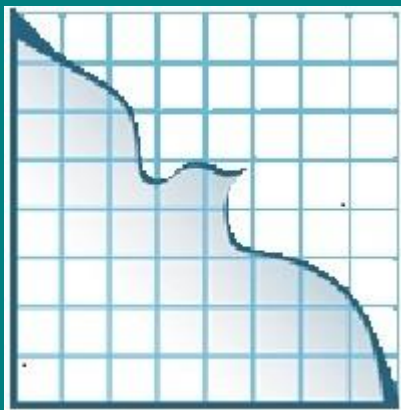


THE ECONOMICS OF PEACE AND SECURITY JOURNAL

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New technology and the U.S. military industrial complex

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Abstract

This article considers what could be a fundamental development in the defense industrial base (DIB) in the U.S., namely the increased involvement of commercial technology companies in military-related business. After an outline of the dynamics and longer-term post-Cold War developments in the international arms industry, it investigates recent changes in the Pentagon's attitudes and policies to gain access to new technologies from the commercial and academic sectors. It also considers the military, technological and political drivers that have led to these technologies being sought from commercial companies for military use. It then considers the recent engagement of the major commercial technology companies in activities for the military sector and what is driving them to take up military contracts. Finally, it considers what these developments imply for the dynamics of the arms industry and the relationships within the DIB and the military industrial complex (MIC).

Since the mid-2010s, there have been developments in defense policy that have aimed to increase the engagement of commercial technology companies in military-related activities. This represents an important change in procurement policy and could have a significant impact on the arms industry, an industry that has already seen considerable change, with the end of the Cold War and changes in the international security environment. It also potentially has profound implications for the relationship between the arms industry, the government and the military.

This article considers the changes that have been taking place and what they might mean for the future, focusing on developments in the U.S.—recognizing that these are often the precursors of change in the international arms industry and that most major commercial technology companies are also American. It asks whether recent developments in defense policy and arms acquisitions mean that the arms industry is undergoing another phase of structural and relational change. The review is based on open-source information, as available in official government reports and data, conference reports, academic literature, and specialist and ordinary news items. Dunne and Sköns (2021) provide a more extensive set of references and more detail.

The next section provides background and context, outlining the main characteristics of the DIB and MIC from Cold War to post-Cold War developments. There is then a consideration of the changing approaches to military technology and the arms procurement system and the drivers behind these changes. There follows a further consideration of the new roles of the commercial technology industry in the military sector, the possible responses of the traditional defense contractors, and their implications. Finally, some conclusions are presented.

Development of the DIB/MIC

During the Cold War, the defense industry took on a particular structure that continues to influence developments now. The national government was the main customer, regulated exports, and determined its size and structure. This monopsonistic structure of the market led to an emphasis on performance rather than cost of the products (high-technology military systems). Risk was borne by government, which often financed R&D and, in some cases, provided investment in capital and infrastructure. Elaborate rules and regulations on contracts were developed to compensate for the absence of any form of competitive market and to assure public accountability. This all meant that close relations developed amongst contractors, the procurement executive, and the military—most notable is the “revolving door”, in which military and civil servants move to defense contractors they had dealings with and staff from defense contractors move into the bureaucracy. These characteristics tended to favor those firms who specialize in defense work, as they knew their way around the red tape, had useful contacts and became experts at negotiating contracts with government. These were different skills to those needed in commercial markets. Firms used strategies such as “buy ins”, where they understated the risk or cost to win initial contracts, with a view to making up the losses later, with the inevitable changes that allowed renegotiation of contracts or additional payments. Defense companies became experts at getting contracts out of government—these skills, along with the structure of the market, meant that there were both barriers to entry and barriers to exit.

This led to the Cold War DIB showing remarkable stability in terms of its composition of main contractors. Monopsony in the defense market also helped to create near-monopolies for certain companies—particularly in smaller countries. Outside of the U.S., there was a prevalence of companies that were national monopolies or close to it. Any competition was going to come from foreign firms, but governments tended to protect national companies, wishing to maintain a national DIB. Much of the work on the MIC sees a negative impact of vested interests as a fairly clear and constant feature of the Cold War. The argument is that in the absence of a “hot war” between the two superpowers to test the strength of the adversary, it was possible to overemphasize and exaggerate threats. Politicians also supported defense contracts that would benefit their voters. These developments then justified high levels of military spending and allowed inefficiencies to develop (Dunne and Sköns, 2010).

Post Cold War, 1990–99, the fall in military spending from its peak had a direct impact on the demand for the products of the DIB and the environment in which it operated—calling into question the ability of even the major countries to maintain a comprehensive domestic defense industrial base. Governments found it harder to justify previous levels of support for the industry and competitive procurement policies aimed at value for money were introduced in a number of countries (Dunne and Sköns, 2010).

In 1999 the trend reversed, turning into strong growth in 2001—particularly in the U.S., due to the massive spending made possible under the “global war on terror” label (justified primarily with the war in Afghanistan). Linked to the war on terrorism, there was also an explicit shift from a threat-based strategy to a capability-based strategy. Allowing for both continued investment in legacy systems and a transformation of military affairs, this shift in strategy allowed for the massive increase in U.S. military spending during the first decade of the new millennium

The monopsonistic structure of the defense market, and the structures and relationships around it, led to remarkable stability in terms of its composition of near-monopoly main contractors during the Cold War. This millennium, however, has seen accelerating reliance on communication and control technologies which demand changing approaches to military technology and the arms procurement system. Vital new technologies lie with “Big Tech” companies in the commercial sector rather than with the traditional arms companies and are too large to be acquired by these traditional suppliers. The introduction of these tech companies has brought new ways of working but also has seen these companies adapt their commercial approaches to suit the nonstandard methods of working within the military industrial complex. It remains to be seen how this contested space will play out.

(Sköns and Perlo-Freeman, 2012).

In addition to the changes in the level of demand for arms, new technologies enabled new types of warfare and changed the nature of demand. Communication and control technologies became increasingly important in the theatre of military operations. Network-centered warfare, the use of satellites, communications equipment and multi-node networks changed the nature of demand. This was part of the Revolution in Military Affairs (RMA), a term used to emphasize the way that improvements in information technology, precision targeting, and smart munitions created the possibility of a new form of warfare, network-centered warfare. It also changed the nature of military technology, with increased importance of software and ICT (information and communication technology) and an increase in their share of costs in the production of weapons systems. The internet came to play an important role in the development of communications, but it also provided a further area of potential security threats. Uncertainty about the enemy and the growth of “homeland security” added new types of demand, making communications and surveillance technologies increasingly important (Boulain 2013; Smith 2009).

These changes in the level and composition of demand led to a number of important developments on the supply side, including increased concentration, technological change, subcontracting, and internationalization. The end of the Cold War did not bring about the expected diversification of the defense industry to civil products. Instead, there was a rapid process of ownership concentration through mergers and acquisitions. The increased fixed costs in production that assisted industrial restructuring also led to arms producers resorting to commercially available civilian technologies and products, a marked change from the pre-eminence of military technology up to the 1990’s (Smith, 2009). Many areas of technology which were once the preserve of the military and security services, such as cryptography, became dominated by commercial applications and increased numbers of civil components and sub systems went into major weapon systems. For example, semiconductors became increasingly used in fighter-planes (such as the Eurofighter and F35) and cruise missiles.¹ Subcontracting became increasingly important, increasing links with the civil sector and bringing new types of companies, particularly from the electronics and IT sectors, into the defense industrial base (Dunne et. al., 2007).

Another important factor was the internationalization of arms production in the post-Cold War period. This has taken two forms, the internationalization of ownership and the internationalization of supply chains. (Dunne, 2006). International supply chains provided flexibility and potential cost reductions for firms, reducing their in-house production, but dependence on international subcontractors became a concern, particularly for the U.S. (Sköns, 2010). New faces were introduced with the significant expansion of the military services industry from the end of the Cold War. This resulted from the outsourcing of functions that once were provided by military forces or defense ministries to private companies and was expanded greatly during the war in Iraq (Perlo-Freeman and Sköns 2007; Wulf, 2005)

These developments all led to a defense industrial base that was looking rather different to the one inherited from the Cold War. In the U.S. it was still dominated by a few main contractors that had merged and made acquisitions to retain their position. In other countries there were limited cross country mergers, but there was some restructuring and companies that survived remained dependent on national governments and their support for arms exports. There was change but also continuity, as Dunne *et al* (2020) argue.

In the early 2010s, against the background of a government spending crisis and the ending of the wars in Afghanistan and Iraq, which necessitated a reshaping of the armed forces, a review of U.S. national security and defense strategy was commissioned. The Defense Strategic Guidance² identified a number of primary missions that required increased spending. These were counterterrorism and irregular warfare; deterrence and defense; power

1 Semiconductors have also become a major part of the technological rivalry with China
<https://foreignpolicy.com/2020/10/23/semiconductors-china-united-states-defense-dependency/>.

2 U.S. Department of Defense (2012a).

projection capabilities in the face of asymmetric capabilities; and advanced and effective operational capabilities in cyberspace and space. In contrast, it included cuts in conventional ground forces and some major systems designed for the cold war, the so-called “legacy” systems.³ In this environment of financial constraints and wartime transition, in November 2014, the U.S. Department of Defense (DoD) presented a Defense Innovation Initiative to “establish a broad department-wide initiative to pursue innovative ways to sustain and advance our military superiority for the 21st century”. The main element of this initiative was to “identify a third offset strategy that puts the competitive advantage firmly in the hands of American power projection over the coming decades.”^{4,5} The objective of the third offset strategy was to develop and apply emerging and disruptive technologies in innovative ways to offset the potential future military technological advantage of adversaries and so sustain U.S. military supremacy into the 2030s. It had a general focus on artificial intelligence and autonomy in weapon systems (Boulanin and Verbruggen, 2017). It was clear early on that this required going beyond the traditional arms suppliers and needed a major effort to access commercially developed technologies.⁶

New tech and the U.S. Department of Defense

In 2015 Ashton Carter began his term as Secretary of Defense and was instrumental in developing new policy.⁷ He had links with Silicon Valley and recognized the DoD would need to change to cooperate. He initiated personnel reforms to make it easier for DoD to bring in needed expertise; schemes to protect the intellectual property rights of commercial partners; the establishment of a new DoD organization in Silicon Valley, called the Defense Innovation Unit Experimental, DIUx, to serve as the hub for the DoD's links with leading edge technologies from the tech start-ups.⁸ Its leadership consisted of people with both military or DoD experience and Silicon Valley. In 2016, DIUx launched the Commercial Solutions Opening (CSO) process to open up and streamline the arms procurement system for innovative commercial technologies. Also in 2016, the Defense Innovation Board was set up to provide the DoD with independent advice and recommendations, with its members recruited specifically for their expertise outside DoD. Since its establishment it has been chaired by Eric Schmidt, technical advisor at Alphabet (2017–present), former CEO and executive chairman of Google and its parent Alphabet (2001–2017) and included other civil tech companies' leaders. There are a number of stories about these interactions. For example, during 2016, the members of the DIB undertook a series of visits to Pentagon operations across the world to get an idea of their challenges. This was an opportunity also for assessing the military technology market. For example, a year after Schmidt, then CEO of Google, visited a drone-operations center at Creech Air Force Base in Nevada, and witnessed the limited technology used, which meant that almost all reviewing of information was by humans, while recognition software was already widely available. Google won a USD 17m subcontract to provide image recognition software to identify

3 U.S. Department of Defense, (2012b).

4 “The Defense Innovation Initiative”, Memorandum of the Secretary of Defense, U.S. Department of Defense, 2014. Available at: <https://foreignpolicy.com/2020/10/23/semiconductors-china-united-states-defense-dependency/>.

5 The third offset strategy followed on from the second offset strategy in the 1970s, which was considered to have laid the foundation for the network-centric warfare and precision strikes that had enabled U.S. military supremacy post-Cold War. The first offset strategy in the 1950s had enabled the use of tactical nuclear weapons to offset the Soviet numerical advantage in conventional force (Ellman *et al*, 2016; 2017).

6 See the website of the Defense Innovation Initiative; Defense Innovation Marketplace: Connecting Industry and the Department of Defense, <https://foreignpolicy.com/2020/10/23/semiconductors-china-united-states-defense-dependency/>.

7 Much of the thinking behind the policy can be attributed to Bob Work, U.S. Deputy Secretary of Defense (2014-2017), subsequently engaged at the Center for New American Security (CNAS), “Deputy Secretary: Third Offset Strategy bolsters America’s military deterrence”, DoD News, 31 Oct. 2016, <https://www.defense.gov/Explore/News/Article/Article/991434/deputy-secretary-third-offset-strategy-bolsters-americas-military-deterrence/>; and “Remarks by Deputy Secretary Work in Third Offset Strategy”, U.S. DoD, Newsroom, 28 Apr. 2016,

<https://www.defense.gov/Newsroom/Speeches/Speech/Article/753482/remarks-by-d%20eputy-secretary-work-on-third-offset-strategy/>.

8 For a detailed account of the purpose, challenges and tasks of the Defense Innovation Unit, see Hummel and Schiller (2016).

drone targets. Such tours reflected and influenced the major change in government attitudes to new technologies that had been taking place

With the incoming Trump Administration in January 2017, there was a return to major investments in conventional and nuclear weapons and a resumption of growing military expenditure from 2018 onwards. While there was little talk of the third offset strategy, it would seem the spirit remained. The 2018 National Defense Strategy recognized the need to develop DoD policies to guarantee U.S. technological advantage and charged the DoD and Congress to build a national security innovation base (NISB) that included both traditional and non-traditional defense partners (U.S. DoD, 2018a; U.S. DoD, 2018b). In 2018, DIUx was made permanent, expanded and renamed DIU, with contract awarding powers. In September 2017, a DoD memo had outlined a strategy to accelerate the DoD's adoption of cloud computing technologies, which it argued was critical to maintaining the U.S. military's technological advantage.⁹ Technologies in areas like data infrastructure and management, cybersecurity, and machine learning were argued to be changing the character of war, but commercial companies were pioneering the technologies in these areas and the pace of innovation was extremely rapid.

Another DoD unit, The Joint Artificial Intelligence Center (JAIC), was set up in June 2018 to accelerate delivery of AI-enabled capabilities and the adoption of new artificial intelligence technologies developed in the commercial sector.¹⁰ Then in 2019, the National Security Commission on Artificial Intelligence (NSCAI) was set up to advise on the development of AI, machine learning and associated technologies¹¹. In its final report in 2021 the main recommendations consisted of four pillars of action: leadership (by the government), with the creation of a Technology Competitiveness Council chaired by the Vice President; talent, proposing a new Digital Service Academy and civilian National Reserve to grow tech talent; hardware, with emphasis on supply chain resilience and security and federal investment to revitalize domestic microchip fabrication¹²; innovation investment, the establishment of a national AI research infrastructure and more funding and govt partnering with U.S. companies.¹³

These developments really do represent a change in attitudes. While DoD efforts to harness commercial technologies for achieving superiority is not new, there has been a clear change in approach. Unlike earlier efforts there has been a clear attempt to move beyond the established defense industrial base and bring in the major commercial tech companies and entrepreneurs. This has left the established defense companies in a new situation, where they have been unable to maintain their position as prime contractors by simply buying in the civil technology and capabilities required, as they have in the past. Instead, they are confronted by civil companies that are more than their match in size and influence.

