kept weak in order to prevent a coup d'état that ousted his predecessor, while strong security agencies, paramilitary and special forces kept watch over one another and were headed by close family members and allies. Libyans for the most part lean toward an "anti-centralized control" sentiment and a particular distrust for government which does not bode well for the transition of the country.

The National Transition Council (NTC) initially established itself in the city of Benghazi, a city with a history of anti-regime activities, and then moved to Tripoli when the rebels captured the city. The first defections to the NTC began in the West Mountains and northeast, Benghazi provided a good safe haven particularly after NATO became involved. Even a prominent leader from the Warfallah tribe announced on Al-Jazeera, that the tribe should disassociate with Gaddafi and join the uprising. Nevertheless, many remained loyal to the regime. This has suggested to some that a more geographical divide exists in Libya rather than a tribal one. The NTC gained international recognition as the voice and authority of the revolution and began to represent Libya abroad.

However, tensions quickly rose as it was viewed that the northeast was overly represented in the NTC cabinet. Many of its members belonged to aristocratic families under the old Libyan monarchy and were persecuted or exiled under Gaddafi. As a result of the decentralized revolution, local transitional and military councils formed in the besieged towns and remain organized as the militias that overthrew Gaddafi. The loyalties of these groups appear to be first with the towns in which they were formed, then to the NTC. Past divisions and the overwhelming representation of the northeast in the NTC has created a particularly precarious situation in Libya, as each group claims a stake for its part in the revolution.

The first major incident suggesting disarray was the assassination of Major General Abdel Fattah Younes, seen internationally as the revolutionary chief of staff, on July 28, 2011. The investigation into his murder has yet to produce results and his initial and secondary replacements were met with opposition by groups associated with an Islamic agenda. Eventually, a lesser known colonel was named Chief of staff. Additionally, the NTC chairman, Abdel Jalil, is being viewed as increasingly autocratic and the transition is lacking transparency. Jalil has established verification committees for members to the NTC, by passing municipal council selections and while Jalil declared NTC members would not run in elections, many members do not want their names released so that they can run. These tensions and neglect on part of the NTC toward the East and South have sparked secession movements in both regions. With South Sudan providing a recent example, the likelihood of such secession in Libya should not be under-estimated.

The Islamic Perspective

There is certainly a lot of tension between the NTC and leaders of Islamic groups, who feel the NTC is overly secular. Many of the Islamic conservative leaders spent time in prison or exile and have a negative

attitude to the elites of the NTC. Members of Islamic affiliated groups have been a security concern in the past and have the potential to be a concern in the future, due to the fact many of them have fighting experience in both Afghanistan and Iraq. The city of Darnah, east of Benghazi, has a reputation for its residents who fought in Iraq and was the site of a failed uprising against Gaddafi in the 1990s. While Libya is a conservative Muslim society, many do not consider themselves Islamist, feeling that the term is too broad. ; Nevertheless, many Islamic groups emerged in the public sphere after the fall of Gaddafi and felt that he undermined the religion.

Chief among these groups is the Muslim Brotherhood, which became active in Libya in the 1950s under the leadership of Mohammed al-Sallabi. The Brotherhood emerged early in Benghazi under the new leadership of Suleiman Abdelkadir, and played an active role in civil society, local councils and business networks. Ali al-Sallabi, son of Mohammed al-Sallabi, is considered the most influential cleric whose stature appears to transcend politics, taking into account that he has acted as a national mediator and is independent from political groups with no official ties to the Brotherhood. However, some of his ideas appear to reflect otherwise. Furthermore, Ali al-Sallabi spent a large amount of time exiled in Qatar, suggesting a potential geopolitical angle.

The Libya Islamic Movement for Change (LIMC), formerly known as the Libya Islamic Fighting Group (LIFG), emerged in March 2011. The LIFG was founded by Abdel Hakim Belhaj in the 1970s. Its members went off to fight against the Soviets in Afghanistan and lashed with Gaddafi security forces upon their return to the country. By 1998 most of the organization's leadership was destroyed and the group was banned after 9-11, however many of the groups' members went on to become prominent al-Qaeda figures. The UN 1267 committee considered the LIFG an al-Qaeda affiliate. This is particularly worrisome due to the increased activity of al-Qaeda in the Islamic Maghreb (AQIM) and al-Qaeda in the Arabian Peninsula (AQAP) in neighboring countries. Belhaj, on the other hand, renounced violence and terrorism in 2009 and due to the fall of Gaddafi became head of the Tripoli Military Council. Members of the new LIMC became prominent in various military councils despite challenges from other militias.

