EUROPEAN ECONOMIC CRISIS 
AND ITS INFLUENCE 
ON THE ARAB SPRING

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Abstract
The paper presents some problems associated with the European economic crisis and its influence on the Arab Spring. It commences with the thesis that the European financial crisis has reached its global dimensions that are going beyond the Europe geographical borders. Europe is the Arab countries’ first trade partner so the weakness of European countries’ economy and a decreasing demand are reflected negatively in the Arab countries economies. The article analyses the reasons for the Arab Spring and its impact on the economies of particular Arabic countries. The article presents also some recommendations to overcome the results of the crisis.

Key words: economic crisis, Arab Spring.

1. Introduction
The European financial crisis has reached its global dimensions that are going beyond the geographical borders of Europe. It does not matter whether it is about the economy of the developed or developing countries; this crisis spreads anxiety about the fate and the world’s economy future. The European financial crisis is more complex. It touches not only the problem of a budget deficit or increase of indebtedness, but it also delves deeply. The lack of financial balance is only a result of the crisis and not necessarily its etiology (Verdier-Chouchane et al. 2011). That is why it is necessary to take into consideration the primary reasons that caused such an imbalance.
The world’s economy suffers from two simultaneous and negative results. The first one – the rate of the developed countries’ economies development is extremely weak and slowed down. The second is based on the increased uncertainty about the future financial situation (PAP 2011).

A kind of a controversy on the existence of two types of risk connected with the global economy is being created. The first anxiety is caused by the indebtedness crisis in the euro zone. The politicians’ obligation is to undertake quick actions in order to keep trust to the federal policy in the euro zone. The second anxiety is caused by the risk of the increased negative feedback of economic changes that can follow the ones from the United States of America. This, in turn, can cause the increase of pressure on financial institutions, especially in developed economies.

At the end of 2010 when the world was rising up out of the crisis, the series of revolutions in the Arabic countries, among others, in Egypt, Tunisia, Libya or Syria started. As a result, the price of oil increased rapidly – from 91,58$ per a barrel on 17 December 2010 when the wave of protests began to 126,86$ per a barrel on 8 April 2011.\(^1\)

Economic and social freedom mirrored the political situation that was contaminated by many shortcomings (Khour 2011) that led to rapid reactions of the Arab governments and in consequence to rebellions. All of these started to be called the Arab Spring.

The objective of the chapter is to present the influence of the European crisis on the political, social and economic spheres of African countries involved in the Arab Spring.

2. Arab Spring – the gist

The reason for protests and armed conflicts was the citizens’ dissatisfaction with the living conditions, unemployment, growing food prices as well as corruption, authorities’ nepotism and restricting civil liberties by autocratic regimes. Although the size and consequences of “the Arab Spring” have surprised the international community, the rebels, uprisings and mass protests are not a new phenomenon in the Arab – Muslim world. What is worth mentioning are: the protests in connection with the increase of food prices in 1997 in Egypt, Islamic revolution in Iran in 1979, the massacre in Syrian Hama in 1982, the protests in Jordan, Sudan and Algeria at the end of the 80’s of 20\(^{th}\) century, the Shiite uprising in Iraq in 1991, civil war in Algeria, the rebels of the Houthich tribe in Yemen, civil war in Sudan from the beginning of the 80’s of 20\(^{th}\) century, the civil war in Lebanon between 1976-1989 or finally Palestinian intifada. Many factors often ignored or unnoticed by

\(^{1}\) At present this product prices stay on the level of 105-110 $ per one barrel.
the West, largely thanks to the activities of dictators creating the image of regimes as stable, moderate, modern and, first of all, fighting the terrorism, influenced the processes leading to social protests or revolutions.

