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Inter-state tensions and regional integration: could the Arab Spring initiate a virtuous circle?

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This paper draws on the economic and political sciences literature to examine the possibility that the Arab Spring could bring the region out of the past vicious circle by which regional integration is stalled by political tensions and the latter are exacerbated by the lack of integration. This analysis suggests that the outcome depends on a number of factors, among which democracy plays a major role. Arguments based on the relationship between human capital and the development of democracy are put forward to support the likelihood of a virtuous circle developing.

Keywords: Arab integration; political tensions; Arab Spring; democracy

Introduction

Political tensions and failed economic integration are two major features of the Arab region. While Arab countries rarely break records or win gold medals in Olympic or other worldwide competitions, they hold three uncontested records in terms of regional integration. First, efforts to integrate regionally were started earlier than in any other developing region in the world (the Convention for Facilitating Trade and Regulating Trade Transit was signed in 1953). Second, Arab countries have signed the highest number (over 20) of regional or sub-regional integration agreements (e.g. the 1964 Arab Common Market, the 1989 Arab Maghreb Union (AMU), the 1998 Pan-Arab Free Trade Agreement (PAFTA), etc.). Beside such regional agreements, Shukair (1986) reports the existence of 11 specialized agencies concerning oil, agriculture, finance, communications, etc., and 21 sectoral agreements covering manufacturing and services. Third, almost none of these agreements was effectively implemented.

In spite of the fact that the number of ‘hot’ intra-Arab wars has been very limited since the Second World War, political tensions between Arab states have been omnipresent (e.g. between Syria and Iraq, Syria and Lebanon, Morocco and Algeria, Saudi Arabia and the United Arab Emirates (UAE), etc.). For instance, the Algerian–Moroccan border has been closed since 1994. The relationships between Syria and Iraq have, in general, been troublesome, reflecting political and ideological differences between the two Ba’th regimes (Kienle 1990). The situation worsened with Syria’s support for Iran during the Iran–Iraq War. Saudi Arabia’s relations with Qatar and the UAE are still poisoned by claims over certain territories (Kamrava 2011). These are examples of political tensions that contribute to the blocking of regional integration initiatives. At the same time, surveys conducted in both Maghreb (Martinez 2006;

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Martinez et al. 2008, 2009) and Mashrek (Sawani 2012) show that a majority of respondents consider Arab integration a good response to globalization and to the risk of marginalization of their economies and societies. The respondents also point to political will, lack of democracy and tensions between Arab countries as major obstacles to regional integration in the Arab world. Hence, the Arab region witnesses a vicious circle linking the lack of integration and high political tensions between states, i.e. integration is stalled by political tensions and the latter are exacerbated by a lack of integration.

The present paper focuses on the potential for the Arab Spring to bring the region out of the above-mentioned vicious circle. Instead of reassessing the now well-known economic benefits of integration, it examines integration's expected impact on political tensions between Arab countries. It draws on the political science literature which has extensively examined the relationship between political tensions and economic integration. This literature focused first on the role of trade and capital flows (without any formal agreement) in calming political tensions. The literature followed two approaches. One, referred to as the liberal school, argues that economic interdependence lowers the likelihood of conflict by increasing the value of trading over the alternative of aggression: interdependent states would rather trade than invade. The other approach, referred to as the realist school, argues that high interdependence means mutual dependence, thus leading to vulnerability. It gives states an incentive to initiate war to ensure continued access to necessary materials and goods.

The literature, then, developed further to examine the additional benefits of regional integration, compared with simple openness to trade, in term of the reduction of political tensions. Regional integration refers to the signature of formal agreements between countries of a given region aiming at liberalizing exchanges among them and potentially setting common policies to accompany such liberalization. Regional integration might only deal with tariff barriers to trade in goods (which is referred to as 'shallow integration'), or it might also cover non-tariff barriers (NTBs) to trade in goods, exchange of services, labour or capital (which is referred to as 'deep integration'). Beside trade, integration agreements are expected to reduce antagonism by establishing a forum for bargaining and negotiation among members, thereby facilitating the resolution of inter-state tensions prior to open hostilities. They can also promote arrangements guaranteeing that economic concessions made by one party will be reciprocated, rather than exploited, by its counterparts.