Tensions between the elites of the NTC and Islamic affiliated leaders were at their height in September 2011 and have abated somewhat due in part to a speech Abdel Jalil gave stating that legislation would be based on moderate Islam. Some have suggested this is an attempt to appease the Islamic conservatives, but nevertheless has raised eyebrows in the West. Ali al-Sallabi and Abdel Hakim Belhaj have both publicly stated what appear to be quite moderate viewpoints – al-Sallabi claiming nationalism before Islamism and Belhaj citing Turkey and Malaysia as possible models. Questions of what do to with the loyalists remain as Libya wants to avoid a situation similar to the Iraqi "de-baathification" policy that played a significant role in that country's post-Saddam turmoil.

Foreign Investment

Over 90% of Libya is desert, does not produce much in the way of agricultural products, and thus relies on its large reserves of oil and natural gas which make up 65% of GDP and 80% of government revenues. As is the situation in most countries which have experienced war, Libya's economy suffered heavily following the outbreak of hostilities. Even before last year's civil war, Libya's hydrocarbons industry never realized its full potential largely due to international sanctions that resulted in the lack of foreign direct investment. This resulted in poor maintenance of infrastructure and shortage of modern technology. During the revolution oil fields, refineries and terminals were extensively damaged.

According to an International Monetary Fund report of January 2012, there are several crucial aspects to restoring Libya's economy and hydrocarbon

production is critical to these efforts. However, production will depend largely on the security situation and thus poses the greatest risk to economic growth. The severe negative consequences of the revolution run through every facet of the Libyan economy, all starting with the hydrocarbon industry. During last year's conflict, hydrocarbon output as part of GDP contracted by 71% and non-hydrocarbon output as part of GDP declined 50%. This has rippled through the economy, the resulting loss of income reduced the current account balance and budget revenues. This in effect has severely strained the financial sector, negatively impacting monetary policy and commercial banks. In turn, credit to the private sector has sharply declined and the assets of commercial banks deteriorated.

Currently, oil production is over half of pre-revolution levels and is expected to reach pre-conflict levels by 2014, in addition to the non-hydrocarbon restoration driven by the reconstruction efforts. In the short term, Libya must pursue strict budget discipline and resuscitate the banking industry. The lifting of sanctions on 16 December 2011, due in large part to the diplomacy of Mahmoud Jabril, has allowed Libya's central bank (CBL) to support exchange rates. The medium term, however, must focus on rebuilding infrastructure, aim to reduce dependence on the hydrocarbon industry and instead promote a governing system that is supportive of a private sector, job creation and inclusive growth.

In sum, the IMF mission to Libya encouraged continued collaboration between authorities and the mission, particularly in the realms of fiscal policy and technical assistance to the CBL vis-à-vis modernizing statistical databases and transparency. Particular notice was given to Islamic banking, urging authorities to proceed carefully and to ensure that the appropriate legislative and accounting principles were transparent. The mission even offered assistance on drafting the necessary legislation.

Libya's oil industry and the geopolitical ramifications at stake

While Libya maintains the largest oil reserves in Africa it has not been vital to the global energy supply, accounting for only 2% of world output. However, the high quality of Libyan oil makes up 10-15% of global demand for this type of oil. Moreover, the close proximity to Europe and low production cost enhances its value, suggesting Libya has been operating far below its potential. Massive foreign investment will be needed in order to restore the oil industry and it has been noted to avoid the complications that arose during the transition in Iraq. Legal obstacles and oil companies fighting for deals with the new administration, in addition to old contracts and terms for new ones are bound to complicate things. However a few countries and companies are already ahead of the game.