Detailed information on DoD activities with high tech companies is not available, but a dataset released in July 2020 by Tech Inquiry, a non-profit focusing on technology accountability, provides an extremely valuable source. It shows the relations to be greater than was thought. Silicon Valley companies were found to have thousands of previously unreported subcontracts with the U.S. military contractors, U.S. military, and federal law enforcement agencies. Big Tech companies such as Google, Amazon and Microsoft secured more than 5,000 agreements with agencies within the DoD. One conclusion drawn from the dataset is that, in terms of actual contracts, it “highlights the size advantages of commercial giants like Hewlett-Packard, IBM and Microsoft to navigate government

9 “Accelerating Enterprise Cloud Adoption”, Memorandum of the Deputy Secretary of Defense, 13 Sep. 2017. Published at NextGov.com, 9 May 2018. <http://www.documentcloud.org/documents/4059163-DoD-Memo-Accelerating-Enterprise-Cloud-Adoption.html>.

10 “About the JAIC”, at the JAIC home page, <https://www.ai.mil/about.html>, visited 20 Sept 2020.

11 Final Report, National Security Commission on Artificial Intelligence, March 2021, available at <https://www.nscai.gov/2021-final-report/>.

12 U.S. NSCAI (2021) p. 3.

13 “And we need more money. In particular, AI R&D so that by 2026 we get \$32 billion per year”. Schmidt, Eric, Presentation of the Final report of the NSCAI, Video, 1 March 2021.

contracting” while smaller cutting-edge-tech firms lag behind.¹⁴

Some of the issues involved in the tech companies becoming involved with the DoD were illustrated in one of the early cases, Google’s acquisition in December 2013 of Boston Dynamics, funded by DARPA and DoD to develop robots for military use.¹⁵ This was part of the Google’s efforts in the early 2000s to develop a business unit to produce innovative mobile robots, through a series of acquisitions. However, the military versions were not successful. In 2017 Google sold Boston Dynamics¹⁶. Google was also a commercial participant in Project Maven, although not through a direct contract with the DoD but as a subcontractor to ECS Federal.¹⁷ Google’s participation in the project was, however, short-lived due to massive protests by its staff involved in the project at Google Cloud Platform, including leading engineers, some of whom subsequently resigned in protest. One of their arguments was that the technology would inevitably be used without human analysts to perform targeted kills.¹⁸ Following a staff petition, Google decided to end its collaboration when the contract was up for renewal in March 2019.¹⁹ In August 2020, the links to warfare of the project became clear, with the announcement that the program office was moving to the Air Force’s Advanced Battle Management System (ABMS).

The most visible tech projects emerging since 2018 are in the area of cloud computing, both because of their large size and because of the involvement of the big commercial tech companies. The existence of reliable external cloud operators in the civil sector has become very common, as firms and organizations saw the benefits of outsourcing a big part of data management and storage. Cloud computing is of growing importance to both the civil and state sectors. Any business that provides or uses online services needs some system for storing and managing data and this can be expensive and time-consuming, drawing resources from their core activities. This has resulted in a large and rapidly growing commercial market for cloud services and a high level of innovation. The market consists of six main segments. First, infrastructure as a service (IaaS), the most advanced which develops the architectures. Second, platform as a service (PaaS), that provides storage on the cloud. Third, Software as a service SaaS, that provides software and support on the cloud. Over time, the service provision has developed, with another three segments:

14 “Silicon Valley giants – Not start-ups – dominate DoD tech \$\$”, Breakingdefense.com, 10 July 2020, <https://breakingdefense.com/2020/07/silicon-valley-giants-not-start-ups-dominate-dod-tech/>.

15 A 25-year old robotics design company, spun off from Massachusetts Institute of Technology in 1992. With project such as developing robots to serve as pack mules for soldiers in difficult terrains.

16 Tobe, F., “Finally! Google sells Boston Dynamics to SoftBank”, The RobotReport, 8 June 2017. <https://www.therobotreport.com/finally-google-sells-boston-dynamics-to-softbank/>. Today, the company, still based in Boston and with the same CEO, advertises leases and sales of robots for the commercial market, including a robot for disinfection jobs to fight the spread of COVID-19. In 2019, the Massachusetts State Police reportedly started to use a dog robot developed by the company in its bomb squad, “The Boston Dynamics, robot Dog has joined a bomb squad”, PopularMechanics.com, 26 Nov. 2019, <https://www.popularmechanics.com/technology/robots/a29994082/boston-dynamics-spot-bomb-squad/>.

17 According to the DoD contract award to ECS Federal related to Maven, the aim was to provide analysis of large data sets “to provide insight to the warfighter on the tactical edge”, DoD Contract awards, 15 March 2018, <https://www.defense.gov/Newsroom/Contracts/Contract/Article/1467606/>.

18 It was a sensitive project, for Google, so much so that the chief scientist for AI at Google Cloud, Fei-Fei Li, instructed staff to be extremely cautious about how they communicated about the project. She urged them to avoid at all costs any mention of AI and instead convey it as a cloud infrastructure project. Google described its work on Project Maven as “non-offensive”, but according to the Pentagon, one objective of Maven was to provide video analysis in support of counterinsurgency and counterterrorism and it has been used in the fight against ISIS. Later Fei Fei Li actually became one of the protesters. “The business of war: Google employees protest work for the Pentagon”, New York Times, online, 4 Apr. 2018, <https://www.nytimes.com/2018/04/04/technology/google-letter-ceo-pentagon-project.html>; and “What is Project Maven? The Pentagon AI project Google employees want out of”, Global News, 5 Apr. 2018, <https://globalnews.ca/news/4125382/google-pentagon-ai-project-maven/>.

19 “Google will not renew Pentagon contract that upset employees”, New York Times, online, 1 June 2018, <https://www.nytimes.com/2018/06/01/technology/google-pentagon-project-maven.html>; and “Google employee protest: Now Google backs off Pentagon drone AI project”, ZDNet, 4 June 2018, <https://www.zdnet.com/article/google-employee-protests-now-google-backs-off-pentagon-drone-ai-project/>; and New York Times, 4 June 2018 (note above).

Business Process as a service (BPaaS), Cloud management and security services, and Desktop as a service (DaaS).²⁰ The security services part of DaaS is expected to grow rapidly as threats develop. Cloud users need firewalls and security services, that balance cost and ease of use against risk and this will vary depending on the nature of the company, its products and customers. Security will, of course, be disproportionately important for any defense clouds. So, it is an area of dynamic change and it is clear that its development provides important opportunities, but also considerable security threats, particularly for defense related applications.

Infrastructure as a service (IaaS), is the dynamic segment that is most relevant for the DoD. Amazon (AWS) has led the market since it began to offer IaaS in 2008. The strong growth of the market led other big tech companies to rapidly develop their capacities. Google formed its Google Cloud Platform in 2016, Microsoft announced its Microsoft Azure business in 2017. Amazon remains the market leader, with 45% of the global market in 2019.²¹

While the DoD has the same kind of needs as the commercial users, when moving their activities into cloud processes they may well have more or different security concerns. In addition, cloud computing services are expected to have a significant impact on the warfighting operations of the armed forces and their operations in the battlefield. In principle, it could see the military having real time access to comprehensive data, information and analytical tools through cloud systems, even in isolated areas and conflict zones. Once online they would have access to the facilities of the cloud which would help to clear the “fog of war” and make advanced weapons systems easier to use successfully.²² This is likely to make security concerns more onerous than in civil uses. That said, the cyber-attacks on the individual, groups, political parties and business internets by foreign governments suggest that security and intelligence are going to be important. Indeed, the DoD may end up becoming involved in organizing cyber defenses for the civil sector. Having recognized the potential importance of cloud services, the DoD also recognized the need to engage with the tech companies.

The first large DoD cloud initiative was the JEDI (Joint Enterprise Defense Infrastructure) project, worth USD 10 bn over 10 years. Its aim was to develop a comprehensive cloud enterprise system for overall DoD activities. Although this contract was substantially smaller than the largest DoD contracts for traditional weapons systems, it was significant in offering a contract of this size to a company outside the group of established defense contractors. This, in turn, reflects how important cloud computing had become, with the growth of the internet, and how far the military sector was lagging behind civil technology, capacity, and capability. In the JEDI process, two of the Big Five tech companies in the US—Amazon and Microsoft—were the two main competitors throughout the bidding process (as was Google initially). There was also one other major tech company, Oracle, and one of the traditional defense contractors, IBM. The two other Big Five companies, Apple and Facebook, did not have the required capability. Google, dropped out of the bidding process on 8 October 2018, 4 days before the deadline for submitting bids, stating that it believed this work would conflict with its corporate principles and because it believed it might not hold all of the capabilities or necessary certifications.²³

Throughout the highly contested bidding process, indeed even before it was formally started, Amazon was the expected winner, as it was seen to have the strongest cloud infrastructure capabilities in Amazon Web Services (AWS). It also had the strongest share of the U.S. cloud services market, had been authorized with the required

20 Gartner, Press release, 23 July 2020 (note above).

21 “Gartner says worldwide IaaS public cloud services market grew 37.3% in 2019”, Gartner, Press release, Stamford, 10 Aug. 2020, <https://www.gartner.com/en/newsroom/press-releases/2020-08-10-gartner-says-worldwide-iaas-public-cloud-services-market-grew-37-point-3-percent-in-2019>.

22 “DoD Officials highlight role of cloud infrastructure in supporting warfighters”, DoD News, 14 Mar. 2018, <https://www.defense.gov/Explore/News/Article/Article/1466699/dod-officials-highlight-role-of-cloud-infrastructure-in-supporting-warfighters/>.

23 “Google drops out of contention for a \$10 billion defense contract because it could conflict with its corporate values”, Business Insider, 9 Oct. 2018, <https://www.businessinsider.com/google-drops-out-of-10-billion-jedi-contract-bid-2018-10?r=US&IR=T>.

security certifications, had been working on a similar USD 600m contract providing cloud services since 2013 to the CIA, and was also working on other smaller U.S. government cloud services contracts. IBM and Oracle, whose database business was threatened by the rise of cloud computing, launched several protests over the contracting process before they had to give up in April 2019. One of the major allegations was that the design of the process favored AWS. However, in October 2019, the DoD announced that the contract had been awarded to Microsoft. Amazon immediately protested that there was a flaw in the assessment process. Despite Amazon's failure, Oracle, continued its own legal process. Amazon's objections were considered and the DoD requested some time to reconsider its decision. However, after several delays the DoD reaffirmed its decision to award the contract to Microsoft, which resulted in a renewed protest by Amazon. In July 2021, this outdrawn process led DoD to cancel JEDI altogether. Instead, a new project idea was announced, this time as a multi cloud project, the Joint Warfighter Cloud Capability (JWCC) program, which will involve more than one prime contractor²⁴.

New tech and the U.S. defense industrial base

It does appear to be very interesting times for the DIB and the MIC, which have seen considerable change over the years, but also a remarkable degree of continuity, reflecting the specificities of the DIB left over from the Cold War. So far, the challenges faced have usually seen the traditional prime contractors come out on top, but they have not had to deal with the sort of challenges they face now from the large and efficient tech companies. The two groups of companies are experienced in very different environments. The arms companies generally deal with long generation times, very different to the quick procurement and short life cycles in the civil tech sectors. Low-margin/high-volume producers like Amazon, which has also tended to plough back profits into investments, are very different to the traditional arms companies who are high margin low volume producers and often offer high dividends. DoD contracts offer safe and generous returns, but it usually expects ownership of the intellectual property, which does not fit with the commercial tech model (Smith, 2009).

These commercial tech companies also look rather different to the arms companies. Defense firms have strikingly lower R&D expenditures, but this reflects that much of their R&D will have been covered by the DoD (Dunne and Sköns, 2021)²⁵. There have also been changes in the relationship between company-funded and state-funded R&D. In the 1980s, a huge share of national R&D was spent by military contractors and funded by the state. This had rapidly dropped off, by the early 2010s military R&D was a much smaller part of national R&D, with tech companies leading the way instead (Dunne *et al.*, 2020). Military R&D had also declined as a share of total R&D due to major increases in civilian expenditure. Increasingly civilian R&D occurred in technology lines important for the production of military goods and there was a major shift toward the military use of technologies driven by civilian R&D, particularly in electronics. In contrast to the arms companies, the big tech companies invest a considerable share of their revenues in R&D, with four of the five spending more than 10 percent of their revenues on R&D²⁶. In addition to these big tech companies, there are also a large number of smaller firms involved in this area, including many startups marketing innovative ideas and concepts. The market is also developing rapidly, with intense merger and acquisition activity, as shown by the annual lists of "Biggest technology acquisitions" published by Computerworld.com²⁷.

Unlike in previous innovations, such as the RMA, the established defense firms are unlikely to be able to simply take companies over to gain capabilities. They have bought start-ups, but larger tech companies are simply too large

²⁴ <https://www.cbc.com/2021/07/06/pentagon-cancels-10-billion-jedi-cloud-contract.html>.

²⁵ Defense companies are more risk averse, investing in R&D when they get indications someone will buy the end products. Commercial tech companies need to innovate to survive.

²⁶ Though, it should be borne in mind that many of the technologies being developed had their genesis in blue sky research funded by the State.

²⁷ <https://www.computerworld.com/article/3412327/notable-technology-acquisitions-2019.html> (Accessed 16/11/20).

and powerful to acquire and the smaller companies bring rather different cultures but may be vulnerable. Similarly, they can't really use their power of mastery of red tape and the revolving door and contacts etc. to dominate, as they have in the past, as the attitude of the defense department and procurement practices have clearly changed. The tech companies now have close relations with the DoD and people from the sector have become key advisers to the DoD, though so far only on innovative technology contracts with the commercial tech companies—so there will still be plenty of work for the established arms producers and they retain clear advantages in the more established sectors. The tech companies may also need the support and/or involvement of the defense companies to adapt their technologies to military use. That said, with the changes in technology, a large part of defense spending is likely to go to the areas that the new tech companies are in. They are winning contracts and these are potentially large. One question is how important such contracts will be for the newcomers and what their reasons are for involvement in the sector: opportunism or strategy. If opportunism, it may have little impact on the companies and they would maintain their commercial focus and nature. If strategy, they may become increasingly focused on DoD contracts, become an integral part of the DIB and change their nature. They may establish special sections to deal with DoD contracts, which some already have for federal contracts. This was done by some companies involved in defense work in areas such as electronics, during the Cold War, because of the very different nature and dynamics of the two markets (Dunne, 1995).