The economic literature on intra-Arab regional integration (IAI) has, almost exclusively, focused on trade in goods. Little work has been done on the obvious and important political dimension. One exception is Hoekman and Sekkat (2010): having reviewed the literature on the gains and failures of IAI, they argue that the economic debate on IAI is biased in two respects. First, previous works focused only on the goods market in assessing the desirability of integration, whereas integration of the goods market is not the only form of economic integration and is not a prerequisite for other forms of integration. They document important potential welfare gains from integration of services, labour or capital markets, which might proceed independently of significant progress in goods market integration. Second, observing that such potential gains do not seem to motivate policy makers fostering IAI, they point to the role of political considerations. Briefly presented, Hoekman and Sekkat's argument is that in contrast to European countries which put in place a set of supra-national institutions that are responsible for 'pushing' integration, Arab countries have always resorted to an inter-governmental approach which reflects, to a large extent, the reluctance of their leaders to transfer any sovereignty to supra-national bodies. This reluctance coexists with and might even be explained by the pan-Arab ideology that these leaders have always defended in public.

This paper draws on liberal theory and the empirical evidence associated with it, and on its subsequent development with respect to regional integration, in order to examine the possibility that the Arab Spring could bring the region out of the above-mentioned vicious circle. Since the outcome depends, as shown in the literature, on a number of factors among which democracy plays a major role, the evolution of Arab countries toward more democratic regimes is crucial. Hence, the paper also presents the findings of studies on the likelihood of such an evolution. The paper is organized in five sections. The second section presents current and past IAI experiences. The third section examines arguments in favour of a virtuous circle. The fourth section discusses the potential role of the Arab Spring. The fifth section concludes the paper.

Arab integration in perspective

Past experiences

Since the 1950s, the idea of integration has been the subject of more than 20 agreements between Arab countries. These include pan-Arab agreements such as the Convention for Facilitating Trade and Regulating Trade Transit signed in 1953, or the Pan-Arab Free Trade Agreement (PAFTA) launched in 1998. There have also been sub-regional agreements such as the Arab Common Market of 1964 (Egypt, Iraq, Jordan and Syria), the 1989 Arab Maghreb Union (AMU) (Algeria, Libya, Mauritania, Morocco and Tunisia) and the Gulf Cooperation Council (GCC) established in 1981 (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE). Almost all these initiatives reached an impasse although the PAFTA and GCC showed some achievements. Moreover, flows of capital and labour between Arab countries are far from negligible, although not the outcome of formal agreements such as the Arab Agreement for the Mobility of Arab Labor or the Agreement on Arab Economic Unity, which guarantee the freedom of movement of capital (International Organization for Migration (IOM) 2010).

The PAFTA was launched with the objective of removing tariffs on intra-Arab trade by January 2005, and the removal of tariffs has indeed been enforced. However, a number of NTBs still exist and, until now, free trade only covers industrial products, not services and agricultural goods. Hence, even if the PAFTA resulted in some positive outcomes, its achievement so far is below expectations. The GCC was established with the ultimate objective of creating a common market and a common currency (Legrenzi 2008). Although reaffirmed in 2001, that objective is still not fulfilled. Since the agreement's ratification several steps have been taken and a customs union was launched in 2003. However, because of Saudi Arabia's objection to the signature of bilateral Free Trade Areas with the United States by Bahrain, followed by Oman, the customs union is still not in force (Rutledge 2008).

Most of the economic analysis of the reasons for IAI failures focuses on the level of intra-regional trade in goods. The finding that intra-Arab trade in goods is 'too low' supposedly implies that the expected benefits from regional integration would be low; hence, the incentive to achieve such integration is weak. This line of reasoning follows from the works of Al-Atrash and Yousef (2000) and Testas (1998, 2002), among others. The former conclude that intra-Arab trade is lower than what would be predicted by the gravity equation. Testas (1998), comparing the importance of intra-regional trade in the Association of South-East Asian Nations (ASEAN) and the AMU, finds that the former had a much more profound economic impact on its members than the latter. Testas (2002), using an economic growth model to estimate the static and dynamic output and welfare effects of the AMU on Algeria, finds those effects to have been very limited.

Hoekman and Sekkat (2010) argue that the economic debate on IAI is biased because current economic studies only focus on the goods market to assess the desirability of intra-Arab integration, which might be misleading. On the one hand, such reasoning involves a vicious circle: IAI fails because there is little intra-regional trade and there is a little of such trade because of the absence of effective IAI. On the other hand, and more importantly, integration of the goods market is not the only form of economic integration and is not a prerequisite for other forms of integration. The success of regional integration in Europe (a model or a benchmark for most observers) started with an emphasis on the goods market, but there is no methodological reason to adopt the same approach throughout the world. Integration of services, labour and/or capital markets might proceed independently of significant progress in goods market integration. In fact, the available evidence on the Arab region points to important potential welfare gains from integration of these other markets. In principle these should provide an incentive to policy makers to foster IAI. In what follows, these potential gains are discussed and the possible reasons for their inability to 'push' IAI are analysed.