3. Correlations of the European Union and the Arabic countries in the crisis period

It is necessary to identify the nature of the results caused by the crisis for the Arab countries economies. In the beginning it should be underlined that Europe is the Arab countries first trade partner which means that the trade between the Arab countries and Europe constitutes the largest proportion of the Arab international trade, so the weakness of the European countries economy and decreasing demand are reflected negatively in Arab countries economies. Europe has asked the Arabic region Petroleum, which has provided the stable source of income for many Arab countries in the form of lower oil prices. It should not be forgotten that the Arab countries in the North Africa export 60-80% of oil to European contractors. For instance, the decrease of the export level in 2009 equaled 25% in Tunisia but in Egypt only 15%. Revenues important in creating the GDP obtained from tourism also decreased. In Tunisia the tourism is responsible for 6.5% of GDP and it provides work directly or indirectly to one in five Tunisian but in Egypt it gives only 10% of GDP (Strzępka 2013). Also the rapid drop in monetary transfers that play the role of “the realistic network of social security” has influenced the ability of the Arab countries societies involved in the Arab Spring to consume. The economic shock occurred after the significant increase of the world food prices (effect of droughts in some countries) and it ruled waiting for the conditions improvement. The shock also shook the neoliberal economic model that was present in the Arab countries.

Next to the decrease of export, revenues from tourism and money transfers, the foreign investments play important role. In the crisis period the Arab investments in Europe and the European ones in the Arab countries have been reduced in large extent, especially in Maghrebu countries. Because of the financial crisis, European investments have decreased to about 30% of the total investments in comparison to the global percentage constituting more than 55% at the end of 2007 before the world financial crisis. The crisis effects were also significant for the countries of the Persian Gulf in the global financial world. The financial surplus shrank and the financial liquidity in the bank sector was run out through foreign financial flows.

When the problem of indebtedness of the main institutions, including Dubai Emirates, connected with the real estate market came to light, the Persian Gulf countries had to intervene in order to save their banks. Bahrain, where it was forgotten about international institutions recommendations like: “the priority is to create job vacancies in order to absorb new entities on the labor market taking into account the fact that the increase rate will be low in the future”, was the weakest link. But the total restoration of the balanced development rate in the Persian Gulf countries will be long-lasting, especially taking into consideration the fact that the crisis has revealed some shortcomings of the financial system, for example: “the risk of fast growing credit action (...), dependency on foreign financing and growing assets exposition of only some banks, (...) in order to finance projects and long-term credits”, and additionally, the incompetence of the supervising role of the bank and financial system. As a result of these phenomena, the reduction of the number of European banks in the region of the Arab countries can be observed. Although it does not exclude the number of banks in all world regions shrinkage, this phenomenon has a negative influence on the level of financial transactions as well as on the Arab and European economy.

The future and prosperity of the whole Mediterranean Basin and the European security depend on what activities will be undertaken by the European Union. For many years the West had been supporting the authoritative regimes of the Arab countries against officially held values. Cooperation with dictators was treated as on lesser on of the two evils to the alternative neighborhood with the countries dominated by the Islamic fundamentalists. Dictators were tolerated because they provided security in the region guaranteeing a stable support of raw materials and the control of migrations to the Western countries. The support given to despot was not connected with the society enrichment and the increasing frustration was mirrored in revolutions (organized element of the opposition). However even revolutions give the possibility to reach permanent stabilization as well as the improvement of social and political situation in the countries of the Arab region. This is the European strategic goal that is forced to revise its policy and to overcome fear of the radical groups increased power.

In 2003 George W. Bush – the former USA President – suggested the new platform of regional cooperation in the form of MEFTA – the Middle East Free Trade Area to the Arab world. The main objective of the program

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was to constitute a free trade zone between the Middle East and the USA till 2013 and to support the accession of the region countries to WTO. At the same time, in the framework of the Initiative of the Middle East Partnership that was founded in 2002, the Americans were involved in the regional project of improving the living standards of the Arabic countries societies through activities in four different platforms: political, economic, educational and women platform.

In 1995 The European Union suggested a similar solution for the Middle East when during the Barcelona Conference the Mediterranean Partnership of eight countries of Algeria, Egypt, Jordan, Libyan, Morocco, Syria, Tunisia and Palestinian Autonomy was founded. The cooperation in the framework of this forum had to consist of three sectors:

– political partnership in the scope of security,
– economy and finance,
– social, cultural and humanitarian partnership.