Interestingly, Amazon set up cloud services for its own internal use and it was only later that it realized the potential to offer these to outsiders. As its cloud services developed, they became Amazon's profit engine, accounting for around 67 percent of operating profit by the end of 2019.²⁸ Amazon is a company used to dealing with complex logistics, large amounts of data, and low margins, so it is a difficult company to compete with. The only real competitors are companies similar to itself, as it would be almost impossible for a traditional defense producer, used to long development, small orders and high margins, to offer a similar service/product at a competitive price.

While it is clear that the commercial market is very different from the defense one, the driver for the companies is the same, profit. They are in fierce competition for government contracts in the field, as the potential future central, regional, and local government markets are huge and profitable. Involvement in the present competitions will open up the future ones to companies and contribute to their reputation as capable providers of large, complex, and secure cloud services, which will assist in the wider market (domestic and international). While the commercial companies may have concerns in taking on DoD contracts, with their lack of knowledge of the structure of that market, there is little risk. They are being asked to provide something they have already developed and so have confirmed profit. They are likely to consider the cost of adapting their existing product/service for DoD use, the profitability compared to the civilian market, the costs of the red tape, and the public relations risks. Any extra work they have to do that is linked to the security environment may still have complementarities for civil work, or be covered by DoD expenditures. A reliable and steady flow of income from defense contracts and support for R&D may be seen as helpful for maintaining and developing their position in the civil market. With the DoD making every effort to involve them, the risk of the unknown, in entering a market they have little experience of, is reduced. It is really not surprising that the tech companies are keen to be involved in the defense sector.

What is unclear is how dependent they will become on defense orders and how much they will become part of the defense industrial base and take on the characteristics of the traditional arms firms. If they remain focused on the expanding civil markets, and the DoD orders remain a small part of their overall work, the answer is probably not much. If they become increasingly dependent on DoD orders, the answer is quite a lot. Then they are likely to start to become more active members of the MIC, engaging more with the military and DoD and with a vested interest in

²⁸ "Amazon Web Services makes nearly 67% of Amazon's operating profit in blockbuster quarter", GeekWire.com, 30 Jan. 2020, <https://www.geekwire.com/2020/amazon-web-services-makes-nearly-67-amazons-operating-profit-blockbuster-quarter/>.

high and increasing military spending. If the strategy developed by the NSCAI is adopted and implemented, however, government will invest heavily in R&D, AI, and other new and emerging technologies and may count on technological “spin-in” from the commercial to the military market. Big Tech may then no longer be so interested in specific defense contracts.

Interestingly, the tech companies do seem to have already mastered the tactics, methods and behavior that are needed to operate in the MIC. This, combined with the changes being made by the DoD to encourage their involvement, puts them in a very powerful and potentially profitable position. Evidence of questionable behavior in the JEDI contracts, comes from investigative journalists and the submissions in the contract appeal processes. It suggests rather cozy relations between the tech company directors and senior DoD staff, questionable lobbying activities, and individuals moving between the tech companies and the Pentagon. Attempts to accommodate the tech firms have led to some procedures and rules not being followed. A DoD official who questioned the cozy relationship between the Pentagon and Bezos (amazon CEO at the time) and Schmidt as being in conflict with DoD procurement rules was moved from the Defense Innovation Board in 2017 and filed a grievance which was denied. Other concerns have centered on the DoD workers who have previously worked for Amazon and then returned to the private sector²⁹. This all suggests that the tech firms are learning how to operate within the state and just within the law rather fast.³⁰

There is, of course, the issue of how their employees will respond to involvement in the MIC and as the objections of employees at Google has shown, increased involvement with the DoD will not be without opposition. Certainly, the companies vary in their engagement with military business. Of the Big Five (FAMAG: Facebook, Amazon, Microsoft, Apple, Google), Facebook and Apple do not seem to be much involved, while Amazon, Google and Microsoft seem to be building up their engagement. There are also the other established high tech contractors, such as Oracle and IBM, who are looking to build up their contracts. It is possible at least initially, that the staff of some of the commercial tech firms may feel unhappy at a growing dependence on the DoD and that the increasing involvement in defense contracts will lead to the loss of staff. If these are staff that have generated the innovative nature of the firms, this could be damaging.

Traditional established defense contractors have not taken these developments lying down and they remain dominant in areas that the new tech companies are not involved in, the “hard” side of weapons systems, infrastructure, and support services. Interestingly, a contract for a USD 7.6bn Defense Enterprise Office Solution (DEOS) project, which was expected to be won by Microsoft, was actually awarded to an established defense prime General Dynamics, in December 2019 (albeit through its recently acquired IT services company, CSRA).³¹ This might suggest a reassertion of the established defense firms. However, by June 2020 the DoD was obliged to make a reassessment of the bidding process after protest from a competing bidder. The protests have made accusations of irregularities in procedures.

There are three possible scenarios, cooperation, acquisition, and competition. It will be interesting to watch this play out and see whether the dominance of the top defense contractors is halted, or whether they manage the processes at work. Cooperation would mean the very different cultures of the companies coming together. However, it is not clear this would be wanted by either side, as the different cultures may well come into conflict. As argued before, acquisition of the new tech companies by the established defense contractors is unlikely, as the big ones are too large.

29 Though this may be just a feature of the U.S. political system in general rather than specific to defense

30 See the investigation by ProPublica, Bandler *et al* (2019).

³¹ “Analysts: Pentagon’s multibillion-dollar DEOS contract is guaranteed for Microsoft”, NextGov.com, 28 Mar. 2019, <https://www.nextgov.com/it-modernization/2019/03/analysts-pentagons-multibillion-dollar-deos-contract-guaranteed-microsoft/155901/>; and “General Dynamics wins huge military cloud contract”, Toolbox.com, 13 Dec. 2019. <https://it.toolbox.com/article/general-dynamics-unit-wins-huge-military-cloud-contract>.

Taking over smaller companies to gain capabilities and technologies, as they have done in the past, is being tried by some of them, but is less likely to work in the present situation. The different cultures involved could mean smaller tech companies are swamped by the culture of the acquirer and may well lose the characteristics and staff that made them successful. In the similar dynamic of the 1980's computing industry it was common for this to happen. In some case the acquisition was only to get the technology and prevent it reaching the market in competition with the acquirers' own product/solution. Of course, competition will not necessarily mean direct confrontation if the companies simply stick to their market niches, but this seems unlikely (Dunne *et al.*, 2020)

It is clear that the changes taking place are influencing state industry relations, with the involvement of the new tech company staff in advisory roles for the DoD and CIA leading to increased influence and revolving door opportunities issues. The questions are first, how far is the DoD willing and able to go in reforming arms procurement rules and processes to access new and innovative technologies developed by commercial technology companies. Second, whether or not such reforms will eventually apply more broadly to defense contracting. As cloud computing and the use of AI, machine learning, automation, etc. becomes more important in the defense sector, so will the extensive security concerns. Civil firms are already dealing with such cybersecurity issues, but the requirements of the military are likely to differ and some of the defense companies are already active (Boulanin, 2013). It is looking likely that the resources assigned to cloud, IT, communications, remote sensing, AI, and automation will grow and be dominated by new players. It might be the case that the established contractors give up on these contracts and focus on legacy systems and the development of autonomous and semi-autonomous weapons. Though they may also be providing the final products, even if not the underlying technology. It is also possible that now that the tech companies have seen what is available and become familiar with the DoD, they may even consider it worthwhile diversifying to the mainstream defense contracts and taking on the defense primes directly, though this is unlikely in the core defense areas. This raises the question as to how engagement of the U.S. tech companies with the defense sector will change them. It is worth remembering that some of the defense majors would once have been considered dynamic companies at the cutting edge of technology, dominating fast moving civil technology markets.

Conclusion

This article has argued that there are important changes taking place in the DIB and MIC in the U.S., with the increased involvement of commercial technology companies. There has been a marked change in DoD's approach to military technology and a recognition of the need for reforming procurement to involve the civil tech firms. What changed was the recognition of the need for the technologies that had been developed in the dynamic civil markets that were well in advance of what the established defense companies could provide in AI, machine learning, automation, etc. The Big Tech companies have for some time spent far more than the DoD and the traditional defense companies on R&D on these types of advanced technologies. Another difference to the past is the large size of some of the entering commercial tech companies, which generates challenges for the DoD to attract them to defense business. There was also an acceptance that the DoD and the military needed to develop their administrative structures to embrace the developments in cloud computing. The JEDI call for a DoD cloud architecture system was the largest, most transformational of the DoD new technology projects, and was also of direct relevance for warfighting. It led to a controversial bidding process and led to some of the large civil tech companies fighting against each other for the contract. When it was cancelled the DoD announced its replacement by a multi-cloud, multi-vendor contract (JWCC), to avoid the destructive and fierce competition among the large civilian tech companies.

While there is interest, it is difficult to foresee how important defense contracts will be for the tech companies, given their large commercial markets. What is also difficult to foresee is the reaction of the established defense companies. While the arms market is undergoing important changes, it is still the case that a lot of money will

continue to go on usual defense projects and weapon systems, so business will remain for the established firms. It is, however, likely that the cloud, AI, machine learning, and automation part of the budget will increase considerably, so the question is what the response of the established firms will be. A significant increase in cyber conflict could also further change the allocation of the budget. It might be the case that the established contractors give up on these contracts and focus on legacy systems and the development of autonomous and semi-autonomous weapons. It is also possible that the tech companies will consider it worthwhile diversifying to the mainstream defense contracts.

At present it is difficult to predict what is likely to happen or how this will affect the DIB. The established defense producers may fight back, both groups may stick to their specialisms, mergers may take place, or the new guys on the block may come to dominate defense production. The recognition by the DoD of the need to access not only technologies from the commercial companies, but also their expertise and advice, has resulted in the appointment of leading figures from commercial tech to vital roles in DoD advisory boards and the recruitment of tech company staff in arms procurement. What is striking is the speed with which the larger tech companies have embraced the nonstandard methods of working within the MIC, with behind the scenes activity, intensive lobbying, and movement of staff between the tech companies and the DoD. Interestingly, the “revolving door” between the DoD seems to have gone from being seen as a concern, reflecting cronyism in the MIC, to a useful way of engaging the tech companies into the procurement systems, so it is no surprise that established arms firms and some DoD officials are calling foul.

Clearly, developments in the U.S. are likely to be precursors of change in the international arms industry, but at present it is still unclear what they will be. It is likely that a similar kind of engagement with civil technology firms will occur, or is already occurring, in other countries, since the impact of the civil-military technology gap is present in other military establishments too and since their need to access commercial technologies will be similar. For many governments and companies, the engagement is with the U.S. tech firms, especially if they are winning U.S. defense contracts.

There will be some further competition, particularly from China, South Korea, Taiwan and some European countries, but it is not clear how this will develop. There are some interesting dynamics and the U.S. anti-China policies and the Huawei 5G debacle may be suggestive. Europe has no companies the size of the U.S. new tech ones, but they do have capabilities. It does look as though the international arms industry might well be at a crossroad, but it is unclear which path it will take. Further research is urgently needed to investigate the ongoing developments in the U.S. as well as in other parts of the international arms industry.

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Political economy of the Syrian war: Patterns and causes

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Abstract

Amongst all the Arab countries that have witnessed social unrest over the past decade, Syria has emerged as a unique case. What started as a peaceful social effort to bring about overdue political reform turned into a bloody conflict. The 10 year-old civil war has largely devastated the Syrian economy and is likely to have lingering consequences on the country's development for many years to come. This article deals with the political economy of the Syrian conflict. It argues that economic liberalization, poor public policies, and persistent drought in the years preceding the crisis, upset the social equilibrium and led to unrest. The very social class that used to support the once "socialist" regime in Damascus in the period 1963–2010 felt abandoned and betrayed by its economic policies. Indeed, the transition from a state-controlled economy into a free market economy, under Bashar al-Assad, may have served Syria in many ways, but it also created many problems. The ongoing conflict can be seen as a conflict about the distribution of power and wealth and, if Syria survives it as a united country, it will likely have a political, economic, and social equilibrium drastically different from the one it had.

The decade long Syrian civil war has devastated the Syrian economy and is likely to have lingering consequences for the country's development for decades to come¹. Although it is difficult to gauge the actual cost of the Syrian war in fiscal terms, given that there is no methodology to calculate the cost of human life, it is estimated that half of the Syrian population is either internally or externally displaced². The country has also suffered major infrastructural damage—put at between USD 200 bn and USD 1,000bn³. With harsh sanctions in place, a generation of youth whose education has been stalled, and a vast number of professionals fleeing the country, the task of rebuilding Syria's economy is almost as difficult as finding a political solution to the conflict. Although the Syrian regime has regained control over 65 percent of Syrian territories since the Russian military intervention in 2015, the economic situation remains in a state of disarray. The Syrian pound (SYP) collapsed, throwing more than 85 percent of the populace below the poverty line even before the outbreak of the coronavirus pandemic. According to the U.N. World Food Programme (WFP), as of February 2021, 60 percent of Syrians are food insecure⁴.

This article considers the political economy of the Syrian conflict. It shows that Syria's current economic woes cannot be attributed solely to the conflict by tracing the development of the Syrian polity and economy. It considers developments from the 1960's, followed by a section on the economic reforms under Bashar before the conflict. There follows an examination of the collapse of the economy, the rise of a new business elite, and plans for post conflict restructuring. Finally, some conclusions are presented.

1 World Bank (2017).

2 Human Rights Watch (2018).

3 Devadas, Elbadawi and Loayza (2019).

4 United Nations World Food Program (UNWFP), (2021).

The Syrian economy under Hafiz al-Assad

The rise of the Ba`ath party to power in 1963 was a watershed development in the history of modern Syria. Not only did it end Syria's short (albeit vibrant) liberal phase, but it also transformed the economy into a Soviet-style system under tight state control⁵. With the rise of Hafez al-Assad to power in 1970, the state loosened its tight grip on the economy in order to augment support amongst the urban bourgeoisie of the big cities, especially in Damascus and Aleppo. This limited openness also allowed Syria to benefit from the oil boom, resulting from the 1973 Arab oil embargo. Damascus then received desperately needed financial aid from the Gulf States, it being one of the countries on the frontline with Israel⁶.

Most of this support was, however, lost as a result of siding with Iran during the Iran-Iraq war (1980–1988), leading to its most acute peacetime economic crisis⁷. Meanwhile, the limited economic liberalization introduced by Hafez Al-Assad proved insufficient to revitalize the economy in the longer run. Ad hoc measures of liberalization failed to address structural economic problems symptomatic of the broader political policies of the regime, which in turn led to increasing income disparity within the country⁸. Syria's rising military expenditure following the 1982 war with Israel put further strains on the fragile economy—in the 1980s, Syria's economy contracted 22 percent in terms of purchasing power parity⁹. The increasing cost of goods, growing trade deficit, and rampant government corruption led to the emergence of a black market. Syria's military presence in Lebanon also allowed the emergence of a shadow economy, which mostly benefited the security and military establishment, paving the way for the rise of a new class of businessmen.