Possible gains from deeper integration

The available evidence on the impact of deep integration pertains to the PAFTA and focuses on specific countries in the region. Konan (2003) considers Tunisia and Egypt, examining three different dimensions of integration: shallow integration, reduction in NTBs, and the liberalization of barriers to trade in services. The combination of the three dimensions has led to five scenarios: (1) shallow integration; (2) preferential liberalization, either through the Euro-Med initiative or the PAFTA; (3) multilateral liberalization; (4) deep integration, in which NTBs on goods are eliminated; and (5) services liberalization consisting of reduction of barriers on cross-border trade as well as barriers to foreign direct investment (FDI) in the service sector. Table 1 summarizes the impact on gross domestic product (GDP) of the various combinations.

The gain from trade liberalization promoting only an elimination of tariffs for Tunisia is significantly greater in percentage terms than that for Egypt except in one case. While the PAFTA alone has minimal effect in Tunisia, trade liberalization also involving the European Union (EU) would raise Tunisian GDP by 3%. The positive impact on GDP is due to the effect of trade diversion of the PAFTA alone on Tunisia. In contrast, gain from the PAFTA alone in Egypt is 2% of GDP while a shallow Egypt–EU trade agreement would have a negligible impact. The explanation of such differences seems to be that Tunisia's economy relies far more on trade than Egypt's does.[1]

Turning to deeper integration scenarios, the results show that a liberalization involving elimination of both tariffs and NTBs to trade in goods yields significantly higher gains than those of shallow integration. In the case of Tunisia, GDP gains more than double. In general, GDP gains in Egypt are also twice as high, although their levels are still modest compared with Tunisia's. Interestingly, the gains of deep integration

Table 1. Change in gross domestic product (GDP) (%) following scenarios of integration

Scenarios	Tunisia	Egypt
Shallow: tariffs only		
Euro-Med Agreement	3.03	0.90
PAFTA	–0.07	2.05
PAFTA plus Euro-Med	3.02	0.85
MFN	2.12	0.45
Euro-Med PAFTA plus MFN	2.20	0.45
Deep: tariffs plus goods NTBs		
PAFTA plus Euro-Med	8.26	1.87
Unilateral MFN Euro-Med	8.82	1.33
PAFTA plus MFN	8.85	1.49
Services liberalization		
Services border liberalization	0.74	2.49
Services investment liberalization	7.79	8.39
Full services liberalization	8.78	8.71
Combination		
PAFTA (tariffs only)	–0.07	2.05
PAFTA, Euro-Med, MFN (tariffs only)	4.31	0.45
PAFTA plus Euro-Med (tariffs plus goods NTBs)	8.26	1.87
PAFTA, Euro-Med, MFN (tariffs plus goods NTBs)	8.85	1.49
Services liberalization (no change in goods barriers)	8.78	8.71
PAFTA plus shallow goods and services liberalization	4.85	0.81
PAFTA plus deep goods, services and FDI liberalization	16.49	8.20

Note: MFN, most favoured nation; unilateral tariff reduction.

Source: Konan (2003).

are similar regardless of whether barriers are reduced through unilateral reform or through regional agreement.

The findings pertaining to the service liberalization scenarios show that while the benefits of border liberalization alone are positive, adding reforms that facilitate FDI induces substantial additional gains in both countries. The gains are comparable in both countries. While in Tunisia GDP gains are comparable to those assumed to be achievable through deep liberalization of trade in goods, Egypt seems to benefit more from liberalization that focuses on services rather than trade in goods.

Bchir et al. (2007) shed light on the potential gains from moving from a simple Preferential Trade Agreement to a Custom Union or a Common Market among Maghreb countries. They examine three scenarios: (1) Free Trade area for the Maghreb countries (similar to shallow integration in Konan 2003); (2) a Custom Union between Maghreb countries; and (3) a Maghreb Common Market (similar to deep integration in Konan 2003). Table 2 summarizes the main results. The gains for Tunisia in terms of increase in GDP are similar to Konan's. Moreover, as in Konan, Tunisia seems to benefit more from any scenario of liberalization than the rest of the Maghreb. The explanation for this is likely the higher degree of openness of the Tunisian economy. The additional gains of moving from a simple Preferential Trade Agreement to a Customs Union are sizeable for both Morocco and Tunisia: approximately a 4% increase in GDP. The impacts on the rest of North Africa are marginal with a Preferential Trade Agreement or Customs Union but non negligible with a Common Market.

Table 2. Change in gross domestic product (GDP) (%) following scenarios of integration

	Tunisia	Morocco	Rest of North Africa
Preferential trade agreement	1.87	0.40	0.19
Customs union	5.94	4.54	–0.48
Common market	8.46	6.40	1.32

Source: Bchir et al. (2007).

The above results highlight the sizeable increase in GDP that could result from moving from shallow to deeper integration that encompasses NTBs, services, and FDI. However, these studies cover only a small number of PAFTA members and tend to ignore movement of labour and non-FDI types of capital. Further investigation is needed to cover these dimensions.