Italy's ENI has enjoyed close business relationships in Libya since 1959 and is Libya's biggest foreign investor, claiming to invest $25 billion over the next decade. This was before the war broke out, however. Moreover, Russia's close relationship with ENI suggests Russian companies stand to gain access to Libya's oil fields. Arabian Gulf Oil Company maintains a grasp on the Eastern oil fields, while Spain's Repsol currently has access to fields in the Sahara desert in the Fezzan province along with ENI. The fields in the Fezzan province could add significantly to national production, but this will depend heavily on the security of the region. Due to its vast landscape this area is very difficult to police. As of 27 March 2012, clashes between militias broke out in the city of Sabha, leaving more than 30 dead. Finally, France and Britain are hoping to gain favor due to the role they played in the NATO effort. Currently, France has access to offshore fields and BP was expecting to invest $1 billion in exploration until the war broke out. According to Shakri Ghanem, former Iraqi oil minister, Libya's National Oil Corporation (NOC) has pursued a policy of open bidding which is completely transparent, which will add some stability with regards to contracts. However, there are talks of division within the NOC adding to the many other unknown variables.

5. EGYPT

Key points:

- *The election of a new Parliament and soon of a new president are positive signs of a renewed political environment in Egypt, result of last year's protests and the end of long-standing authoritarian rule.*
- *Egypt is not only facing political change after the ousting of Hosni Mubarak but also an unresolved economic crisis that represents yet another challenge for the Islamist factions that have won in Parliament.*
- *The unprecedented electoral victory of the Muslim Brotherhood and of the Al-Nour party is overshadowed by the still resilient military elite, likely to be present on the Egyptian political scene in the near future.*
- *The elections of the president in May and June are likely to give a clearer image of how Egypt will evolve after the Arab Spring.*

Egypt's Islamic state on the horizon

What will Egypt look like a year from now? Will it end up embracing a hard-line Islamist direction in the administration of political power? Clearly, a new era has opened for Egyptians, hopeful but fearful that the results of recent elections will not be enough for their country to finally depart from a burdened past.

Egypt is once again in the headlines. The results of the first, allegedly, free elections after the ousting of Hosni Mubarak as the Egyptian president are causing widespread concern, especially in the West, about the country's process towards democratization. Many fear that the legacy of the former political establishment will haunt the country for many years to come. Egyptians have been denied any aspect of a wealthy social and political life and are now concerned about the fruits of their courageous actions and the new seeds last year's events have implanted.

For the first time in decades the population has voted with no restrictions whatsoever, but the fact that Islamists are set to draft a new constitution that might end up creating an Islamic state is causing high levels of apprehension. This is particularly true if we consider that the more secular parties have been marginalized by the Egyptian electorate.

The Freedom and Justice Party (FJP), the political grouping of the Muslim Brotherhood, won 235 out of 503 seats (47.2%), followed by the 121 seats of the al-Nour Party (24.3%), the ultra-conservative Salafist party. The New Wafd Party and the Egyptian bloc, both representing more secular positions, were only able to get 38 and 34 seats respectively. The overwhelming victory of Islamists has caused mixed feelings about these epochal elections, particularly among Western spectators, but especially in terms of wider implications for the Arab world. Indeed, Egypt has always been regarded as a leading Arab state and a potent cultural force with high resonance in the region. However, the country's dominance began to subside in the 1970s, when then president Anwar Sadat refused in toto Arab nationalism and Nasserism and transformed Egypt into a largely pro-Western regime.

Are we ready for 'alternative forms of democracy'?

Egypt a year after the uprisings ponders its political options and looks at neighbouring states that have embraced Islamist parties in the government lines.

Many commentators interpret the electoral results as a failure of Tahrir Square's uprisings and the missed chance for a real democratic transition of Egyptian structures of power. In this regard, Tunisia and Morocco are concrete examples of how the adjectives 'moderate' and 'Islamic' are not antithetic. Movements like the Muslim Brotherhood are to be part (and some already are) of the political scenarios of many North African countries and should be given the chance to show what they are capable of. In Turkey, for example, the AKP has risen to power (2002) and has ever since been involved in the

amelioration of Turkish society. Further, Tunisia should be seen as a role model in the transition towards democracy. The presence of a small but uniform society, of a modern educational structure, of a well-developed middle class and economy, together with a moderate interpretation of the percepts of Islam and a military kept out of politics are all dimensions that make one hope for success in the country.