The final effect of the economic cooperation between the European Union and the Middle East was to be the foundation of the Euro-Mediterranean Zone of Free Trade (EU-MEFTA) till 2010. Before that, in 2004, four countries of the region: Jordan, Egypt, Tunisia and Morocco – on the basis of the Agadir Agreement – established the free trade zone that was considered as the important step towards the Barcelona process realization7.

The Arab Countries League (LPA) announced the cooperation with the European Union in the field of democratic values development in the Arab countries – one of the most important arrangements that were made during the 2nd Ministry Submit of the EU – LPA on 13 November 2012 in Cairo. The promotion and security of inalienable human rights in the Arab world, including religious, ethnic and cultural freedom, were discussed during the Submit. The participants unanimously agreed that the role of both the civil society and the free media are crucial in establishing bases for democracy and creating the state under the rule of law. They also ascertained that establishing peace in the Middle East is the necessary condition of keeping peace in the region and in the world. Removing barriers that preclude the renewal of direct negotiations between Israel and Palestinian Autonomy on the basis of the existence of two independent countries was also discussed by them. In Cairo the Syria authorities were called to stop the violation immediately, all fighting parties to stop spilling blood and to respect human rights8.

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7 http://www.aljazeera.net (accessed 14 January 2011)
4. Crisis effects for the Arab countries

The economic situation in Europe has a significant meaning for revenues in some of the Arab countries that export people to work⁹. Employment of workers from the Arab countries in Europe and money transfers to their families and countries have been decreased as a consequence of the financial crisis that has not caused the employment rate reduction in the Arab countries such as: Tunisia, Morocco (about 90% of the oversee transfers come from Europe). There is no doubt that the European financial crisis touched also the level of financial assistance provided by the European Community for some of the Arab countries, especially those that are passing through political transformations leading to the increase of financial needs. These countries count on the revenues coming from tourism and investments of other countries as well as achieving the social justice (help to the poor society segments). It should be mentioned here that European countries have ensured that they will maintain the future stability in the Arab countries that deal with political changes as well as they expressed their readiness to deliver financial assistance. It concerns especially the Deauville Partnership – the G8 Summit devoted, among others, to the problem of the financial situation in the region of the Middle East. The countries that participated in the Summit ensured that they wanted to help the Arab countries that had been affected by the crisis. Though positive intentions, the countries are not able to meet expectations. At the beginning of this project, the participants of the G8 Summit ensured their readiness to provide assistance to the Arabic countries that were involved in the Arab Spring in the amount of 25 billion USD. Later in September 2011 during the meeting in Marseille, the amount was increased to 38 billion USD what additionally raised expectations of the Arab Spring countries. Hence after some time, the promises were confined; the Arab countries have not been delivered any support. This situation caused that the Deauville Partnership importance was questioned. It caused the increase of frustrations and disappointments among the Arab countries that have not received any help in the circumstances where this help was needed mostly. The results of the European financial crisis and restraining political movements towards The Arab Spring countries cause the negative reactions towards the economic European and Arab needs¹⁰. The interested parties must pay bigger attention to their expected role in order to improve relations. It can cause the creation of adequate layers of support to the amount expressing common interests and huge potential that can be

⁹ http://www.albawaba.com (accessed 16 October 2011)
¹⁰ http://www.saotaliassar.org (accessed 7 March 2011)
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applied in both economies: European and Arab. There are two common interests between Europe and the Arab world that explain that the prosperity of the European economy as well as the worsening of the European economy have an enormous influence on other economies.

The revenues form the Sues Canal exploitation (more than 1,8 billion USD) as well as tourism are important sources of foreign currencies for Egypt. Thanks to the inflow of the foreign exchange, the new process of graduate distancing from the economy centralized model has been initiated.

The private sector development is observed. Since 1991 the introduction of the market economy elements according to the regulations of the International Monetary Fund has occurred. A large food import and the subsidization of industrial products by the state led to a deepening deficit of the international trade (Zając 2008: 391).