Institutional challenges

The above evidence points to important potential welfare gains from deep integration in the Arab region. In principle these positive results should incentivize policy makers to foster IAI. To date, however, no major achievements have materialized in this respect. Some scholars (e.g. Fawzy 2003; Winters 2003) consider that an important reason for such a failure lies in the lack of institutional mechanisms and policies to guide governments in implementing and enforcing agreements. These include the lack of governing bodies that can take the lead with the sovereign member states; lack of institutions and mechanisms for conflict resolution; and lack of redistribution policies to balance the benefits and costs of regional integration. This section focuses on the issue of governing bodies in charge of implementing and enforcing integration agreements. Given the clear economic success of the European integration process, I draw on the EU experience.

The European supra-national approach

From the outset, with the signature of the treaty of Rome in 1956, the European institutional framework was based on a supra-national approach with four key bodies: the Council, the Commission, the Parliament and the Court of Justice. The Council includes the heads or ministers of member states and the President of the Commission, depending on the matters to be discussed. Members of the Council (except the President of the Commission) represent their respective countries. The Council provides broad guidelines for EU policy and decides upon its more sensitive aspects, including the budget, treaty changes and issues related to membership enlargement.

The Commission is composed of commissioners from member states whose appointments are approved by the Parliament. The commissioners are not representatives of their countries but charged to defend the interest the Union. The Commission is the ‘guardian of the treaties’, meaning it is responsible for the implementation and enforcement of the EU’s treaties. The Commission has power of initiative, i.e. the right to initiate legislation (directives and regulations). Over time, the Commission has been a strong driving force behind deeper integration within Europe. On many occasions, the Commission has taken positions that are substantially different from those of the member states, the Council, and the Parliament.

The European Parliament is composed of members elected (directly since 1979) from their locality to serve the Parliament. The European Parliament acts like a national parliament but at the EU level. Its members act on behalf of their electorates and not as representatives of their countries. The Parliament has the power to accept or reject the composition of the Commission, 'censor' (dismiss) the Commission, reject directives and oppose enlargement to new members. For years the European Parliament has effectively exerted, or credibly threatened to exert, these prerogatives. In practice, the Commission has managed to avoid strong opposition from the Parliament nevertheless.

The European Court of Justice consists of judges and 'advocates-general' appointed by member states. The court plays a crucial role in settling disputes among member states, between the EU and member states, between EU institutions, and between the EU and individuals. It has supra-national power in being the ultimate arbiter of EU law.

The Arab inter-governmental approach

The PAFTA differs from the EU by following an inter-governmental approach. Like many previous Arab integration schemes, the PAFTA was launched and managed by the Arab League. The latter is an intergovernmental organization that was established in 1945. It is the 'hub' organization that governs Arab regional integration, with several more specialized organizations falling under its umbrella (e.g. the Arab Monetary Fund, the Arab Bank for Economic Development, etc.). The main body within the Arab League responsible for implementing the PAFTA is the Economic and Social Council (ESC). The ESC, established in late 1970s as a successor to the Economic Council, plays a role in suggesting legislation related to economic integration and coordinates among different members of the Arab League. Compared with the EU, the ESC represents a combination of the European Council and the European Commission, but has no executive power.

As mentioned above, the efforts of the Arab League to foster economic integration have not been very effective. Unlike the European Commission, it lacks the legal and political authority to take precedence over the sovereign autonomy of member states. Indeed, the League's founding agreement explicitly assures the precedence of the sovereign autonomy of member states (Fawzy 2003). Moreover, the League lacks institutions and mechanisms for conflict resolution. There is no equivalent body to the European Court of Justice. Although the countries agreed on dispute settlement mechanisms, these are not effective (Hoekman and Messerlin 2003). For instance, the Arab Investment Court established in 1981 has settled one case in 20 years (Ben Hamida 2012). The PAFTA does not allow economic sanctions to be imposed. It does, however, allow reciprocity. Hence, the dispute settlement system lacks the necessary credibility to ensure effective implementation of the PAFTA.

The contrast between the EU (supra-national) and the Arab (inter-governmental) approaches to integration reflects to a large extent the reluctance of Arab leaders to transfer a part of their sovereignty to supra-national bodies. This feature of the status quo is rarely tackled by economists, although it is arguably at the heart of the problems that have confronted regional integration. An important question is why European countries (much more culturally diverse than Arab countries) accepted such transfer of sovereignty and Arab countries did not, despite the expected economic gains. The answer lies in the political framework of the Arab world.

