

Arab Leaders and Western Countries

Swapping Democracy for Business Interests

At a time witnessing the collapse of Arab regimes, beginning with Tunisia and Egypt, and with events currently unfolding in Yemen and Libya, an unprecedented shake-up in Jordan demanding a return to constitutional monarchy, demands by the Lebanese to abandon the confessional political system, as well as calls by Palestinians

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to end the existing political rift; important issues come into question. What is the West's (the United States and Europe) position on these shifts, whose core demands are undeniably democratic? How do these changes relate to the trade and business relations and shared interests of countries under corrupt authoritarian regimes on one hand, and the United States and Europe on the other?

Until recently, Arab regimes have boasted good relations with Brussels and Washington. Political and human rights dimensions were quasi absent from joint agendas: at best, they were alluded to in press statements and reports about the Arab countries. However, far from being core issues, political pluralism and increasing participation were often relegated to the background, while commercial interests

and investment opportunities dominated and shaped relations.

Relations until the Recent Past

There are three ways to build economic relations between countries. The most obvious are trade and investment relations, which amount to the size of import and export dealings between the countries involved, and which essentially encompass the service sector: financial transactions, tourism, insurance, transportation, and others. For most countries of the Mediterranean basin, the service sector represents the largest percentage of the gross domestic product.

The second dimension comprises direct investments: The period from 2002 to 2008 witnessed a sharp increase in the size of direct foreign investments flowing into Arab countries – with Egypt and Tunisia topping the list of countries receiving most foreign capital, whether from oil rich Arab countries, or from Western markets investors. These direct investments contribute to developing shared interests between the parties concerned.

The third dimension involves employment and its restrictions, largely due to Europe's concern with stemming the flow of immigration through its borders. That challenge has shaped much of Europe's economic and foreign policies. It's therefore not surprising to see Libyan leader Gaddafi threatening Europe with unprecedented waves of immigration, should his regime fall. Whether accurate or not, Gaddafi's threats implicitly remind Europe of the services he has rendered. Indeed, despite Gaddafi's widely known suppression of his people, efforts have never ceased to bring Libya into the fold of

the Euro-Mediterranean partnership. No issue was made of the trade relations between Libya and Italy, or Gaddafi's association with Italian Prime Minister Berlusconi. These relationships garnered little media attention; as long as trade ran smoothly between the two countries, and investment deals were signed, political and democratic issues remained low on the list of priorities.

Rarely discussed, because they are harder to ascertain, are the bilateral deals between businessmen of the two regions, which have a direct effect on policy-making. Within this context, one can point to arms deals between the United States, Europe and oil rich countries, with the clamor that usually accompanies them about commissions and lack of transparency. For example, the deal that secured the release of Abdel-Baset al-Megrahi, the convicted Lockerbie bomber, and the promises that Gaddafi appears to have made to then-Prime Minister Tony Blair, clearly indicate that principles upheld in public are forsaken behind closed doors. To this day, it is still unclear how that agreement was reached, but it is expected that businessmen and politicians on both

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sides sealed a parallel deal, which guaranteed important shares for British companies in new and yet untapped oil fields in Libya.

This, of course, is not limited to Libya. The collapse of Zine el-Abidine Ben Ali's regime revealed the extent of trade, investment, and personal relationships between members of the French ruling elite and Tunisia's deposed government. The size and degree of Ben Ali's corruption were clear to the man and woman on the street in Tunisia. The former president along with his wife, and people in their orbit had

treated the country as their private enterprise. This went on while attestations of good behavior were heaped upon the country by international financial institutions. Despite Tunisia being characterized by rampant corruption and suppression of liberties, financial aid and investments kept flowing in. The authoritarian system of governance was thus cemented, and was even marketed to other countries as an undisputable way to increase exports and economic growth. As a result, 50% of Tunisian exports went to European markets, and the country attracted a large number of European investment companies.

The same scene played itself out in Morocco. In cooperation with a number of European countries, Tangier's famous port was expanded into one of the world's largest shipping complexes, for a cost exceeding US\$1 billion. This happened despite alarming figures on the indicators of income distribution, poverty levels, and unemployment. In a scenario also replicated across a number of other countries, businessmen working hand in glove with the authorities dominate economic capabilities. The country and its different apparatuses are held hostage by the interests of businessmen who have bent the legal system and laws to their personal advantage and that of their partners and allies. Again, this was a secret to no one: The United States' free trade agreement with Morocco held no political or social conditions, but focused solely on the expected size of trade exchanges. The United States also signed an agreement with Jordan under similar terms.

A free trade agreement has also been signed between Bahrain and the United States – despite many observers' awareness of the precarious political condition in Bahrain, which lacks even the most basic elements of justice. However this issue was not enough to prevent the deal from being concluded.

In Egypt, which two years ago celebrated being ranked first on the indicator for improving investment climates, an award conferred by the International Financial Corporation (IFC) and the World Bank based on their Doing Business

Report. At the time, no one mentioned high unemployment rates, income disparity, or the new slum neighborhoods sprouting at the periphery of Cairo. The rampant corruption raised no eyebrows. The path to investment was sacred. Trade and aid flowed, in an equation that was clearly unsustainable yet the few who warned of an impending crisis were eyed suspiciously. They were discredited on the basis that they did not show 'objectivity' in their reading and analysis of economic indicators.