Syria's improved relations with the West, and its participation in the 1991 Gulf War in support of the US-led coalition to expel Iraq from Kuwait, helped revitalize its crumbling economy. Syria received billions of dollars in aid from Saudi Arabia and Kuwait for taking part Kuwait's liberation¹⁰. The discovery of relatively large oil reserves in the east of the country also helped support the ailing economy. In the mid-1990s, Syria produced 600,000 barrels of oil a day—400,000 of which were exported, generating much needed foreign currency. Throughout its tenure, the Syrian regime followed economic approaches that enabled it to control all aspects of economic life in what Volker Perthes calls a “corporatist model”¹¹, wherein the regime integrated groups and businesses into state institutions from the top down, cementing a long-lasting alliance between the regime and the business class¹². The creation of crony capitalism, control of the public sector and the lack of fair competition in the private sector made the survival of the regime a key interest for the business class. In the end, all economic policies pursued by Hafez al-Assad were meant to ensure regime survival.

The 2006–2010 economic plan extended Bashar al-Assad's initial economic reforms. Dubbed as a "social market economy", it included cutting subsidies and provisions for education and healthcare. Coupled with severe drought, this had a devastating impact on the lower income households with wealth disparity continuing to increase as GDP grew. The outbreak of the conflict hit oil and agriculture revenues hard with the wartime government's austerity measures including reducing subsidies on basic food products and increasing taxes. The situation allowed for the emergence of a new business class, including warlords and chieftains with looting a universal feature. More than half of the population have lost their homes and properties. There is no real blueprint for reconstruction and with sanctions, a nosedived pound, and political loan preconditions make funding difficult and unaffordable—it is difficult to foresee economic revival soon.

5 Perthes (1995).

6 Haddad (1996, pp.156-160).

7 Hinnebusch (2012, p. 97).

8 Perthes (2008).

9 Fred (2020).

10 Villanger, (2007, p. 10).

11 Perthes and Tauris (1996, p.157).

12 Haddad (1996).

Economic reform under Bashar (2000–2011)

Upon succeeding his father in July 2000, Bashar al-Assad started his reign by introducing limited but important economic reforms. For the first time in four decades, Assad allowed the establishment of private banks. By 2011, the 14 private banks established in Syria held 27 percent of the country’s total banking assets (estimated at

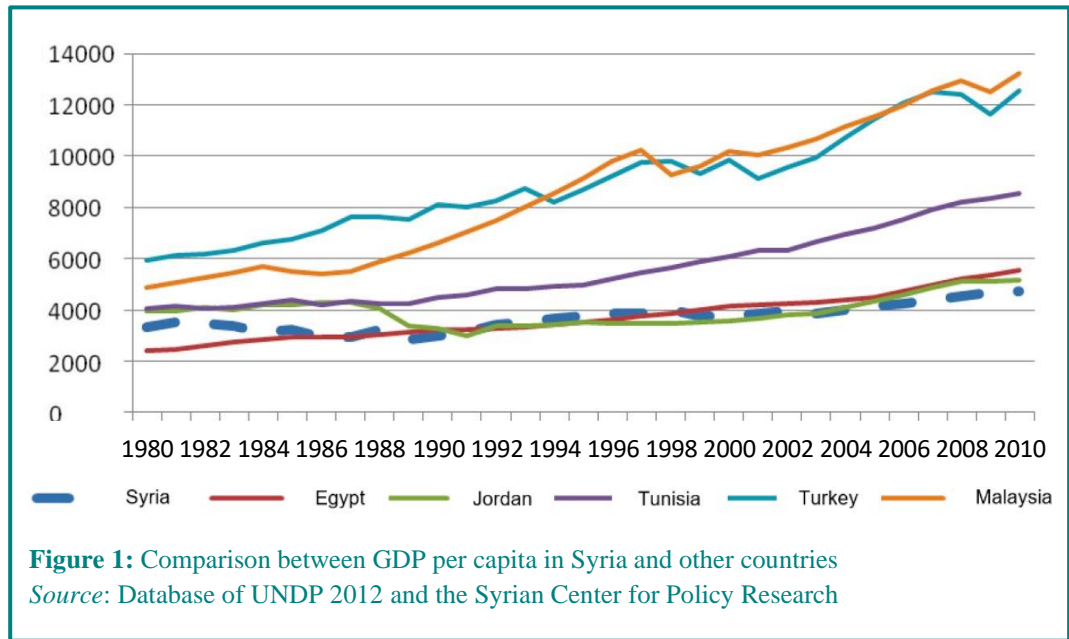


Figure 1: Comparison between GDP per capita in Syria and other countries
 Source: Database of UNDP 2012 and the Syrian Center for Policy Research

USD 40 bn¹³). In 2002, the first two mobile phone service operators were also launched under BOT (build-operate-transfer) contracts. Syriatel was launched as a partnership venture between Bashar Al Assad’s maternal cousin, Rami Makhoul, and Egypt’s Orascom Telecom. The latter pulled out from the agreement shortly afterwards. South Africa’s MTN won the second license and became Syria’s second mobile operator¹⁴.

The tenth five-year economic plan (2006–2010), which introduced further reforms, was endorsed at the tenth conference of the Baath Party in 2005. It had an economic approach based on a neoliberal rentier model, dubbed by the government’s media as a "social market economy". These reforms were to be financed by foreign investments. They also entailed cutting energy subsidies and state provisions for education and healthcare¹⁵. Cutting fuel subsidies was also aimed at curtailing smuggling to neighboring Lebanon, Jordan and Turkey, where fuel prices were much higher. These policies had a devastating impact on the lower income households and wealth disparity continued to increase.

In fact, Bashar’s first decade in power was marked by rapid economic growth in terms of nominal GDP. Between 2000–2010 the size of the Syrian economy almost tripled from USD 20bn to USD 60bn¹⁶, with a trade agreement with the European Union, EuroMed, previously known as the Barcelona process. While the growing share of the private sector contributed to widening the base of the urban middle class, the same could not be said of the rural areas. As Figure 1 shows, GDP per capita remained lower than most other countries in the region over this period.

At the onset of the protest movement, agriculture and oil production constituted the two main pillars of the Syrian economy—together they accounted for almost half of GDP, with the former employing 26 percent of the labor force¹⁷. Although Syria was not considered a major oil exporter compared to other countries in the MENA region, oil exports accounted for nearly a quarter of the government revenue, generating USD 3.2bn a year in income¹⁸. Mining,

13 Sa’afian (2020).
 14 Butter, (2015).
 15 Simpson (2011).
 16 Devadas, Elbadawi and Loayza (2019).
 17 Food and Agriculture Organization (2017).
 18 IMF (2010).

manufacturing, and utilities also formed a considerable percentage of the Syrian economy before the outbreak of the crisis, adding up to 27 percent of GDP in 2010.

Having been struck by the worst drought in recent history, at the eve of the protest, the agricultural sector was already in disarray¹⁹. From 2006–2011, up to two thirds of Syria’s arable land experienced what was documented as the worst drought to have hit the Fertile Crescent in modern history²⁰. A major pillar of the Syrian economy, and a main source of income in both its primary and secondary segments of the market to millions within the country, almost collapsed. In 2009, the United Nations and the IFRC estimated that around 800,000 Syrians had lost their entire livelihood as a result of the drought²¹. The regions of the country most reliant on agriculture, primarily the south and northeast, suffered close to a 75 percent yield drop in the five-year period leading to the conflict²². Farmers in the northeast lost 85 percent of their livestock, the result of which directly affected up to 1.3 million people²³. To add insult to injury, the government the 2008 removal of all fuel subsidies wreaked havoc across the agriculture sector.

By 2011, the number of Syrians who were described as “food insecure” stood at nearly 1 million, according to a global assessment report, with the number of people driven into extreme poverty at 2.3 million²⁴. The rural population was the hardest hit by the drought, leading to a massive exodus of farmers into urban centers. The sheer scale of agricultural devastation could be seen in rural Aleppo, where the decline in the production of local peppers prompted some 200,000 rural villagers to migrate to the cities²⁵. Syria was already home to 1.5 million Iraqi refugees, resulting from the 2003 US invasion of Iraq, with 290,000 registered with the UNHCR²⁶.

Mismanagement of natural resources also contributed to land desertification. Over subsidization of water and intensive wheat and corn farming over the years resulted in water supply shortages, leading farmers to seek groundwater sources to meet their needs.²⁷ According to the Syrian National Agricultural Policy Center, the number of groundwater wells increased by 80,000 between 1999 and 2007, causing groundwater levels in the country to plunge²⁸. Sensing the severity of the situation, the government banned the use of groundwater for irrigation purposes in the south of the country. Farmers had to abandon the land and move to the suburbs or stay and resist government policies and risk starvation.

In addition, the 2007 strategic partnership agreement with Turkey had a devastating impact on small businesses, craftsmen, and artisans, especially in big cities such as Damascus and Aleppo. The Syrian market was flooded with cheap and better-quality Turkish products. As a result, many factories were forced to shut down, with thousands of workers losing their jobs²⁹. Liberal economic reforms were also hampered by the rapid increase in population growth at 2.4 percent annually³⁰. By early 2011, inflation and rising living costs, severe drought, the lifting of fuel subsidies, and competition with Turkish products, set the stage for a full-blown economic storm.

19 Gleick, (2014).

20 Femia and Werrell (2020).

21 De Châtel (2014, p. 5).

22 Daher (2018).

23 Worth (2010).

24 Erian, Katlan and Babah (2010).

25 Nabhan (2010).

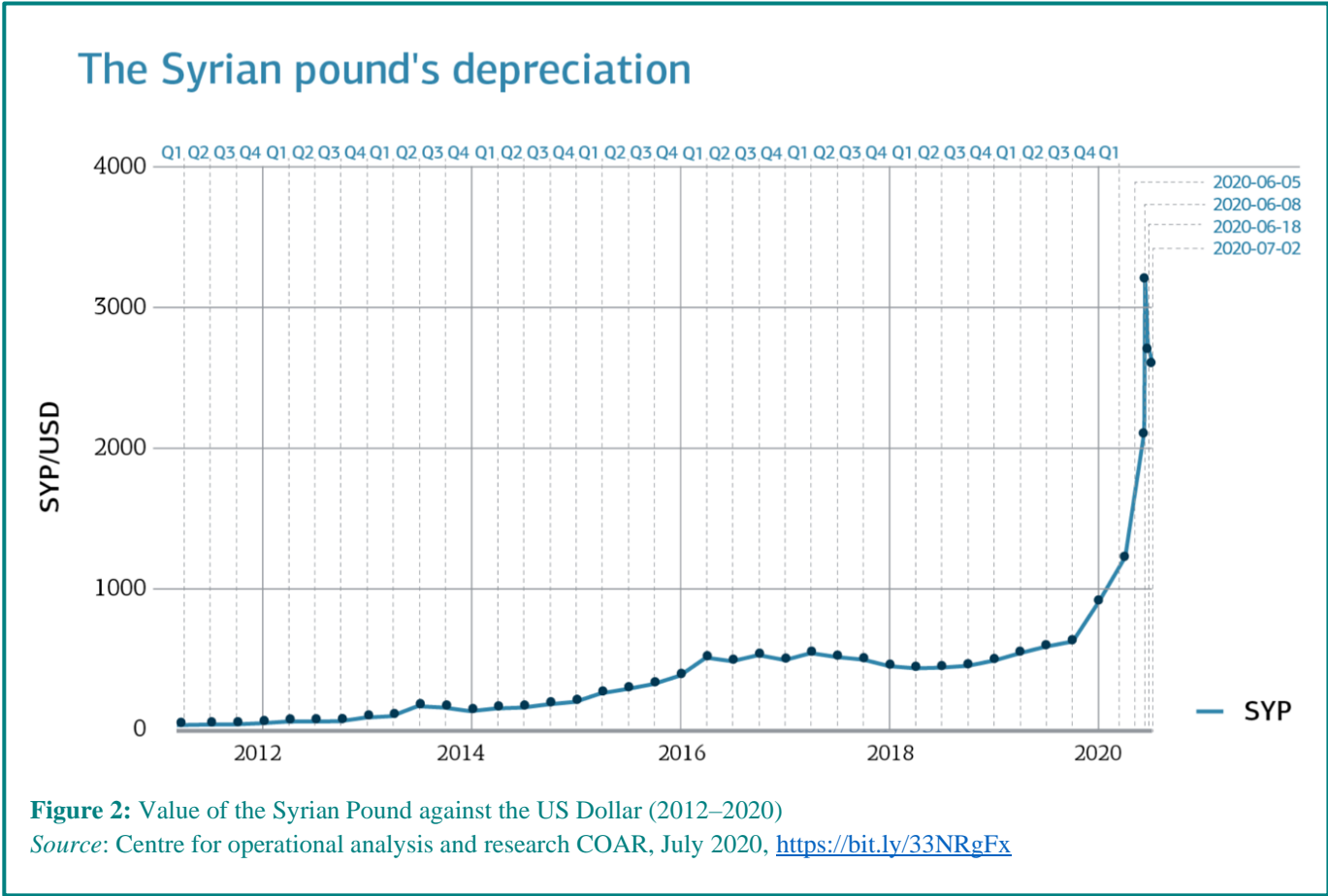
26 Amnesty International (2008).

27 De Châtel (2014, p. 3).

28 Gleick (2014, p. 334).

29 Daher (2018).

30 Lyon (2010).



Collapse of the economy

Oil and agriculture were badly hit by the outbreak of the conflict, as transportation routes and supply chains were severely disrupted. Public revenues plunged by 78 percent, from USD 13.6bn (22.4 percent of GDP in 2010) to approximately USD 3bn (20.8 percent of GDP in 2017)³¹. In 2013, the government lost control of most of the oil fields in the east and northeast of the country first to ISIS and then to the US-backed Syrian Democratic Forces (known as SDF). The oil sector, making up nearly 32 percent of total revenue in 2010, had hence literally collapsed³². The war had a devastating impact on the agricultural sector too—the WFP estimated the losses in this sector at USD 16bn³³. Starting in mid-2018, food prices began to rise and purchasing power plunged as a result of the declining exchange rate of the Syrian pound. In 2019, around 6.5 million Syrians were food insecure, and another 2.5 million were severely vulnerable to insecurity. By 2021, the number of food insecure people had risen to 12.4 million³⁴. The wartime government’s austerity measures included reducing subsidies on basic food products and increasing taxes. In mid-2018, indirect tax revenues constituted 70 percent of the government's fiscal revenue³⁵.