Understanding the failures

Shukair (1986) provides a comprehensive and deep analysis of regional integration experiences between Arab countries. Showing that none of these experiences resulted in noticeable achievements, he puts them in a historical perspective spanning from the middle of the 19th century in order to highlight the reasons for such failures. While under the Ottoman Empire trade between Arab countries had flourished, those countries then operating under a *de facto* customs union, the initiation of a number of preferential agreements with Western European countries gradually resulted in the weakening of intra-Arab trade, replaced by increasing specialization in the production of goods necessary for European development. These agreements also imposed the import of European manufactured goods into Arab countries at very low tariffs, which harmed local manufacturing. With the weakening of the Ottoman Empire and the wave of French and British colonization, inter-Arab trade and the de facto customs union collapsed altogether. Moreover, oil wealth further motivated Western countries' efforts to maintain or even foster the Arab world's division. However, as pointed out by Shukair, responsibility for the failure of Arab integration lies also with the Arab rulers' and elites' own behaviours.

Since shortly after independence, power in Arab countries has been monopolized by autocratic rulers such as military leaders or royal families. Such regimes are typically personalized and authoritarian. In such regimes the choices and style of the leader are decisive, particularly in a crisis or a critical bargaining situation. Even in countries ruled by branches of the same party and having similar military leaders (i.e. Assad in Syria and Hussein in Iraq during the 1980s), personal characteristics of the leaders help explain key differences in foreign policy (Kienle 1990). Although broad public opinion in personalized authoritarian regimes could have some impact in certain circumstances, divisions within countries along class or ethnic lines provide leaders with significant autonomy. Transfers of sovereignty might then be blocked to protect the interests of authoritarian leaders, rather than decisions being based on an assessment of costs and benefits for the nation as a whole. Even if an authoritarian leader is willing to transfer some sovereignty, this may be precluded due to opposition by elites in his power base.

Arab ruling elites have undergone some changes since the independence of their countries, but one of their stable characteristics seems to be the reluctance to give up sovereignty in favour of supra-national institutions. Perthes (2004) presents case studies on nine Arab countries using a methodology based on the concept of 'Politically Relevant Elites' (PREs).[2] The case studies converge in the conclusion that elite change has not induced regime change. Instead, it has mainly resulted in the reproduction of a similar political arena. Albrecht and Schlumberger (2004) further explain that PREs in Arab countries have always been constituted by those who are most closely and personally affiliated to the regime leaders. Loyalty was and is still the most indispensable quality needed in order to accede to the PRE. However, since the late 1980s and the recommendation by international organizations of structural adjustment reforms, new elites have emerged composed of technocrats and representatives of big business who are able to negotiate with international partners. The difference is that competence gains importance as a criterion for elite selection. As has happened at many junctures in history, the new elites significantly increased their political influence and sought to use it for self-enrichment and the suppression of prospective competition. The constant, on the other hand, is that loyalty remains a precondition for access to the PRE. 'Elite change has therefore been a process of widening the regimes' social bases and has greatly helped leaders maintain their ruling positions' (Albrecht and Schlumberger 2004, 380). It seems, therefore, that the reluctance to integrate and give up sovereignty constitutes a common feature of leaders, 'old' PREs and 'new' PREs in Arab countries. This contrasts – as discussed in the Introduction – with the Arab 'street', which considers integration a desirable achievement.

In addition to this general feature of authoritarian regimes, many Arab leaders have, since their independence, sought legitimacy through pan-Arab strategies (e.g. Nasser in Egypt, Hussein in Iraq, Kaddafi in Libya, etc.). Hinnebusch and Ehteshami (2002) suggest that pan-Arabism has an effect on foreign policymaking in the region because state identities are seen as inferior substitutes for Arab identity in most Arab countries. Consequently, the legitimacy of regimes is in part contingent on being seen to act in Arab interests. Incentives are thus generated for Arab leaders to promote Arab causes, and so leaders seek to win over public opinion and 'outbid' rivals in the promotion of such causes. The pan-Arab strategy involves politics also aimed at pressuring, threatening and even discrediting other Arab states' leaders. Thus, perversely, pan-Arabism has simultaneously contributed to encumbering Arab integration, because it has resulted in leaders playing a zero-sum game at the regional level.

A virtuous circle

As explained in the Introduction, political tensions and failed economic integration are two significant features of the Arab region. These features are interrelated and force the region into a vicious circle (i.e. IAI is blocked by political tensions and the latter are exacerbated by a lack of integration). This section presents arguments suggesting that the evolution of Arab countries toward more democratic regimes could initiate a virtuous circle by which reduced political tensions foster IAI, in turn further reducing political tensions. The European experience being the traditional reference when talking about economic integration, this section starts by showing that integration has contributed to reducing inter-state tensions in Europe. Then it brings a broader perspective by drawing on the scholarly literature.