Institutions of the ancien regime resilient

Egypt's problem today is not the unprecedented victory of the Muslim Brotherhood or of the al-Nour party or their Islamic morals, which in the case of the first have been largely exaggerated. The future of the country will depend on how the new ruling elite, whichever it is going to be, will handle the inheritance of the Mubarak regime which left Egypt profoundly weak in terms of institutional strength, rooted in corruption, and mired in economic depression and social inequalities.

What protesters have called for is a clear and transparent pathway towards democracy, against the superficial and fake façade of military regimes that have ruled Egypt for sixty years. What the demonstrations of January-February 2011 have led to is the end of the diffused public political apathy which has enslaved Egyptians for decades. The people now feel that their vote counts and they are coming to the conclusion that the real challenge is not tearing down an authoritarian regime, rather building a new political machinery from scratch. Citizens' participation in political life and the subsiding of the military establishment should foster the rise of new politically relevant actors prepared to engage in the reconstruction of a nation and refusing any type of marginalization.

The structures characteristic of the old regime, however, are still intact. In order to guarantee Egypt's successful exodus from its past, the traditional bureaucratic edifice and the military elite need to be eradicated once and for all. Codifying and creating new laws will not be enough: what Egypt needs is to reinvent itself from the beginning and to distance itself from those unwritten norms which are rooted in longstanding illegal or silenced practices.

It seems unlikely that the country will rely on a single-party system; instead a coalition of different political groups would be expected to rule the country to guarantee an efficient system of checks and balances that would avoid the return of an authoritarian figure. The risk obviously comes from the different interpretations of how the country should be ruled, what the relationship between the citizen and its representatives should be, and especially how relevant and significant Islam will be in Egyptian society.

The veterans of Egypt's political scene I: the Muslim Brothers

The Muslim Brotherhood, the al-Nour Party and the army (which is nominally ruling the country until the presidential elections take place in May-June) are the actors causing a great matter of concern for Western spectators and Egyptian secular groups in the context of a renewed state.

Founded by Hassan al-Banna in 1928 and later inspired by the preaching of Sayyid Qutb, the Muslim Brotherhood has been since its inception a model to be emulated by many other groups in the Arab world with Islamic backgrounds and roots. While initially fighting against colonial rule and Western imperialism, in the 1980s the movement consolidated its role in domestic Egyptian politics by searching for alliances with mainstream political parties. Between 2000 and 2005, the Muslim Brotherhood has been able to achieve electoral success (almost 20% of the seats in the People's Assembly), at least until recently, forcing former president Mubarak to suppress any sort of political group or political opposition having religious backgrounds.

While living clandestinely, the movement has worked on its hierarchy, its reach and has emphasized its choice to abandon the use of violence to achieve political aims. As of today, the Muslim Brotherhood represents the best structured and organized political force in Egypt. The reasons for this 'success' are simple: because it was banished from the public scene by the Mubarak regime, the movement focused on the grassroots of Egyptian society, that is, it addressed those grievances which were blatantly ignored by the ruling elite. Especially during the 1980s and 1990s, the movement focused on the recruitment of young

sections of Egyptian society that were neglected and unrepresented by the central government. It follows that in the eyes of many Egyptians the Brotherhood is a bright option, a progressive force that has worked underground to offer Egypt an alternative to military rule or to the appetite of yet another authoritarian leader.

In the context of last year's uprisings, the Muslim Brothers have smartly chosen to back the protesters but not to take any active role in the demonstrations. They have tried to abstain from fomenting the activists in order to portray themselves as a moderate political force, and in order to enhance their credibility as a group refraining from violence and ready to engage into the reconstruction of the nation. The choice of keeping a low-profile during last year's demonstrations was based on the unwillingness to instrumentalize people's demands for political gain or to inscribe the uprisings in religious demagogies. The FJP has, indeed, presented a truly audacious electoral campaign, founded on the principles of liberty and equality, which every Muslim should respect. Further, it proposed policies to ameliorate public security and address the high-priority economic problems of the country. It promised to handle the disastrous social situation of Egyptians, to remove once and for all the imbalance in the structures of wages, and many other relevant issues.