As Figure 2 shows, the Syrian pound was hard hit by the war. Its value began to drop against the USD early on,

31 Sa`afian (2020).
 32 ESCWA and University of St Andrews (2020).
 33 ESCWA and University of St Andrews (2020).
 34 UNWFP (2021).
 35 Daher (2018).

with capital flight to nearby Lebanon, Jordan, Egypt, and Turkey. Sanctions imposed by the United States, the European Union, and the Arab League have essentially shut out Syria from the global financial system³⁶. The Syrian pound sat at an exchange rate of 47 to the USD at the onset of the conflict and by 2020, it had dropped to 3500 against the USD.

In the weeks following Lebanon's anti-government protests, which began in October 2019, the Syrian pound lost almost 30 percent of its value as Lebanese banks tightened the measures on the withdrawals of foreign currencies, mainly the USD, to control capital flight from the country and protect its foreign cash reserves. For decades, Syrian expats have been using Lebanese banks to send remittances back home. Wealthy Syrians and businessmen also used Lebanon's banking system for deposits and transactions. It is estimated that Syrians have between USD 20bn–40bn deposited in Lebanon, the interest on which have been an important source of income for Lebanese banks³⁷.

Dire living conditions in regime-controlled areas led to the introduction of the so-called "smart card system" by the government to distribute basic subsidized commodities at low prices. The system was first introduced in 2014, as a joint venture between Takamol Holdings and the Ministry of Oil and Mineral Resources. This form of "Public-Private-Partnership" was part of a wider "National Partnership" approach adopted by the Syrian government for joint reconstruction efforts³⁸. At the beginning, the "smart card system" was limited to rationing fuel for transport and heating purposes. The primary objective of the project was to address the fuel crisis but also to prevent monopolies and smuggling³⁹. Under these subsidies, the cost of one liter of heating fuel was set at 250 SYP (USD 0.5) for "smart card" holders and 400 SYP (USD 0.8) per liter for non-card holders. In February 2020, the government expanded the use of smart cards for rationing tea, sugar, and rice, as more than 80 percent of Syrians plunged below the poverty line. The WFP estimated that as of November 2019 the average annual increase in price of a food basket in Syria was 21 percent, largely due to the rapid devaluation of the Syrian pound. Under these government subsidies, each family was allowed to purchase on a monthly basis⁴⁰: 1 kg of tea at 900 SYP (USD 0.87) per 200 grams, 3 kg of rice at 400 SYP (USD 0.39) per kg, and 4 kg of sugar at 350 SYP (USD 0.34) per kg.

The "smart card system" drew harsh criticism, however, mainly for lack of competence and transparency. Takamol Holding, owner of the "smart card system", charged 330 SYP for each card issued (USD 0.32) and the small fee taken for each transaction potentially added up to billions of Syrian pounds of profits for the company⁴¹. With 40 percent of the population living on less than USD 1.90 a day, smart cards were the government's response to prevent renewed protests, this time amongst its own support bases. No wonder the government estimated the deficit in the state's general budget for the year 2021 at about 2.5 trillion Syrian pounds, compared to the year 2020, which amounted to 1400 billion pounds. The budget also indicates a decline in per capita spending at 70 per cent since 2010⁴².

The rise of a new business Elite

The dynamics of the conflict and the security situation allowed for the emergence of a new business class, including warlords and chieftains. They ran a parallel economy, making huge fortunes from illegal trade, including weapons and drug smuggling, oil deals, real estate, and trading in gold and foreign currencies on the black market. As sanctions crippled the Assad regime and its business façade, namely Rami Makhlouf and Mohammad Hamsho, the traditional

36 Cutler (2011).

37 Al-Khalidi (2019).

38 Al- Ghazi (2021).

39 Advani (2020).

40 Ibid.

41 Ibid.

42 Christou and Shaar (2020).

middlemen for the regime's businesses were replaced by fresh faces whose goal was to find new foreign partnerships and investments (Cornish, 2019).

Recent government crackdowns on illicit profiteering aimed at restructuring the rentier-based economy have put the previously untouchable businessmen into direct confrontation with the government. In December 2019, the government froze the assets of several prominent Syrian businessmen over allegations of tax evasion and illicit enrichment—Rami Makhlouf being amongst them. The Syrian government claimed that SyriaTel owed the state budget USD 77mn in taxes, adding to a grand total of USD 185mn that the state claims the business tycoon owes from his other businesses, including the Al-Bustan charity (which saw its assets frozen in the summer of 2019)⁴³. This rift prompted the release of several videos by Rami Makhlouf onto his Facebook account in which he pleaded with the government to release SyriaTel employees detained by the security forces as part of its campaign to force him to capitulate. A deal was reached after the government imposed a travel ban and froze all bank accounts and assets of Makhlouf within Syria. Makhlouf would hence transfer assets to his charity arm “Ramak International” dedicated to helping the families of regime loyalists killed during the conflict⁴⁴.

In 2018, Prince Alwaleed bin Talal of Saudi Arabia sold his share in the Damascus' Four Seasons Hotel following his imprisonment in Riyadh's Ritz Carlton as part of Crown Prince Mohammad bin Salman's anti-corruption campaign. Little was known of the buyer, Samer Al-Foz⁴⁵ the chairman of Amman Holdings, according to the company's website, which introduces itself as “a family importing business”. It has now become one of the most diversified companies in the country—an international group operating a wide range of businesses that include trade, import, export, transport and manufacturing⁴⁶. Al-Foz's assets also include stakes in several Syrian banks and pharmaceutical factories. He gained international fame as Damascus's new Makhlouf. For most of the war, Al-Foz avoided sanctions placed on some of the well-known Syrian business elites, bragging about this in one interview with the Washington Post in 2018⁴⁷. However, as of June 2019, the U.S. Department of Treasury placed sanctions on Al-Foz and 16 other individuals and entities for being “involved in an international network benefiting the Assad regime⁴⁸”. That same year, Al-Foz was awarded contracts by the Syrian government to build seven residential blocks and three skyscrapers in an upscale Damascus development project, Marota City, in the previously low-income district adjacent to the major Mezzeh highway. The project gained notoriety as being a clear example of the regime confiscating the property of opposition neighborhoods under decree no. 66 and Law no. 10. Commenting on the sanctions placed on Al-Foz, U.S. treasury official Sigal Mandelker stated that “Samer Foz, his relatives and his business empire have leveraged the atrocities of the Syrian conflict into a profit-generating enterprise⁴⁹”.

Another Syrian war tycoon is Hossam al-Katerji, who was also listed on the U.S. sanctions list. Al-Katerji was a member of the Syrian parliament and has a close relationship with the Syrian regime. His name surfaced as a middleman between the regime and ISIS when it was in control of Syria's eastern provinces (2014–2017). ISIS charged a 20 percent transit fees for oil and wheat bought by the Katerji business group for the benefit of the Assad regime⁵⁰. The company was granted three contracts by the Syrian government for the building of two oil refineries, and for developing and expanding the oil terminal in the port of Tartus on the Mediterranean Sea⁵¹.

Looting has been a feature of both the nature of the Syrian conflict and the deteriorating state of the economy

43 Hubbard (2020).

44 Oweis (2020).

45 Cornish (2019).

46 U.S. Department of the Treasury (2019).

47 Rasmussen and Osseiran (2018).

48 The U.S. Department of the Treasury (2019).

49 Ibid.

50 Georgy and El Dahan (2017).

51 Daher (2020).

within the country. According to the Syrian Network for Human Rights, almost all sides of the conflict conducted looting, including SDF, ISIS, and rebel groups—the scale of which was documented in areas recaptured by regime forces and loyalist militias⁵². Opposition areas overrun by regime forces were often considered as enemy territories and private properties were treated as war-bounty with looted materials sold in marketplaces. Interviews conducted by the Carnegie Middle East Centre with former residents of some of Syria's most affected areas highlighted the sectarian nature of the conflict even in the process of reprisals. "Malek", a former council member in the city of Homs, recalls the "deep public resentment" felt toward the Alawite-majority Nuza and Zahra districts of the city where makeshift markets were established to sell looted materials from Sunni districts⁵³. Dubbed as the "Sunni Markets", most of the material exhibited for sale were looted from the nearby town of Qusayr, which witnessed heavy fighting between rebel forces and the Assad regime and its Iranian allies.

Larger scale looting was reported by high-ranking commanders of regime combat units and militias paid and run by influential businessmen, most notably Mohammad Hamsho, who runs the Syrian Copper and Metal Company. The company is tasked with extracting steel from the rubble in collaboration with Maher Al-Assad, brother of the president and commander of the notorious 4th armored division⁵⁴. The metal was sold within the country to manufacturers and in neighboring Lebanon at competitive prices⁵⁵. In an interview with the Financial Times, a local official now living in exile in Turkey claimed that the "Fourth Division imported heavy machinery to start the meticulous process of extracting every last bit of steel. Only one businessman had such equipment in Syria: Muhammad Hamsho"⁵⁶.

Post conflict reconstruction

All of these developments add to the complexities of the post-war reconstruction, with big potential donors, such as the European Union and the United States, insisting on a political solution as a prerequisite for starting reconstruction. Estimates of the cost of reconstruction in Syria have been difficult to make as the conflict is still ongoing and there is no real blueprint in place for what a reconstruction of the country's basic infrastructure will look like. Former U.N. special envoy to Syria put the cost of reconstruction at USD 250bn. The regime puts the cost at USD 400bn, while some estimates carry the burden up to around USD 1,200bn⁵⁷. With the economy contracting to a fraction of its pre-war size, it is unclear where the funding for reconstruction will come from and so far, no clear initiatives have been taken by the regime to outline the process. The Public-Private-Partnership law in 2016, which allowed companies in the private sector to develop state assets, except for oil, was aimed at addressing the government's lack of funds to initiate any meaningful reconstruction effort. However, U.S. sanctions under the Syria Civilian Protection Act, also known as the Cesar Act, passed by the U.S. congress and signed by the U.S. president in January 2020, limits the possibility of financing major infrastructure projects. Moscow and Tehran pulled out of projects aimed at reconstructing power plants after the Syrian government failed to secure adequate funds⁵⁸. This signaled the difficult economic conditions of Assad's main backers and their inability to play a major role in Syria's reconstruction.

In line with the Syrian regime's plans for reconstruction, several laws have been enacted as part of a neoliberal policy with the emphasis being placed on Syrian businesses and investors⁵⁹. Private companies have been allowed to

52 Syrian Network for Human Rights (2020).

53 Qaddour (2020).

54 The 4th Armored Division is an elite formation of the Syrian Army whose primary purpose is to protect the Assad regime. It was known for its cruelty in dealing with pro-opposition civilian areas.

55 Salamah (2018).

56 Cornish (2019).

57 Hodali (2019).

58 Hatahet (2019).

59 Daher (2018).

manage the public assets and services of city councils and other local administrative units, and some have been granted licenses to collect and sell scrap metal in areas that witnessed massive destruction. This has likely opened another avenue for regime cronies to generate wealth from public assets and is unlikely to help start large-scale reconstruction. Lack of funds, not only public but also private, is probably the biggest challenge to Syria's reconstruction efforts. At the end of 2019, deposits with private banks in Syria amounted to about USD 2.6bn (at the official exchange rate of SYP 434 to the USD), which was down from USD 13.8bn in 2010⁶⁰. Lebanon's financial crisis and the impact of the outbreak of the corona pandemic (with a health system ravaged by ten years of war) have put extra pressure on Syria's effort for reconstruction.

Despite all these challenges, several large-scale projects are emerging in Damascus. They are also laying the foundations for a major scheme of demographic restructuring, aimed at consolidating the regime's grip on the capital. 'Marotta City' is a major development project in the district of "Basateen Al Razi" located at the rim of the major Mezzeh highway. London-based architects and urban planners, Hani Fakhani and Sawsan Abou Zainedine, co-founded the social enterprise "Sakan", which aims to deliver affordable and recovery-driven housing⁶¹. Serving as a blueprint for future reconstruction efforts, the regime aims to build Marotta city in implementation of Decree 66, which was issued in 2012 to redevelop areas of informal housing⁶². The power of the decree was increased by Law no. 10, 2018, which allows cities to designate entire districts for reconstruction and development and gave the owners of properties only one month to claim their ownership with the government⁶³. This grace period was increased to one year following harsh criticisms by human right groups⁶⁴, but does not really change the situation for the hundreds of thousands of Syrians who fled their homes in the suburbs of Damascus, some of which have witnessed wide scale destruction.

In 2012, the Syrian regime issued Decree No. 63, which allows the Ministry of Finance to confiscate assets and property of persons charged under anti-terrorism law. The Ministry of Finance made approximately 70,000 confiscation orders in 2016—2017⁶⁵. Some 50,000 residents of the "Basateen Al Razi" district in Damascus lost their right to claim property ownership in the project because they lacked proof of ownership to the land. In such shanty towns houses and property transfer is mainly hereditary and before 2011, nearly 50 percent of the land in Syria was unregistered⁶⁶. Residents who were able to prove that they owned unregistered land or housing were offered rent allowances or, in few cases, received substitute housing⁶⁷. However, with an estimated cost of USD 6,000 per square meter for property in the new project, it is hard to imagine that the majority of Syrians will be able to afford to return to live in the place they used to own⁶⁸.

Conclusion

The decade long civil war has ruined the Syrian economy and shattered its society. The war forced thousands of professionals, businessmen, and skilled workers to leave—constituting the largest brain drain in the history of the country. Vital sectors including oil, agriculture, and health collapsed while inflation soared and the Syrian pound nosedived. The economy was replaced with a war-economy along with a new business class, including warlords and chieftains. A sizable part of the country is still outside of government control and even where it rules, lawlessness

60 Daher (2020).

61 Perrone (2019).

62 Abou Zainedin and Fakhani (2020).

63 The Tahrir Institute for Middle East Policy (2018).

64 Abu Ahmed (2018)

65 Daher (2020).

66 Clutterbuck (2018).

67 Abou Zainedin and Fakhani (2020).

68 Al-Lababidi (2019).

has become the norm. The nature of the economy has been thoroughly transformed, as entire communities have been displaced and relocated, internally or externally. With more than half of the population losing their homes and properties, it is extremely difficult to foresee any degree of economic revival in the near future. In addition, potential donors (the United States and the European Union in particular) have made reaching a political solution to the crisis a precondition for any meaningful reconstruction effort. Given the geopolitical competition over Syria, a political solution remains only a distant possibility. No matter what happens in the Syrian conflict, in the short and medium run the prospects for Syria's war-stricken economy are bleak.

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Political consensus and economic reforms in Tunisia

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Abstract

This article explores the role of political consensus in Tunisia in slowing reforms, following the political crisis that followed President Kais Saied's decision to dismiss the Prime Minister and suspend parliament. It argues that the political consensus created by the 2016 Carthage agreement led to a slowing of economic reforms and triggered a political crisis. The article then considers the necessary preconditions for policymakers to make future political consensus an opportunity to endorse economic reforms that enforce accountability and advance a policy agenda that goes beyond the interests of the ruling coalition.