Washington is no longer able to provide stability and democracy in the Mediterranean and the Middle East. Therefore, there is an urgent need to establish a Euro-Mediterranean Energy Community – often only potential energy that is difficult to obtain without the financial and technical support from Europe. It will be referred to as the community of interests – as was the case in the former coal and steel community. In fact, you can see strong political ambitions: to substitute the hegemonic model for a parity model and make the associated countries to make specific commitments to democracy, and their fulfillments would be supervised by the joint parliamentary assembly. Substituting or supplementing the U.S. influence in the Mediterranean means taking note that the American model is not working. It was aimed at exporting democracy through war, creating unstable countries and strengthening authoritarian regimes. For many years democracies (including Israel) supported fundamentalists - the Taliban against the Soviet Union, Hamas against the Palestinian Liberation Organization (PLO) - and now they deliberately ignore one of the main sources of the contemporary crisis, that is Saudi Arabia, financing Salafi parties, threatening the fragile, newly born Arab democracies.

Some believe that as a result of the victory of the Arab Spring revolution, the political, economic and social crises will be resolved, and unemployment will decline sharply. The revenue which citizens attain by increasing the subsidized features (providing non-repayable financial assistance) of real growth will exceed five per cent, inflation will decrease, and human rights will be respected in accordance with international standards regulated in treaties and conventions – according to the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, which will ensure cultural and economic development (Zając 2008: 392).
The Arab Spring countries face significant problems as regards unemployment, low income, a major crisis in the reconstruction and the decrease in revenues in varying degrees across the countries. Jeopolossite reports clearly show that the common uprising in the Arab world would cost about 56 billion USD. The highest share is to Syria, 27.3 billion USD, then Libya – 14.2 billion USD, Egypt – 9.8 billion USD, Tunisia – 2.52 billion USD, Bahrain – 1.1 billion USD and Yemen – 980 million USD. The report also confirms that revenues of oil-producing countries, especially the United Arab Emirates and Kuwait, where they have decreased respectively by 31% and in Saudi Arabia by 25%, will drop.

In the opinion of many analysts, without the regional assistance supporting the Arab countries, the losses will increase and they will not be limited only to the countries where the uprising has taken place, but they will also affect countries that are stable because of the geography and common history. Thus, it is important to take the invitation of the International Union of Arab Bankers seriously, who called for establishing the Arab Fund to support the countries suffering from spring uprisings. The political situation among the Arab regimes should not be a barrier to the creation of this fund\(^{11}\).

The turmoil has affected the growth of unemployment and the continuing crisis. Along with the decline of tourism in Tunisia and Egypt, the situation is not improving. Only in Tunisia in the critical year of 2011, 100,000 people working in the tourism industry lost their job. For the first four months of 2013 there were 16% less visitors than in 2010, according to the information provided by the Tunisian National Tourist Office, mainly Europeans resigned from the trips to this country; a decrease of 8.6% compared to 2012, and as many as 35.6% compared to 2010. The withdrawal of the French, who came to rest on the local beaches in great numbers, is the most severe for the Tunisian economy. The first months of 2013 showed a decrease of arrivals by 22% (Strzępka 2013). The situation looks better in Egypt. In the first four months of 2013 the number of travelers visiting the country increased by 11.8 per cent. In 2012, Egypt was visited by about 11.5 million people. That is more than in the crisis year of 2011, when there were 9.8 million tourists, but still a lot less than before the revolutions. In 2010, 14.7 million people decided to spend their holiday at the Nile. Analysts, however, are skeptical when it comes to a full recovery of the tourism industry to its former greatness (Strzępka 2013).

\(^{11}\) AlJazeera Centrum Studiów (accessed 4 July 20110).
An increase in the number of tourists will depend on improving the image of Egypt among foreigners. And this again is not too good. Overthrowing the Islamist President Mohammed Mursi by the army on the first anniversary of his presidency led to exacerbating the political situation. The country was divided into two camps: supporters and opponents of the overthrown president, and people still die (Stefanicki 2013). As the reports indicate, about 15 million USD is necessary to stop the financial crisis in Egypt.