Inter-state tensions and integration: the European case

After two horrifying wars, six Western European countries engaged in a long process of economic integration. Today there are 28 members and the number might yet increase. Starting with a free trade agreement, the process moved on to an Economic and Monetary Union (EMU). Besides its economic relevance, the use of a common and single currency constitutes a remarkable symbol of European achievements in the field of economic integration. The adoption of a common constitution and the path toward a political union are the present challenges for Europe.

The political motivations behind the free trade agreement, which constituted the first stage of European integration, were equally important as its economic foundations. The founding fathers of the EU saw it as an instrument to reduce the risks of intra-European wars, especially between France and Germany. 'There will be no peace in Europe […] unless the States of Europe join in a Federation or a "European entity" that results in a common economic unit' (Jean Monnet, 5 August 1943, cited in Schiff and Winter 1998). Did Monnet's 'dream' of a peaceful Europe materialize?

Table 3. Number of wars, duration and deaths in the world and in Europe, 1816–1997[a]

Region	Period	Number	Duration	Deaths
World	1816–1997	76	386	155 454
Europe		29%	78%	144%
World	1816–99	28	302	34937
Europe		43%	55%	134%
World	1900–29	16	428	208885
Europe		38%	124%	215%
World	1930–60	16	401	318144
Europe		19%	122%	176%
World	1961–90	15	480	158497
Europe		7%	3%	1%
World	1991–97	1	110	26343
Europe		0%	0%	0%

Notes: [a]Average duration and deaths per war. Europe refers to cases where all parties are European.

Duration gives the average number of days. The Europe figures give the average duration of a European war as a percentage of the average duration of a war in the rest of the world. Death gives the average number of deceased persons. The Europe figures give the average number of deceased persons during a European war as a percentage of the average number of deceased persons during a war in the rest of the world.

Author's calculations from Reid (2000).

The following section deals with this question, focusing on inter-state wars. For clarity, I do not consider intra-state and colonial wars, and refer to inter-European-state wars when talking about wars in Europe.

Although the response to the above question is clearly 'yes', the extent of the achievement is impressive and worth detailing. Table 3 reports the results of my calculation based on Reid (2000) and pertaining to inter-state wars. I focus on inter-state wars that have taken place in the world since 1816 and on Europe's share with respect to three indicators: number of wars, duration of wars and number of deaths. Over the entire period, European wars count for about one-third of the total inter-state wars. While the duration of European wars is below the world average, the damage in terms of deaths is much higher. Over time the share of European wars as a percentage of the total has steadily declined. Amounting to more than 40% in the 18th century, Europe's share declined to 7% between 1961 and 1990 and to 0% between 1991 and 1997. Another similar trend, although less pronounced, can be observed for the average duration and the average number of deaths. More importantly, the period from the end of the Second World War to present constitutes by far the longest peaceful period (almost 70 years)[3] that Europe has witnessed since 1816. It appears that the period of increased economic integration in Europe coincided with an impressive reduction in the number of inter-state conflicts, their duration and their impact.

Inter-state tensions and integration: lessons from the literature

Since economic integration is associated with economic exchange, this section first discusses the potential impact of such exchange on conflict occurrence. Then it examines how formal integration agreements may reinforce the role of economic exchange in this respect.

Economic exchange

There is an intense debate among political scientists, and to a lesser extent among economists, about the role of international exchange in reducing the risk of inter-state tensions. A segment of this literature, referred to as the liberal school, argues that economic interdependence lowers the likelihood of conflict by increasing the value of exchange over the alternative of aggression: interdependent states would exchange rather than invade. The other segment, called the realist school, argues that high interdependence means mutual dependence, thus leading to vulnerability. It gives states an incentive to initiate wars to ensure continued access to necessary resources. A first wave of both segments focused on trade in goods. More recently, the focus has been extended to capital.

Regarding trade in goods, the empirical analysis by Polachek (1980) provides support to the liberal position, but Gowa and Mansfield (1993) show that the relationship between trade and conflict is bidirectional. Gasiorowski (1986) mitigates these conclusions by showing that while gains from economic exchange should inhibit conflict as the liberals predict, an unequal distribution of these gains could aggravate conflict as realists predict. Barbieri (1996), focusing on trade asymmetries, supports the realist view. Finally, Mansfield and Pollins (2001) convincingly showed that the relationship between trade and wars might differ over time and across countries depending, in particular, on domestic and international institutions.

Turning to capital, Polachek and Seiglie (2007), using bilateral FDI and conflicts data, shows that that FDI plays a similar pacifying role to trade. Lee and Mitchell (2012) focus on the influence of FDI on conflicts over territory, maritime areas and cross-border rivers. Their results show that new territorial issues are less likely to arise as global levels of FDI increase; a result that Bussmann (2010) also finds to be robust.