Tunisia was at one time hailed as a beacon of the Arab Spring model for democracy. This changed when a government crisis occurred, as manifested in the decision by President Kais Saied to dismiss the Prime Minister, Hichem Mechichi, and suspend parliament. This triggered a constitutional crisis and challenged the very mechanics of the country's democratic processes. The core driver of the crisis was the failure of the government to deliver on the economic front. Economic reforms had not gained sufficient pace in restructuring the economy, increasing productivity, and eliminating economic barriers. The four governments elected since 2014 have been embroiled in conflict with the rival political parties, and this has been one of the major barriers to accelerating economic reforms. The political consensus of 2016, the Carthage Agreement, achieved government unity and brought together the main political actors and aimed to reduce political conflicts, accelerate reforms, and implement proper political discourse with all stakeholders. In practice, the success of such reforms primarily depends on the government's capacity to establish a reform agenda that can be passed by parliament¹.

Although there has been some success in introducing reforms, political conflicts continue to disrupt the government's ability to ratify reforms with a comfortable majority. Shifting political alliances create fragmentation within parliamentary blocs and increase the incentives for deputies to defect to other blocs. At the same time, political conflicts hinder the executive's ability to coordinate with the legislative branch and civil society. Conflicts also reduce opportunities to build partnerships with different stakeholders based on transparency and accountability. The values of good governance should have increased the political tempo for reform, instead the system has encouraged social strife and thus impeded the pace².

Ten years after the Tunisian revolution, the economic situation is poor and worsening. From 2011, economic growth declined, and the political, institutional, and social shocks led to increases in public spending and a deterioration in fiscal balances. The fiscal deficit averaged 5 percent of the GDP between 2013 and 2019, and external debt increased from 57 percent to 85.5 percent of GDP over the same period³. This growing dependence on external funds reflected the fact that public and private consumption absorbed almost 89 percent of the wealth created, with

¹ McCarthy (2019).

² Govantes and Hernando de Larramendi (2021).

³ IMF (2021), article IV.

national saving much lower than investment, leaving an investment gap of 10 percent of GDP in 2019.

Public spending steadily increased since 2011 because of these macroeconomic imbalances. The public sector wage bill absorbed 17 percent of GDP in 2019⁴, and Government transfers to SOEs have annually amounted to 7-8 percent of GDP in recent years. This affected national debt sustainability as SOE loans, guaranteed by the government, made up 15 percent of GDP in 2019⁵. Further, the social security system was underfunded and the deficit, including the stock of arrears and cash needs, accounted for more than 5 percent of GDP. Increasing life expectancy and the weak cash flow position of many SOEs is likely to make things worse⁶.

As the public deficit increased after 2011, international rating agencies downgraded the country's credit rating, limiting the possibilities for raising funds on international markets. Resource mobilization became an exercise in attempting to close annual budgetary gaps across governments. The increasing dependence on external financing faced political opposition as the increased public debt was seen as burdening future generations. This further weakened the government mandate for reform and encouraged a focus on internal sources of financing—carrying a significant risk of inflation⁷.

This article considers the political economy of policy reform in Tunisia. It analyses the role of political consensus in slowing reform and the transition process and sheds light on the mechanisms by which this has occurred. The next section reviews the role of consensus in transition and is followed by a consideration of how consensus improved preconditions for the political transition. This article then discusses how consensus failed to enhance preconditions for economic transition and goes on to offer recommendations and concluding remarks.

Consensus and political reform of the economy

The literature on political transition and reform highlights the obstacles that can face economic reforms in countries making the transition to democracy⁸. Initial economic conditions are seen to be essential for shaping social pacts and compensating losers who cannot implement reform plans—two methods are identified for analyzing the reform setting, namely normative political economy and positive analysis. The normative political economy of reform underlines that the design of reform packages via adequate sequencing and compensating transfers is the key to creating broad support for reforms⁹. Positive analysis underlines the importance of social and political initial conditions in understanding the rent-seeking and game power actions undertaken by different actors. Determinants identified from positive analysis include the number of veto players, the level of separation of powers, the nature of the political regime, whether presidential or parliamentary, and the structure of the legislature¹⁰. Recent work on the

Following the Revolution, Tunisians are still waiting to translate political success into economic gains that reflect the 2010 protesters' economic and social aspirations. The Carthage agreement has failed to build a political momentum to advance economic reforms. The president is increasingly resorting to emergency powers to overcome the paralysis of democratic institutions. To overcome this, any new agreement needs first to consider compensation channels and to reform sequencing, bargaining power distribution, and mechanisms of coordination and follow-up.

4 IMF (2021), article IV.

5 IMF (2021), article IV.

6 IMF (2021), article IV.

7 IMF (2021) executive Boards concludes 2021: <https://www.elibrary.imf.org/view/journals/002/2021/044/article-A001-en.xml>

8 Haggard and Kaufman (2018).

9 Roland (2002); Black, Kraakman and Tarassova (2000); Alesina and Drazen (1991); Acemoglu and Robinson (2001); Dewatripont and Roland (1992); Wei (1999); Dewatripont and Roland (1995).

10 Roland (2002); Sonin (1999); Putnam (1992); Black, Kraakman and Tarassova (2000); Alexeev (1999); Polishchuk (1999).

public management of reform, highlights the role of historical legacies and administrative cultures in conducting reform¹¹ and the consequences of the interaction between the political elite and the powerful actors in administrative institutions¹². It emphasizes the role of policy entrepreneurs and political leaders in implementing reforms, shifting reform agendas and setting policies¹³. Other studies have concluded that the governance style might better explain reform outcomes than the institutional setting¹⁴. Political-bureaucratic actors can form tight coalitions and adopt specific strategies within administrative institutions to gain political benefit and maximize their self-interests by engaging in public management reform¹⁵. Both political and electoral systems shape the capacity of the state to advance reforms. How these systems shape institutional efficiency and enhance their ability to articulate changes is important in driving new reform. Generally, consensual democracies are more supportive of cooperative action¹⁶ and coordinated production policies¹⁷ than majoritarian systems. Other work has emphasized the importance of the electoral system in enhancing government efficiency and its role in shaping the path of political and economic policies¹⁸.

Looking at the Tunisian case, the political reform success is often attributed to the political actors' consensus strategy that helped overcome the risk of destroying a nascent transitional process that was already weakened by conflictual objectives between Islamic and secular parties. Unfortunately, the economic reform agenda did not follow the same path and did not benefit from consensus. On the contrary, economic conditions have worsened for a large part of the population.

Scholars recognize the existence of constitutional incoherence that embraces a mix between majoritarian and consensual political systems. Further, the electoral system cannot generate a clear majority, placing an additional burden on political actors to comply with a consensual strategy essential to enact policies¹⁹. As a result, voting reforms with the majority depend primarily on finding compromises between the antagonist's political parties, which may delay the reform agenda. At the same time, frequent movements of deputies between blocs in the parliament and instability among coalitions make it difficult to build needed consensus around reforms. Other work investigated the role of power distribution among actors to advance reform and changes²⁰. It shows that an inclusive process gives actors more incentive to participate (contestability) and comply with agreements. Moreover, consensual institutions favor a consensual policy-making style compared to majoritarian institutions²¹.

In Tunisia the inclusion of actors in the political process was not insufficient. The process of consensus, signed on July 13, 2016, marked a power sharing between Nidaa Tounes and Ennahda, several political formations, and civil society organizations²². However, this did not consolidate the democratic process and failed to produce significant concessions in order to advance major reforms. The consensus did not help overcome the political conflicts at the legislative level. Evidence of the delaying of important legislation can be seen in existing votes²³. The literature on

11 Metcalfe and Richards (1990); Clark (2000).

12 Peters and Savoie (1996, 1998).

13 Moon 1995; Aberbach and Christensen (2001); Barzelay (2001); Goldfinch and Hart (2003).

14 Christensen and Lægveid (2001).

15 Vigoda-Gadot and Vigoda-Gadot (2003); Bovens *et al.* (2002).

16 Huber and Stephens (2000); Iversen and Stevens (2008); Manow, (2001a); Martin and Swank (2008).

17 Arsenault (2017).

18 Cusack *et al.* (2007); Iversen and Stevens (2008); Katzenstein (1985); Korpi (2006); Martin and Swank (2008).

19 Iversen and Stevens (2008).

20 World Development Report (2017).

21 Bovens *et al.* (2002); Nagel (1998).

22 MacCarthy (2019).

23 Kubinec and Grewal (2018).

politics, moreover, underlines to what level power-sharing could undermine democratic institutions and their consolidation through a loss of representation and accountability²⁴ and the rise of a politics of collusion²⁵. There is a serious question as to whether consensus in Tunisia triggered a process of collusion politics²⁶.

Reform implementation depends primarily on the social, economic and political preconditions prevailing in time of changes. Empirical work regarding the political economy of reform in the Middle East is scarce, specifically, the experience of countries involved in the “Arab spring”. This article now considers why consensus helped transition to achieve a political shift but not economic reform.

Consensus and political transition

The process of consensus building significantly shaped Tunisia’s successful political transition. The resulting pact between two rival groups, the Islamists and pro-revolution leagues on the one hand, and secular parties, on the other, was made against all expectations. It was disconnected from the political conflict dynamics resulting from the 2014 election process, such as the committee for transitional justice and the committee of constitutionality of laws. The process aimed to overcome a serious deterioration in political life and build a broad coalition to vote for the constitution. Furthermore, it helped establish key political institutions needed to complete the political transition. As a result, the legislative assembly voted for the constitution and, additionally, many other political reforms were passed in areas such as transitional justice, electoral law, legal immunity, and the parliament’s internal policy.

Political consensus has the advantage that obstacles can be overcome by compensating emerging actors politically. The consensus between Ennahdha and Nidaa Tounes in 2016 paved the way for power sharing by compensating militants from the two parties. This took the form of massive hiring of them by the administration and security forces²⁷. Many known figures from the two parties were appointed to high level positions, with both parties aggressively disputing the number of ministers and governors allocated to each party. Another form of political compensation was to gain their allies the possibility of being elected to the parliament, this included corrupt entrepreneurs, traffickers and radical Islamic figures. In the same vein, old regime figures supported by Nidaa Tounes benefited from a loophole from being banned from political life. Further, the sequencing of political reforms helped rivals to prioritize easy agreements and delay difficult reforms. For example, while the constitutional court and electoral law have yet to be validated, an agreement was reached immediately to pass the first chapter of the 1959 Islamic Constitution²⁸, and vote on transitional justice laws²⁹.

The consensus also permitted the two parties to privilege their self-interests and the interests of their allies by capturing the regulatory body and benefiting from rent-seeking behavior. High-ranking figures from Ennahda, were subject to judicial inquiries about the sources of their wealth and enrichment. Nidaa Tounes also proposed economic amnesty legislation and was accused of encouraging those who exploited their power to accumulate more wealth. There are still outstanding charges relating to the political elite and government officials abusing power, engaging in illegal activities, and activities presenting conflicts of interest³⁰.

24 Jung and Shapiro (1995); Kriger (2012).

25 Cheeseman and Tendi (2010).

26 Cheeseman and Tendi (2010).

27 Q. Hanlon, Security Sector Reform in Tunisia. A Year after the Jasmine Revolution (United States Institute for Peace, Special Report No.304, 2012). <https://www.usip.org/sites/default/files/SR304.pdf>.

28 This article states that Islam is part of the country's identity, its people, their history, and culture, but it is not a state religion to be used as an apparatus of government.

29 Govantes and Hernando de Larramendi,. (2021, p11).

30 Yerkes and Muasher (2017).

Consensus and economic transition

Tunisians are still waiting to translate political success into economic gains that reflect the 2010 protesters' economic and social aspirations. At first, there was a particular interest in advancing the political transition by accelerating political reforms and guaranteeing a smooth power transition. Consequently, the delay in advancing economic reforms contributed to a severe deterioration of the economy, as seen by the economic indicators in Table 1. Between 2010 and 2020, the economic growth rate declined from 3 to -7 percent, foreign debt increased from 40 to 83 percent, investment fell from 24 to 18 percent of GDP, and the unemployment rate increased from 13 to 16 percent.

As we have seen, the literature on political and economic transitions

shows that structural and deep reforms are the most difficult to implement, as they need political coalitions for ratification. Such reforms cover, for example, banking sector law, pensions, and state owned enterprises (SOE). These reforms are important as they constitute a condition for obtaining IMF loans and the government has no other realistic means of funding its fiscal budget. The revolutionary movement has, however, made it difficult for the government to ratify some of these policies, such as privatizing SOEs and removing subsidies.

Civil society played a significant role in shaping economic and social policies post-revolution. The Tunisian General Labor Union (UGTT) and the Tunisian Union of Industry, Trade and Handicrafts (UTICA) were considered partners; as such, they influenced decision-making by, for example, vetoing reforms that might negatively affect the interests of groups they represent. These civil organizations played a significant role in getting social and economic clauses included in the Carthage Agreement, for which they obtained a Nobel Prize. The UGTT represents civil servants and defends middle-class interests, while the UTICA represents groups of investors and entrepreneurs. After the revolution, other interest groups also became influencers, though without the capacity to veto, such as the Union of Agriculture (UTAP) and groups of unemployed youth.

Consensus and power distribution and bargaining

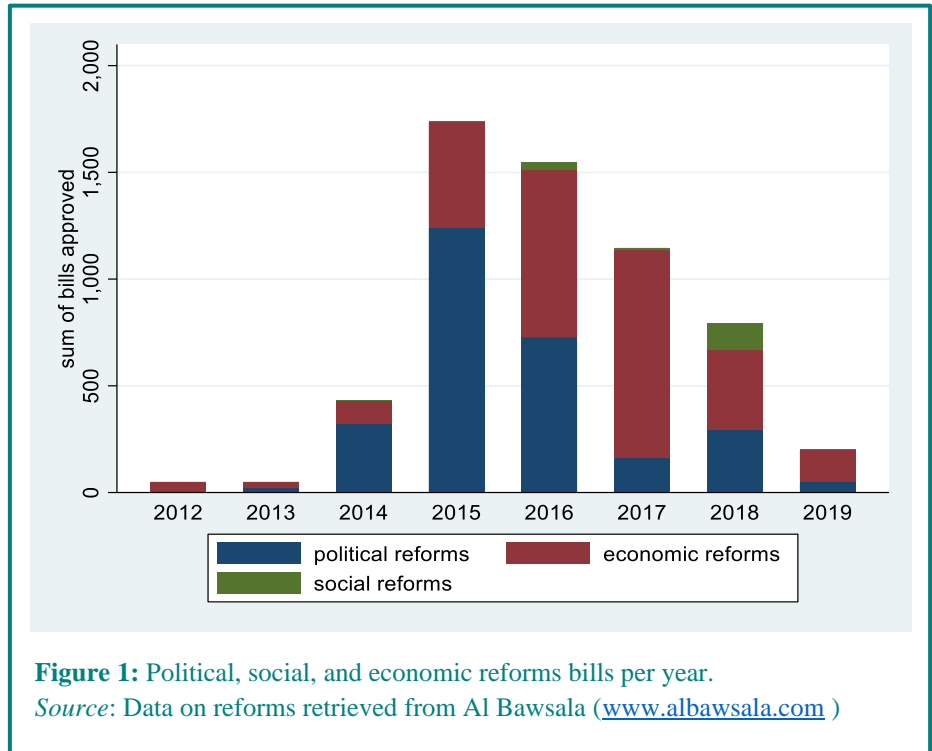
The distribution of power among actors following the consensus provided more weight to social institutions (in particular, UGTT and UTICA) than to political leaders. These organizations succeeded in placing their members within ministries, thereby gaining significant bargaining power within government. Additionally, the turnover within the government, resulting from an unstable coalition in parliament, did not give rulers adequate time to formulate a complete vision and plan reforms—which affected their negotiating power and their ability to provide leadership in bringing about changes.