The Brotherhood is thus displaying a moderate outlook by putting the religious agenda aside in favor of public policy and by trying to translate protesters' demands into viable reforms for the country. The risk is, however, that once a government is formed, the Muslim Brotherhood will forgo the role of a reforming and moderate force and instead establish a hostile theocracy. However, whichever the future of Egypt will be, it is essential to engage in dialogue with the FJP, which, as already mentioned, is at the moment the most structured political party in the country. Further, it is unlikely that the Brotherhood would risk losing its hard-earned position in Egyptian politics by enforcing a hard-line interpretation of Sharia. Having worked on its moderation for more than 30 years and having guaranteed a stable and strong base of support, it is improbable that the group will endanger its position.

The Salafist dream of theocracy sparks fear

The unprecedented results garnered by the ultraconservative al-Nour party, which was established in the wake of last year's protests, have raised eyebrows. Shock came especially from Coptic Christians, the liberals, and young protesters, who criticized the group for trying to boycott the uprisings since the beginning.

In its electoral programme, the group has called for the return to the original precepts of the Koran and Islamic ethics, through a strict interpretation of Sharia. The result would be the creation of a theocratic state in Egypt. This eventuality overshadows fear about the Muslim Brothers ascending to power. Compared to the FJP, the al-Nour party lacks an internal solid structure and is taking a chance in hopes of transforming the country to a theocracy.

Indeed, the issue of the role of Islam in the Egyptian constitution is bound to cause collision between the two political parties, and divisions on the matter might favor a third party: the military establishment. Clashes over who is to write the constitution have been already reported this month. At the center of intense debate was the extent of how religiously conservative the new Egypt should be and who will be part of the 100-member commission drafting the document. The al-Nour party would opt for a constitution based solely on Islamic precepts and, according to a party representative, it should not allow any Christians or women to run for presidency.

The veterans of Egypt's political scene II: the military

On 11 February 2011, the Supreme Council of Armed Forces (SCAF) assumed control of the country while promising to relinquish power when a civilian government is elected between May and June this year. During the mass street protests in Tahrir Square against Hosni Mubarak's rule, the Egyptian generals initially backed the president but appeared to reduce their support by the time demonstrations confronted the presidential guard. In reality, the honeymoon between the military and Mubarak was over long before the protests. A divide was created years ago when the president decided to nurture 'strategic friendships' with Egyptian business tycoons and favor them economically over the military. Some experts have argued that the Egyptian generals used last

year's insurrection not as an attempt to oust the regime itself, but rather to re-establish their dominance in Egyptian society. Evidence to support these assertions is provided by the fact that the SCAF has only recently set a date for presidential elections and that the head of the Council, Mr. Mansour Hassan, has announced he will join the presidential race. The possibility of a strong presidency in Egypt represents a chance for the military to perpetuate its privileges.

The SCAF, for its part, may be actually interested in preserving its economic interests in the country rather than simply holding on to power for power's sake. While it is likely that the generals would demand impunity from any civilian government which they helped to power, it is unlikely that they have ever had a penchant for the burden of day-to-day political life.

Egypt's new plurality: towards more inclusive politics

The army and the Brotherhood are linked through an unofficial relationship which has nothing to do with the shared desire for democracy or a truthful ideological affiliation. Contrarily, the military would like to exploit the Brotherhood's base of public support and its ability to reassure the masses. In the long-term, however, the Muslim Brotherhood could endanger the generals' position and influence over Egyptian politics by gaining full political credibility. On the other hand, the generals would try to discredit the Brotherhood by playing the Islamist or terrorist card, should it try to marginalize the army from the political scene.

Despite skepticism about a smooth transition of power, the SCAF is expected to end its interim role in July. Recent tensions during a football match in Port Said have highlighted the heightened security situation of the country, though this and other events have not influenced voters' turnout for the elections of the lower house of the parliament (almost 62%). However, electoral results for the upper house of parliament, the Shura Council, have been enthusiastic (7.2%).

The outcomes of both the legislative and presidential elections, together with the army's expected withdrawal from power, will thus begin to provide us with a clearer image of what Egypt will look like in the near future. The result might be a country sunk in Islamism or a power-sharing coalition. In any case, the FJP will probably try to reinforce its position and be increasingly active on the decision-making scene. Whichever the result, it is important to highlight the augmented level of political participation of Egyptians who are not willing to give up what they have so forcefully achieved with last year's demonstrations.

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