Integration agreements

Integration agreements further affect the gains from economic exchange and the likelihood of war. Such agreements, and not just economic exchange, promote peace by removing an important foundation of domestic privilege (i.e. protective barriers from international exchange). Integration agreements limit the capacity of participants to subsequently raise such barriers following pressure from domestic groups. Membership of integration agreements also encourages mitigation of potential sources of war. First, such agreements can reduce antagonism by establishing a forum for bargaining and negotiation among members, thereby facilitating the resolution of inter-state tensions prior to open hostilities. Second, such agreements can help address the issue of distribution of gains. Integration agreements may promote arrangements guaranteeing that economic concessions made by one party will be repaid, rather than exploited, by its counterparties. In Europe, a redistribution system was designed almost from the beginning, and aimed at facilitating solidarity among EU member countries and fostering public support for greater integration. Mansfield and Pevehouse (2000) tested whether the risk of inter-state war is lower between members of an integration agreement than between non-members, and found a strong negative relationship: parties to an agreement are less likely to engage in hostilities than other states, and the likelihood of a military dispute steadily declines as exchange increases between them.

Qualifications

The effects discussed above are not automatic, but depend on a number of factors among which domestic institutions, civil liberties, government accountability and electoral effectiveness and transparency (i.e. democracy) play major roles. To illustrate, it is useful to recall two uncontroversial facts related to political tensions and government. First, even in a democracy the decision to engage in conflict belongs to national leaders. Second, regardless of the political regime, national leaders wish to retain office (whether out of altruistic concerns or self-interest). In general, autocratic leaders need to satisfy a narrower coalition than democratic leaders. Although some exceptions may exist (e.g. Singapore, South Korea or Taiwan some years ago), they are not concerned with large-scope public policy successes, e.g. economic growth. In contrast, democratic leaders need majority in a larger constituency and are, therefore, constrained to secure large-scope public policy successes such as growth. The potential role of international exchange in improving growth may make democratic leaders much more averse to conflict than autocratic ones. Much empirical evidence lends support to this claim. For instance, Gelpi and Grieco (2008), examining the sensitivity of national leaders to the costs of conflict in terms of trade losses, confirm that democratic states are unlikely to initiate conflicts. Mansfield, Milner, and Pevehouse (2008), investigating the relationship between democracy and economic integration, find that the more democratic a country is, the more likely it is to sign integration agreements. Kono (2008) shows that public support for free trade leads to lower tariffs and that the liberalizing effects of such support are both larger and more significant in more democratic countries.

Arab Spring

As explained in the Introduction, political tensions and failed economic integration are two significant and interrelated features of the Arab region. While IAI could produce important welfare gains if deepened to include services, capital and labour, Arab leaders and elites have made little effort to push integration projects. This is because they have been reluctant to transfer any sovereignty to supra-national bodies; a transfer that would have made integration successful. This section examines the potential impact of the Arab Spring in pushing the IAI idea and, hence, reducing the political tensions between states. The evidence discussed in the preceding sections showed on the one hand the support of the Arab 'street' for the integration project, and on the other hand that the signature and implementation of integration is more likely with democratic regimes. Hence, the evolution of Arab countries toward more democratic regimes could initiate a virtuous circle by which reduced political tensions foster IAI, which in turn further reduces political tensions. I argue that such a scenario is likely, although not necessarily immediate, given the strong democratic aspirations behind the Arab Spring and the findings of the scholarly literature.

The Arab Spring in perspective

The collapse of most communist regimes in 1991 and the rapid democratization of Eastern Europe were followed by a wave of political changes in many other regions of the world, except in Arab countries where the same regimes continued ruling over the 20 subsequent years. Before 2011, these regimes survived on the basis of an 'authoritarian bargain' model. Such a model considers that repression (the classic answer) might be costly and that some redistribution to citizens might be necessary to secure and maintain their loyalty. From this perspective, Arab regimes prefer welfare spending in order to circumvent pressures to liberalize politically (Desai, Olofsgård, and Yousef 2009). A similar idea is proposed by De Mesquita and Smith (2010). The authors argue that leaders facing threats to their political survival can either increase public goods provisions to 'buy' potential revolutionaries or reduce the provision of such goods, encouraging revolutionaries to coordinate. Their empirical analysis shows that while revolutionary threats increase the likelihood of deposition for non-democratic leaders, access to resources such as foreign aid or natural resource rents allow these leaders to evade the occurrence of such threats.