Table 1: Deterioration of economic indicators after the 2010 revolution.

<i>Economic indicators</i>	<i>Status in 2010</i>	<i>Status in 2016</i>	<i>Status in 2020 (Pandemic)</i>
Growth (%)	3%	1.10%	-7.30%
Public deficit (%GDP)	1%	5.70%	7.50%
Foreign debt (%GDP)	40%	55%	83.50%
Tourists (millions)	6.9	4.3	0.4
Exchange rate DT/Eur	1.4	2.2	3.2
Investment (%GDP)	24%	19%	18.50%
Unemployment (%)	13%	15.50%	16.20%
Employment creation (thousand)	78,000	-12,000	27,000

Source: National bureau of statistics INS, Tunisia: www.ins.tn

Despite its role in accelerating political reforms, the consensus failed to build the stable political coalition needed to boost the economic reform agenda. As a result, economic reform implementation followed a slow path³¹. The progress on the passing economic reforms declined after the consensus, but many political leaders still believed in, and called for, a consensual agreement to advance them³². Figure 1, shows that from 2016 (the year the Carthage agreement was signed) to 2017, the number of economic reform bills submitted to the parliament did increase considerably, but then rapidly declined.



One likely problem is the failure of the compensation process to offer any specific measures to compensate losers, especially the middle classes. Fiscal policy fell short in meeting redistribution pressure from the previous regime’s victims and losers. Proposed reform policies, such as pension reform, reducing the size of the public sector, and subsidies reduction, primarily affected the middle class. At the same time government-connected entrepreneurs and investors in the informal sectors had high rates of tax evasion, leading to a sentiment of injustice and inequality. The middle class, however, had the capacity to veto the reform process given its connections with civil society organizations such as the Tunisian General Labor Union (UGTT)³³. In addition, a social movement opposing structural adjustment reforms was developed, manifested by an increasing number of protests and banditry throughout the country.

The sequencing of reforms did nothing to help broaden political support for the most popular reforms such as open sky; the situation being even worse for reforms to dismantle monopolistic structures, such as port services, tobacco, and distribution. The hegemony of family businesses that dominated some activities impeded competition and innovation spillovers. There was no clear economic reform vision, nor sufficient resources. Despite efforts made to improve the coordination of reforms, there was no comprehensive methodology for prioritizing reforms based on their nature, size, contribution to state resources, job creation, and their trade-offs between long-term and short-term benefits.

Finally, for a variety of reasons, the consensus’ main political leadership failed to advance economic and social reform. The coordination processes established inside the parliament and the government failed to generate wider social discussion and failed to reduce uncertainty about the risks of long-term changes. The political alliance formed

31 For example, the progress rate of economic and institutional reforms amounted to 82 percent. Likewise, social reforms represented 13 percent of the total number of reforms, with a validation progress rate of 75 percent.

32 <https://www.tap.info.tn/en/Portal-Society/13431225-ugtt-initiative-to>

33 Brumberg and Salem (2020, p114).

by Essebsi and Ghannouchi, as well as civil society organizations, were assembled to debate political reforms rather than economic ones³⁴.

Advancing economic reforms in Tunisia

Currently in Tunisia, the political elites are calling for a consensus on the main economic reforms³⁵. Their aim is to build a stable political coalition able to accelerate reform voting within parliament and enhance government implementation capacity. From a political economy perspective, such an agreement would need to include essential precautions for reform policy design.

First, economic consensus should strongly address the issue of subsidies eligibility and trade-offs. However, resources were used to compensate victims and losers from the Ben Ali era, and this has affected the current government's ability to compensate those who lose due to the proposed economic reforms.³⁶ It will be beneficial to broaden the base of representation in the discussion and gain public support from those who benefited from the transition, specifically people in vulnerable socioeconomic strata. It is also important to find unique mechanisms to support the middle class, as its members are the main losers in the economic transition³⁷. There are multiple ways to compensate the middle class, such as reducing taxation, targeting fiscal allocation, and compensating with in-kind transfers. It is necessary to study the implications of each step in the scenario and build trust between parties to help reduce the risk of uncertainty that each scenario presents for different stakeholders.

Second, unlike the political consensus, the economic consensus should create different processes of coordination and follow-up. In addition, policy scenarios should be based on transparent evaluation approaches that guide building and policies for reforms. The most important question is how to consult with different stakeholders while avoiding complicated procedures and lengthy processes. This can be quite technical, and specific skills for evaluation of public policies are needed. Many similar projects have been undertaken by the prime minister's office and are based on multidisciplinary task forces that prepare a vision-based transparent approach with clear KPIs in terms of cost and benefit evaluation.

Unfortunately, the current political deadlock affects the likelihood of preparing a new generation of leaders. The leaders responsible for reform implementation should have a good understanding of reform objectives, and the leadership skills to stimulate social dialogue with different partners. The consensus will be an opportunity to rebuild confidence in political leaders and give the government an opportunity to restructure the executive branch to increase efficiency in reform implementation.

Finally, how will sequencing and vision provide credibility in terms of achieving and meeting stakeholders' expectations in the long-term and short-term? Usually, it is more urgent to start with reforms that compensate the big losers to instill confidence and gain support. The consensus must rank the different steps, explain the rationality of the reform sequence, and give various stakeholders assurances to engage in the reform road map. For example, redrafting investment law requires prior reflection and an accompanying commitment to tax reform. Therefore, if investment law reform is a priority, then tax reform is also a priority given the importance of financial incentives for investment. Reforms of an institutional, regulatory, and orderly nature take priority given their nature. The role of institutions (and the regulatory environment) is fundamental to adopting, implementing, and translating sound policies into positive results. In the absence of such reforms, even sound policies do not have a chance of achieving

34 Govantes and Hernando de Larramendi,. (2021, p.17).

35 <https://www.tap.info.tn/en/Portal-Society/13431225-ugtt-initiative-to>

36 According to the Tunisian National Bureau of statistics. The troika between 2011 and 2015 accepted a massive recruitment into the public sector. As a result, salaries rose by 23.18 percent during this period. Most of these recruitments concerned political prisoners.

37 Jouini *et al.* (2018).

the desired goals in the short, medium, or long-term perspectives.

Conclusion

The Carthage agreement has failed to build a political momentum to advance economic reforms. Unlike political reforms, this agreement failed to guarantee a targeted compensation process for potential socioeconomic groups of losers. It failed to set up a clear road map and vision-based transparent approach to sequence economic reforms based on contribution to state resources, job creation, and long-term versus short-term benefits. Finally, it eradicated leadership from the negotiation of economic reforms and the prioritization of the legislative agenda.

After six years, the increasing risk of the political transition being undermined, and the increasing paralysis of democratic institutions have encouraged president Kais Saied to resort to emergency powers under article 80 of the constitution. The current discussion to bring together different actors and advance economic reforms does, however, have the potential to create a new political leadership.

For the success of these negotiations, a number of obstacles need to be addressed. First, compensation subsidies to the middle class are a priority and mechanisms and programs to target losers from these strata will ease discussion about painful reforms particularly with social organizations. Second, sequencing should prioritize reforms that helps compensation mechanism to happen with respect to rationality of reform sequencing order. Third, any agreement should facilitate restructuring the executive branch toward enhancing implementation capacity. Finally, salient socioeconomic groups who benefited from compensation since 2011 should be part of these negotiation in order to gather political support for the new reform setting.

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Solidarity and fragmentation in Libya's associational life

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Abstract

This article is a sociohistorical analysis of two regions of Libya, Cyrenaica and Tripolitania, following independence in 1951. Building on Pierson (2004), it focuses on path dependent trends in solidarity and the fragmentation of Libya's associative space. It argues that associational life has played a twofold role in Libya's political and social history. First, it actively contributed to the strengthening of resistance against colonialism and tyranny, the development of state institutions and the domestication of state power. Second, it contributed to processes of bonding within groups that compromised the development of a Libyan state, which was a factor in the onset of the Libyan civil war (2014–2020). This dual nature of the associative space is an important point of inquiry for Libyan historiography and something that is important for policymakers presiding over the country's state, nation building and economic development to understand.

Hisham Matar's statement below speaks of the centrality of social and political history to the dynamics of the current conflict in Libya:

“Dreams have consequences. There is no turning back. A revolution is not a painless march to the gates of freedom and justice. It is a struggle between rage and hope, between the temptation to destroy and the desire to build. Its temperament is desperate. It is a tormented response to the past, to all that has happened, the recalled and unrecalled injustices - for the memory of a revolution reaches much further back than the memory of its protagonists.” Hisham Matar, *The New Yorker*, 2014

Existing analysis on the Libyan conflict, however, remains largely focused on the period following the 2011 Arab uprisings and its humanitarian, security, and development¹. This article follows Pierson's (2004) emphasis on *temporality* as integral to social analysis and presents some reflections on trends in solidarity and fragmentation in Libya's associative space since its independence². The analysis also draws on Noriega's (2012) concept of associative space, composed of autonomous groupings and collective actions that exist outside the formal political, religious, and economic institutions that channel collective voluntary action in disparate areas. The associative space is “*characterized by the logic of reciprocity, solidarity, symmetrical interaction and the defense of common identities*” (Noriega, 2012, p. 47).

This article covers three key periods of Libyan history: The monarchy (1951–1969), the Gaddafi period (1969–

1 Lacher (2020); Swesi et al. (2020); Youngs (2014); Bassiouni (2013).

2 Pierson (2004) calls for bringing “temporality” to bear on social analysis. He explains the importance of embedding social and political analysis in time and argues that analysis of variables in the social sciences is distorted when they do not take into account their temporal context. He holds that placing politics in time can enrich the “understanding of complex social dynamics” (Pierson, 2004, p. 2).

2011) and the present. The research draws on the author's PhD thesis³, which used primary data from archives in London, Rome, and Tunis, as well as 80 semi-structured interviews with Libyans and Italians who witnessed the period between 1911 and 1969 in Cyrenaica and Tripolitania (many of whom are deeply involved in Libya's present crisis). Associational life is argued to have played a twofold role in Libya's political and social history. First, it actively contributed to the strengthening of resistance against colonialism and tyranny, the development of state institutions and the domestication of state power as experienced in the Kingdom of Libya (1951–1969). Second, deep localism developed, mainly as an inheritance of aggressive colonialism and the institutionalization and the entrenchment of regional differences⁴. Libya's associative space saw bonding occurring within groups that compromised the development of a Libyan state, and this was a factor in the dynamics of the civil war.

A sociohistorical contextualized understanding of the dual and often contradictory role of Libya's associative space is needed for policymakers to succeed in nation building and economic development. Recognizing its capacity to contribute to the consolidation of statehood, while at the same time threatening it, is necessary to understand the dynamics of social and political change in the history of modern Libya. A more nuanced approach to understanding the evolution of the associative space is also necessary for international actors engaged in Libya.

The next three sections provide an analysis of the development of associational life in Tripolitania and Cyrenaica. First, a formative phase during which associations experienced a period of growth following independence. This growth was not without its challenges and was circumvented by political rivalries. Second, a propaganda phase during which associations in Libya were largely instrumentalized by the Gaddafi regime to further its interests. Third, a regeneration phase which covers the period following the 2011 Arab uprisings. In each phase, fragmentation and solidarity among social actors are visible both locally as well as across regions in Libya with key associations operating at the crossroads between aspirations for a national identity on the one hand, and regional or localized grievances and priorities, on the other.

The formative phase (1943–1969): A slow and difficult birth

The birth and development of an indigenous associative space outside the traditional religious space of the *zawiya*⁵ in Libya was slow and difficult, mainly because of the succession of foreign rulers who occupied the country. While there is evidence of the existence of a few associations in Libya during the Ottoman period, such as an association for women and another political association⁶, the associative space, in general, was limited. This is especially true for those that had a political identity. Associations were not allowed to operate during that period or later when Libya was colonized by Italy for fear that they would have empowered the Libyan resistance⁷. It is no surprise that while the Libyan associative space was restricted, Italian associations were thriving. Fascist and Communist associations actively operated in Libya with very limited engagement by the Libyan population⁸. This was not the case in the diaspora, however. Libyans in the diaspora developed their own organizations. In the 1920s, Libyans in exile shifted their attention from collecting arms, money and supplies to supporting the resistance in Tripolitania and Cyrenaica.

3 El Taraboulsi (2020).

4 Ibid.

5 A *zawiya* is an Islamic religious school and a meeting point for a group of followers of an Islamic society that coalesced around a person considered to have spiritual authority. The establishment of the first *zawiya* by the Grand Sanusi was in Bayda in 1843 (Evans-Pritchard, 1946, p. 844) and there the Sanusiyah, a politico-religious Sufi order, consolidated its power in Cyrenaica.

6 al-Tir (2013).

7 El Taraboulsi (2020).

8 Ibid.

They were also instrumental in developing political and civic associations in other Arab countries like Egypt and Syria, with those associations used as a platform to call for the independence of Libya⁹.

A growth of Libyan associations took place following the end of Italian colonization with the transfer of Libya to the British Military Administration and then through the rise of the monarchy in 1951—bearing some resemblance to the effervescence of associations following the downfall of Gaddafi in 2011. The expansion of the Libyan associative space came hand in hand with the emergence of political parties and trade unions that saw the development of Libyan statehood tied to the growth of a national consciousness (although as shown later this was fraught with contestation). More traditional religious forms of association were retained, such as those established through the *zawiya*, and modern associations that adopted the western model of an organization of people united by a common cause, were established. In the words of a Libyan contemporary political activist whose mother led an association for women after 1951:

“This was a period of stability [...]. There was a constitution and there were institutions. [...] In addition to big organizations that had a political role such as the ‘Umar al-Mukhtar Association, there was the Nahda Association for women and there were women leaders such as Hamida el-Eneizy and Hamida bin ‘Amer. Those organizations were important. They connected the people to the king and the state.”
(Cited in El Taraboulsi, 2020)

Associations contributed to the shaping of a Libyan national and political consciousness, but this consciousness was distinct in each region especially among the political elite. An analysis of the emergence and development of associations during that period reveals forms of cooperation among social actors and between social actors and the state, as well as deep political contestation regarding the shape and form of the new Libyan state. Because of divisions within the political landscape, they were later restricted under King Idris¹⁰. Women’s associations, however, were an exception; there is evidence that they continued to operate and flourish with rising regional and international interest in a generation of civically engaged Libyan women. Jewish associations also flourished and developed strong networks within Libya as well as abroad around the time of the establishment of the state of Israel in 1948 and through to the Six Day War in 1967. During that period, there was a mass exodus of the Jewish population from Libya to Israel and other parts of the world—most notably Rome¹¹.