After long decades of the totalitarian system, which broke human rights and nationalized the national wealth, it is time for talks and to take decisive steps to end the administrative and financial corruption. It caused sharp declines in all economic sectors of the state, thereby consuming a significant portion of public budgets\(^{12}\).

The challenge for the countries affected by rapid political transformation is to cease conflicts in order to provide the necessary financial and political support. This action is partial, but important, and also necessary so that the restoration with the newly formed government, despite the lack of experience, would be possible.

5. **Action plan for the global economy in the future**

One cannot find a magic solution to the effects of the crisis of democracy and sustainable development, after decades of the deepening crisis, which has resulted in poverty, unemployment and the depriving the Arab citizens of the fundamental rights in the countries affected by these events.

These countries have been affected by an inefficient system that failed to fulfill the requirements. With bad infrastructure, unemployment and poverty, the restoration after the structural crisis cannot take place according to the same principles that applied before the triumph of the Spring Revolution. It is necessary to develop methods and new creative perspectives, capable of stimulating a productive citizen and raising the level of confidence in the government in the time of the growing crisis of trust between the citizen and the state\(^{13}\).

The future in the countries of the Arab Spring imposes new economic, political and social demands on Tunisia. Despite the social crisis, it will be able to overcome the obstacle resulting from the origin of the former regime. However, this requires a conscious participation of the society in shaping the future (Dabashi 2012: 12). Some proposals include:

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\(^{13}\) [http://www.arabic.ruvr.ru](http://www.arabic.ruvr.ru) (accessed 15 October 2012)
A conference with the participation of all countries linked with the economic and political events to determine a clear direction of dealing with the crisis and unifying efforts leading to development.

To begin immediately the rehabilitation of other sectors in addition to the stock and oil markets, such as health, education, real estate, sports, to allow the owners of private wealth in the Gulf region to invest in these sectors and to create a real partnership with the private sector.

To float the Government on the stock exchange, as an investor and not as a savior by the influential owners of shares in large companies with strong performance, which will support the country indirectly in the stock market.

To encourage to re- merger in the process of privatization and opportunities of the research acquisition in the banking sector research and of the investment in real estate.

To break the monopoly in the market of real estate and public services for health and sports facilities.

To develop control systems and risk management mechanisms and to standardize work procedures designed to improve the level of auditors and observers in order to increase transparency and corporate governance.

To introduce necessary changes that will help to select qualified people for senior management positions in order to take over control to prevent illegal investments made by some major auditors.

To use the surplus from investments in the Arab markets and from the trade to support infrastructure projects containing funding from the Monetary Fund and the World Bank to decide about the common direction and advice.

To invite the Arab financial institutions and international organizations with the reservation of providing financial assets offering shares in the capital markets and mortgages in order to balance the assets of the real property with the property of individuals and companies, countries and banks in order to prevent speculations (Suleiman 2010: 93-94).

To increase the commitment to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes

To prevent the credit expansion of banks, which is connected with the owners of assets, and regulate it using the available financial instruments.
To discuss the international financial crisis in the Arab universities doing research and put forward a thesis leading to the protection of the Arab economy.

To formulate a common vision of an integrated Arab banking, capital and investment markets.

To reinvestigate the dollar issue as the primary global currency of the global banking, financial and economic system. To convert the costs of the currency system and ask the Arabs to ensure adequate reserves to provide the adequate protection of the Arab currencies and to increase the role of the Arab Monetary Fund in the field of the monetary coordination and the issue of the single currency, while providing the reserve.

To lead to strengthening the independence of the government so that it is able to have sufficient powers to perform its duties and to ensure adequate protection for their employees, observing the laws of Islamic Sharia.

To call the Arab and Muslim countries to begin work on the application of economic systems in the Islamic countries that are alternative to their counterpart western capitalist systems, in accordance with the objectives of building a sustainable and equitable system (MESC 2009: 186-188).