As a general rule, Western countries do not support initiatives aiming at improving transparency and accountability in public spending. According to the Open Budget Initiative indicator,¹ oil rich countries were the

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least forthcoming in disclosing details of their national budgets, with most Arab countries ranking in the bottom half of the list. But despite that, no pressure to reform was exerted. On the contrary, the West showed, and still does, unjustifiable tolerance towards the conditions of instability in these countries; instead, the commercial relations (which are the easiest to measure) show steady growth.

One should not forget the financial aid provided to Arab countries as well. Whether the aid is meant in support of the national budget, of military and security establishments, or of certain commodities, it proves conducive to preserving the authoritarian political regimes, and their various establishments.

International financing organizations such as the International Monetary Fund and the World Bank advocate many of the policies that have led to the economic explosion in the countries, thus to some extent, these organizations are (indirectly) responsible for the current crisis

and late awakening in the Middle East though this was not their intention.

Late Awakening

The talk about corruption in Tunisia, and the bad state of the economy and social affairs, as well as the high rates of unemployment coincided with the collapse of ousted president Ben Ali. And so it was, with the talk of freezing the financial assets of deposed Egyptian president Mubarak and his family. As for Gaddafi, assets from his American-based investments valued at US\$30 billion have already been blocked in the United States, along with €10 million in the United Kingdom, and €1 million in Austria. As the crisis progresses, we learn that Gaddafi's investments in Swiss gas stations exceed US\$1 billion. And the reports are still piling up about the fortunes of rulers who have been overthrown, and others who are currently facing real problems with their people.

Let's consider the commercial relationships between the West and Arab countries with bad human rights records. Most oil rich countries invest their oil revenue in American Treasury bonds, or across Europe. As a result, much is tolerated and overlooked provided the Arab leaders endorse the West's policies in the region. With the exception of Iran, on which harsh sanctions have been imposed, there is no Arab country under financial or economic blockade. On the contrary, there is a race from the West to sign deals and contracts whether in Libya or Saudi Arabia. In other words, the connection between democracy, improving public spending transparency, enhancing good governance, foreign aid, and investment became relevant only when spotted by the media, or when used to discredit and weaken governments or leaders. Thus, there is no real justification for the late awakening of the West and its attempts to display a more ethical side in its dealings with Arab regimes.

Legitimate Questions

The Arab street often wonders about the West's constant support of these dictatorships. Is the

¹ <http://internationalbudget.org/what-we-do/open-budget-survey>

West unaware of the deposed presidents' assets and investments? Is the West not aware of their failed records in achieving development, or promoting human rights? In reality, it is not difficult to figure out that business interests are the main motivators of the relationship linking the West to the dictatorial regimes. While it is

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important to comprehend decision-making processes in the West, under one-party-rule, such as in Tunisia and Egypt, these processes seem simple enough. The alliance between businessmen and politicians, working in absence of real mechanisms of regulation and control, has been evident in the three cases of Tunisia, Libya and Egypt.

In Egypt, one-time secretary general of the former ruling party, Ahmad Ezz, is a businessman with extensive contacts inside and outside the country. A steel and iron tycoon, he often circumvented competition laws to preserve his monopoly. Ezz signed deals with his partners under the care and auspices of the government, as well as the financiers of 'development'. This calls into question the validity of aid programs, which end up propping up a small number of businessmen in countries whose growing social tensions are not being acknowledged.


In Tunisia, the situation went beyond corruption and insuring joint agreements. Tunisia was almost considered an exportable model: under authoritarian rule, it had still achieved high growth rates in its gross domestic product. The results were highly praised, but no attention was given to the narrowing of liberties, the political marginalization of some regions and sections of society.

The paradox is that the indicators were well within observers' view; many academics had elaborately discussed how aid programs contribute to keeping authoritarian leaders in power. The equation that was in place clearly privileged the alliance of politicians and businessmen, and had none of the intended effect on other sections of society.

Absent from the scene is another party – not Western governments, but Western businessmen, who actively behind the scene lobby and pressure their governments to advance development programs, and to facilitate trade exchanges and the flow of capital.

This explains the influx of almost US\$70 billion to a number of Arab countries in 2009, with trade exchanges clearly tipping in favor of Europe – except in the case of oil.

One cannot discount oil and petroleum investments as main factors in shaping relationships between Western governments and Arab regimes. In Algeria, Europe's principal provider of liquefied natural gas, the state of emergency imposed since the beginning of the 1990s was only lifted in the past few weeks. This was not the result of pressure by Western countries, but of the domestic pressure inspired by regional developments. Despite the Algerian military's control of the principal economic arteries, and widespread corruption across the country, Western governments' calls to reform were timid. The same scene can be observed in Saudi-Arabia, a strategic ally of the United States. Seldom do we here hear demands addressed to the Saudi rulers to implement reforms in the areas of political and women's rights. And although women's rights are an issue Western governments and agencies have actively been paying lip-service to when it comes to the region as a whole. It is a good example of the double standards, which call for democracy and pluralism on one hand, but ignore what occurs in countries where the West has vested interests.



It appears that the West does not intend to draw lessons from the events that took place in Tunisia and Egypt. The lesson should be that business interests must not replace relationships that are based on shared interests and devoid of corruption and repressive political control. The current crisis has clearly delineated the limitations of the alternative. In order to regain credibility, basic principles such

as political pluralism and human and women's rights must be prioritized over commercial interests. These have too long dominated the relations between the West with Arab rulers and their agents, at the expense of the people in whose name everything is done.

Translation from Arabic by Joumana Seikaly.