The emergence and unravelling of the Umar al-Mukhtar Association¹² reveals deep political contestation at the heart of this formative period. The association upheld national goals of independence and autonomy, but its loyalty and successes were always perceived to be tied to Cyrenaica and not to the nation as a whole¹³. Named after the celebrated Libyan resistance leader, Umar al-Mukhtar, the association emerged in Cairo as a club of former combatants against the Italian occupation¹⁴. In 1943, it was formally established in Benghazi and then a branch of it was established in Derna, which is also in the eastern region of Libya. The association was composed of and run by 147 young Libyans. Because of its popularity in the east of Libya, members of this ‘Umar al-Mukhtar Association ran for parliament in June 1950 in Cyrenaica and consolidated substantial power¹⁵.

9 Baldinetti (2010, p.69).

10 El Taraboulsi (2020).

11 Ibid.

12 In 1950, a law for associations was passed and this was followed by a law for journalism. As a result, the ‘Umar al-Mukhtar Club became registered as the National Association, although it continued to be referred to as the ‘Umar al-Mukhtar Association.

13 El Taraboulsi (2020).

14 Esposito (2009).

15 al-Sharif (2010, p.110); Baldinetti (2010).

The Association also supported the development of scout groups which were particularly popular in the period following the end of Italian occupation. According to al-'Eneizi, scout groups presented an opportunity for the Association to contribute to the reconstruction of Benghazi after it emerged from the years of war, which had destroyed its infrastructure and left it in poverty¹⁶. Initially, an attempt was made by the Association to establish a Libyan scouts team in 1944, but it was unsuccessful. The idea was raised again in 1947 when the Association sent a request to the British Military Administration regarding the establishment of a Libyan scouts team—this time it was successful. There was impressive support from the people of Benghazi. It is reported that they donated money, food and equipment, especially when the team members made trips outside Benghazi. In 1951, the Benghazi scouts team was dismantled when the 'Umar al-Mukhtar Association unraveled. Another scouts group was later established in Benghazi in 1955 by Mansur al-Kikhiya who coordinated with 'Ali Khalifah al-Zaidi who had founded a scouts group in Tripoli in 1954¹⁷.

While the Association's success and strong following in eastern Libya strengthened communication between the people and the emerging state, it also weakened the legitimacy of the state in two ways. First, through its concentration in the eastern region of Libya and limited engagement in the western region and second, through its opposition to western engagement in Libya. Interviews conducted with journalists and civil society leaders who witnessed the period of King Idris, indicated the association's limited engagement with political movements in the western regions. It continued to be associated with Benghazi and the cities of Libya's eastern regions. It was also confined to urban centers, and failed to build coalitions with opposing political groups. It could not appeal to young people from Bedouin and rural communities¹⁸. The Association's dismantling in 1951 is usually ascribed to a decision made by the prime minister Mohammed Saqzeli, who sought to reduce the threat of the organization's capacity to hold protests against the government. Protests had broken out when an unidentified dead body had been found at a hospital in Benghazi. Many historians, however, hold that it was the animosity between Idris and the Association that led to its dismantling¹⁹.

On the Association's rejection of western control, the 'Umar al Mukhtar Association was firmly opposed to British control and influence in Libya post-independence. In a speech commemorating the Libyan hero 'Umar al-Mukhtar, Muhammed al-Sabri, a member of the governing board of the Association, gave a scathing condemnation of the British Military Administration's role in Libya's reconstruction:

“Tell us Umar [‘Umar al-Mukhtar], what would you have done had you been with us in body and soul? You rose in arms against those who wanted to rule the country alongside the nationalists. Those were the [Italian] colonizers and you refused to see any future other than of a free country led by a free people. Now, what would you make of those allies [the British] who we supported like lions in difficult times and welcomed them to our country joyfully but they now have a monopoly over our country and have rendered us strangers in our land, deprived of its riches?” (al-Mughayribi, 1993, p. 45)

16 al-'Eneizi (2011).

17 Ibid.

18 al-Mufti (2012, p. 20).

19 al-Mufti (2012, p. 287). It is also worth situating the analysis here within the broader political context. There were two key political currents at the time. The first political camp was a unionist one. It saw Libya, with its three regions of Tripolitania, Barqa and Fezzan, as a unified monarchy under King Idris as the first king of Libya, with a constitution and a democratic parliamentary system. The stronghold of this camp was the Umar al-Mukhtar Association, with its two branches in the eastern region of Libya in Derna and Benghazi. The second political camp was federalist. It called for a federal union of the three regions under the leadership of King Idris, while ensuring that each region had its separate army and foreign policy with its strong hold in the western region (Bin-Halim, 2011, p. 20).

This opposition by the Association to continued Western engagement, particularly British and American interests, during the period of King Idris was, however, in conflict with its support for the legitimacy of the king. In fact, it has become clear that this opposition actually compromised the authority of the king who was relying heavily on the political and economic support of Western nations to build the new Libya. This led to a conflict between the Association and King Idris, especially in 1947 with the dissolution of all political parties and the formation of the National Congress by a Sanusi decree. In December of that year, the dissolution of political parties and the formation of al-Mu'tamar al-Watani (the National Congress) caused a split within the 'Umar al-Mukhtar club. The Derna branch wished to respect the Sanusi decree, while the central branch in Benghazi adopted a critical position and argued that the national question should not be a prerogative of the party but that, on the contrary, it concerned all people²⁰.

The propaganda phase (1969–2011): Manufacturing consent

Despite restrictions on the emergence of associations in Libya under King Idris, there was still space for civic participation through trade unions and women's associations that continued to exist. The Gaddafi period, however, witnessed a silencing of the civic space in Libya. By the end of the 1970s, all associations had either been dissolved and banned, or taken over by the state²¹. Associational life continued within the diaspora, but that too was faced with brutal repression. The development of a national consciousness that had started following independence was circumvented by the regime. Traditional civil society, such as *zawiya* and *waqf*²², was brought under the control of the state. Organizations were established that claimed to continue the legacy of associationism in Libya but actually sought to manufacture consent and strengthen the stronghold of the regime both domestically and internationally.

Between 1969 and 2011 the Gaddafi regime paused the state and nation building momentum that had been undertaken, albeit with significant contestation, within the civic space following independence. In 1972, Gaddafi issued a law that banned political parties and ushered in an exercise of brutal and unremitting suppression that made the formation of, or affiliation to, political parties an executable criminal act. In 1973, in the aftermath of the declaration of the Popular Revolution, hundreds of intellectuals from different backgrounds were arrested. The political scene featured only state-run organizations such as the Arab Socialist Union (ASU) and revolutionary committees, also known as the Basic Popular Congress (BPC). Mass arrests and executions of intellectuals and political activists, within Libya and beyond, continued in the 1970s through to the early 2000s²³.

While free associations and all forms of political participation were banned (a famous slogan in Libya at the time was 'mann tahazzab khan' or 'whoever joins a political party is a traitor'), foundations and charities were launched by the regime to strengthen its hold domestically and to improve its image internationally. Gaddafi's second son, Saif al-Islam's political emergence came hand in hand with the establishment of the Gaddafi International Foundation for Charitable Associations (GIFCA). The foundation was primarily funded by the state and through its support, many other civil society organizations were born. While the foundation had limited impact on the ground, the charity contributed to the strengthening of Saif al-Islam's political clout. Through it, he managed to broker a deal in 2000 for the release of the western hostages held by the Abu Sayaf group in the Philippines²⁴. In 2009, Saif al-Islam established a human rights organization that spun off from GIFCA called the Arab Alliance for Democracy, Development and Human Rights. The organization had a mandate that consisted of tracking human rights abuses in the Middle East. The meeting that launched the organization was held in Tripoli with Saif al-Islam announced as

20 Baldinetti (2010, p. 126).

21 Romanet Perroux (2019); Bribena (2017).

22 Waqf is a charitable Islamic endowment. It involves the transfer of a property from its owner to a charitable cause and its main characteristic is that it is permanent and irrevocable and its benefits are passed on from one generation to another (Abdulwahab, 2017).

23 Salah and El Taraboulsi (2013).

24 Pargeter (2006, p. 222).

chair. The emergence of these organizations was about manufacturing consent and creating an exterior of progress that masked continued political and social fragmentation—no genuine civic participation was allowed²⁵.

Gaddafi's regime also sought to deepen the legacies of localism and social and political fragmentation through manipulating tribal and ethnic loyalties. After the first ten years of his rule and as his popularity started to diminish, Gaddafi fed rivalries among Libyan tribes through selective patronage to consolidate his control. For example, within the armed forces, Gaddafi's own tribe the Qadhafda were pitted against the Magariha, which were close to the Warfalla and Zintan tribes. Later, the Zintan tribe would be one of the first tribes in western Libya to join the revolt against Gaddafi in 2011²⁶. Dissent and resistance to the regime were largely crushed:

“For forty-two years, from the Great September Revolution on 1 September 1969 up to 17 February 2011, when the Libyan civil war broke out, Libya was dominated by a political vision that formally denied both the possibility and the right of Libyans to civil activism of any kind outside that sanctioned by the Gaddafi regime. Resistance to the regime, its objectives, and policies was rigidly excluded, and those who manifested it, in any form, faced unlimited imprisonment and death.” (Joffe, 2016, p. 117)

Associations, as a result, were mostly absent from the public space except for charities and those sanctioned by the regime:

“The majority were active as charity groups, perhaps to avoid clashes with the government. The prevailing supposition was that there was a lack of civic culture in Libyan society, but in fact this was only an effect of the political regime. The Qadhafi regime adopted a totalitarian ideology which fully occupied the public space in society, and therefore according to Qadhafi's theory there was no real need for these associations and very little justification for them to have an independent existence.” (El Sahli, 2015, p. 271)

Libyans in the diaspora were also affected by the machinations of the regime. The 1980s were marked by extrajudicial assassinations at home and abroad, including in London²⁷. Based on the experience of British-Libyans in the U.K., it is argued that Gaddafi's Libya was carefully cloned and recreated within the streets of London:

“Libya was a constant source of anxiety and fear even to those living abroad; trust was lacking and respondents related how, in London, Libyans feared one another. Gaddafi's despotism extended beyond the shores of Tripoli and Benghazi, and Libyans who opposed his regime were targeted everywhere. No one was safe, and the younger generation of British Libyans inherited their parents' burden. [...] Libyans in the UK are as divided as those in Libya by region of origin, tribe, and ethnicity. One respondent, whose parents come from the western and southern regions of Libya, related how she had little connections to Libyans from the east even in the UK. She said: ‘I feel that Tripolitarians, in general, are more free to associate with other regions but that people from the east—I am sure case by case there are exceptions—but people from the east try to find one another; they are tight-knit. And they feel different from those in Tripoli.’” (El Taraboulsi-McCarthy, 2017, p. 135).

25 Salah and El Taraboulsi (2013).

26 El Doufani (2011).

27 El Taraboulsi-McCarthy (2017).

By restricting meaningful civic and political participation in Libya, the Gaddafi regime did not allow the development of social and political national consciousness to take place. Solidarity across localities and between regions did not grow, and a culture of suspicion, fed by the clamping down on any form of political expression emerged, both in Libya and for Libyans in the diaspora.

The regeneration phase: Loyalties, divided

In the period following the overthrow of the Gaddafi regime in 2011, a large number of associations emerged in Libya. Like their predecessors, they had divided loyalties, even as they sought to re-establish the Libyan nation. Around 250 new organizations were established during and immediately after the revolution in the eastern region of Libya²⁸. The development of those associations was a means through which the nation building process was to be launched. At the outset, the main focus of those organizations was humanitarian, providing food and shelter, as well as medical aid during the war against Gaddafi's forces. Those same constituencies explored ways to shift strategies toward a more sustainable presence. The initial period witnessed significant solidarity among those organizations²⁹. NGOs, according to Sahli, helped to form the National Transitional Council (NTC) which embodied "*some aspects of government, with representation from various segments of society, such as doctors, engineers and judges*" (Sahli, 2015, p. 273). Moreover, Sahli's research shows:

"[...] how quickly and effectively NGOs came together to confront the regime and to occupy the public space abandoned by the government, to provide essential services and play advocacy roles. The NGOs were able to provide the framework to prevent the collapse of society, which showed their strength, effectiveness and importance. Religious, political, and social roles traditionally played by the government came to be played by some of these associations for a period of time. New types of associations emerged from the uprising, driven by religious, business and advocacy concerns." (Sahli, 2015, p. 273)

Despite the initial solidarity, polarization within the political landscape during the Libyan civil war between 2014 and 2020 manifested itself within the associative space. The Libyan National Army (LNA), which controlled the eastern region of Libya enjoyed assistance from Egypt and the United Arab Emirates (UAE), while Qatar and Turkey supported the defending forces of the United Nations-backed Government of National Accord (GNA). Both sides received weapons, vehicles and drones despite a UN arms embargo. Each political and military group was supported by its own associative groups. A study on civic participation in Libya in 2015, reported the founding of an association for Libyan judges that emerged in 2012 as an offshoot of its Tunisian counterpart. He described how the association was focusing on the rights of judges who have become "*swayed by the power dominant in the place where they operate.*" For instance, a judge in the eastern part of Libya was likely to submit to the forces of the Tobruk-based government. Respondents in this study also described how human rights organizations were documenting violations related to the opposing political faction but not their own³⁰. While this might be expected in a severely polarized political climate, it should be viewed as part of a pattern that originated not only in the current social and political dynamics of the Libyan conflict, but also of trends in solidarity and fragmentation that had been present in Libyan society since independence.

28 Salah and El Taraboulsi (2013).

29 Ibid.

30 El Taraboulsi (2016).

Conclusion

This article has sought to recast scholarly engagement with the Libyan conflict in a way that rejects ahistorical approaches. Instead, it offers an analysis that considers issues of path dependence in solidarity and fragmentation within the Libyan associative space. It has argued for a contextualized understanding of the dual and often contradictory role of Libya's associative space is needed. Recognizing its capacity to contribute to the consolidation of statehood, while at the same time threatening it, is necessary to understand the dynamics of social and political change in the history of modern Libya. Moreover, this dual nature of the associative space is an important point of inquiry for Libyan historiography which has not fully explored this dimension of Libya's past, and its role in identity formation, as well as for policymakers presiding over the country's state, nation building and economic development. A more nuanced approach to understanding the evolution of the associative space is also necessary for international actors engaged in Libya as it calls for a more considered engagement with local actors.

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