To create an institution that will embrace economic experts, specialists and professors of economics, through continuous seminars preparing a modern economic theory, both global and Islamic, taking into account the nature of the economy in the society.

To create the Arab economic controls by determining indicators, standards and international norms, serving capital markets of the Arab economy and to encourage them to invent solutions based on principles and rules of the Islamic economy, its controls and policies in order to solve the problems that banking faces.

In view of the continuing budget debt crisis in the euro zone and its impact on the countries outside the region, economists warn that it will be a significant obstacle, especially for the countries struggling to gain support in order to stimulate growth and reduce unemployment. Also, Moroccan workers migrating to Spain to earn money are returning to their homeland due to the prevailing crisis there and rising unemployment. The image of Spain is also adversely affected by negative economic forecasts from major international institutions (EC, IMF, ECB), which forecast the decline in the GDP of 1.6% and an increase in unemployment to 27% in 2013 (Ambasada 2012).

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14 http://www.aljazeera.net (accessed 22 May 2012)
What is happening in Europe may hinder the implementation of any reforms in the Arab Spring countries.

Many obstacles and difficulties will be in the way of the world economy development so that it is more productive in 2013, a problem of debt threatening many developed economies will be still present, as well as the problem of inflation, budget deficit and an increase in the unemployment rate, which amounted at more than two hundred million unemployed people in different the countries. At the same time the ability to provide real help has weakened because of the vast differences between rich and poor countries in the world, which have deteriorated as a result of the global financial crisis.

The developing countries are often unable to provide a universal access to clean and affordable energy sources. They are also largely exposed to environmental degradation. The activities of the United Nations Development Programme (UNDP) undertaken in this area are aimed at improving the system of energy management and environmental protection. Environmental problems are global in their nature and therefore, the solutions adopted in the fields of the climate change or the protection of the endangered species must be addressed at a global level. UNDP, in collaboration with the United Nations Environment Programme and the Bank helps the countries improve their capacity to address these challenges at the national, regional and local level by promoting innovative practices and strategies and expanding cooperation between stakeholders15.

The developed countries such as the United States, Japan, most European countries and the countries of sub-Saharan Africa will be affected by the economic and financial crisis more severely and for longer. They will be forced to adopt strict rules of saving. However, by using a number of important demands on a global level it is possible to alleviate experience in this difficult period. And in particular: the application of a flexible monetary policy and improvement of the situation of unstable finances in the economically advanced countries, development of a plan, reduction of the significant inflation and debts of the countries in the short and medium term. However, it is necessary to reduce debt, which is very difficult, but essential in order to achieve the GDP growth as quickly as possible.

In addition, the process of cleaning the banking sector in the capitalist, rich countries should be finished; this is the sector that caused the current global financial crisis. Moreover, key reforms necessary to increase the level of productivity must be completed and it is necessary to balance the global demand in emerging economies, in order to increase the level of trust

people have in their governments, especially as regards social obligations and promises\(^{16}\).

A new, global financial system should be established, independent on the policy followed in the old system, which was one of the main reasons for the onset of the global crisis, the consequences of which the whole world bears. Some of the reform measures in the financial and business area have already made progress, but other aspects of the reforms have not achieved their goals, in particular in the financial and banking systems. A recent study conducted by the International Monetary Fund has shown that the financial system increases capital stock to reasonable levels by raising interest rates on bank loans, which will lead to a higher economic growth and the tax system can reduce the excess risk of operations in the finance sector (Gąsiorowski 2012), confirming that repair costs are excessive.

Changing the quality of the economic development to achieve global growth is crucial for the global economy in the future. However, it should not be perceived as a by-product of globalization. A fiscal policy requires efficiency depending on justice, honesty and the protection of sensitive access to financial services around the world, on the basis of transparency in management and responsibility.

However, the implementation of these decisions requires large economic cooperation at a global level, so that the entities have a clearly defined role, which is not based on competition, but on harmony and cooperation. Nevertheless, the goals will not be achieved without the efforts and participation of politicians and bureaucrats, who are able to adopt these ideas and turn them into decisions and effective action.

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