Drawing on the above literature, FEMISE (2011) proposes two non-exclusive arguments to explain the collapse of the 'authoritarian bargain' in Arab Spring countries. First, the transition to 'market oriented' economies has reduced the ability of authoritarian rulers to provide economic benefits to large segments of their traditional supporters. The rulers gradually shifted their core social base from the masses of workers (i.e. peasants and civil servants) to an influential minority (i.e. urban rent-seeking bourgeoisie and rural landed elites). Over the years, this collusion affected every sphere of society at very different levels, with examples ranging from the choice of operators for a major project, finding a job in the civil service, or obtaining a permit to be a street vendor. Second, the authoritarian bargain became obsolete with the emergence of a larger, younger, more educated and urbanized population, which started to challenge the legitimacy of the rulers, valuing 'freedom', 'dignity', and 'social justice' more than economic benefits.

Haseeb (2012) complements the above analysis by suggesting four criteria to explain the different outcomes across Arab countries. First, the 'barrier of fear' must be broken to allow confrontation with the ruling bodies. Second, the revolt must be non-violent. Third, there is a need to attain a sufficient threshold of social and national cohesion in order to prevent religious, confessional, sectarian or ethnic divisions from destabilizing the revolution. Fourth, the attitude of the armed forces towards the revolt must be supportive or at least neutral. The simultaneous occurrence of the four criteria is a strong predictor of change, although direct or indirect interventions by foreign countries play a significant role. Haseeb shows that the four criteria were all present simultaneously in Egypt and Tunisia. In Yemen only three criteria were fulfilled. The attitude of the army prevented the uprisings from deposing the regime but the GCC reached a deal with the President who agreed to step down. In Morocco, Oman and Jordan it is mainly the ingenious reactions of the rulers which avoided similar outcomes to Egypt or Tunisia. Finally, in Libya and Syria where none of the four criteria held, the uprisings turned bloody.

Human capital and democracy

The above discussion points in one way or another to the major role of human capital in kicking off the Arab Spring. The literature lends support to such importance of human capital. Going back to Aristotle, Lipset (1959) argues that democracy develops in society where a mass of the educated population wisely participates in politics and develops the self-restraint necessary to avoid succumbing to the appeals of irresponsible demagogues. Friedman (1962) emphasized the role of economic openness in fostering democracy. The diffusion of liberal norms and the expansion of the middle class that accompany expansion of trade may exert pressure on autocrats to expand political rights. From this perspective, the gain from 'trade in ideas' could be much more important than the gain from trade in goods. Recently, these ideas about 'social trade' have been formalized by Glaeser, Ponzetto, and Shleifer (2007), showing that education fosters democracy through socialization and the shaping of group incentives. The major role of human capital in fostering democracy has received considerable empirical support (e.g. Barro 1996; Glaeser et al. 2004; Castelló-Climent 2008).

Many Arab countries have witnessed impressive educational improvements in recent years. Between 1980 and 2010, Egypt and Tunisia showed large gains in total years of schooling among the population aged 15 and above (rising from 2.6 to 7.1 years and from 3.2 to 7.3 respectively) and eight Arab countries ranked among the top 20 countries in the world in terms of increases in general schooling.

Published academic works dealing with the Arab Spring also point to a relationship between the 2011 uprising and human capital. Chaney (2012) argues that given the scholarly literature's findings (see above) and the large increases in education in Arab countries over the last sixty years, human capital is likely to have played an important role. Kuhn (2012) suggests that such progress in education has contributed to a fundamental reordering of the relationship between citizen and state. In addition to material complaints, the wave of protests reflected a collective sense that citizens could expect more from their governments. Campante and Chor (2012), while recognizing the role of human capital in the Arab Spring, pointed to the mismatch between education and economic opportunities. Expansions in education might escalate expectations and could, if these are unmet, spill over into political violence (Noland and Pack 2007). Campante and Chor showed that the expansion of education in the Arab world was indeed matched with poor labour market prospects, and particularly in the countries that have been at the heart of the wave of protest. This situation induces, in turn, a higher inclination of individuals, especially the better educated, towards political activities and protests. Malik and Awadallah (2013) complete this picture by focusing on the economic problems underlying the Arab Spring. They point to the absence of an independent, competitive and globally integrated private sector which could generate incomes that are independent of the rent streams controlled by the state and, hence, more sustainable growth.

Conclusion

The present paper discusses the potential impact of the Arab Spring on economic integration within the Arab region (IAI). Since political tensions and failed economic integration are two significant features of the Arab region that reinforce each other, the paper draws on economic and political science literatures. The results suggest that such relationships can induce a vicious or a virtuous circle depending on a number of factors, among which democracy plays a major role. Hence, the evolution of countries toward more democratic regimes following the Arab Spring could foster IAI that might further reduce political tensions, thereby in turn reducing obstacles to IAI. Of course, such optimistic expectations depend on the successful evolution of these countries toward democracy following the Arab Spring. At the present stage, the evidence of such democratization is mixed. The paper presents some arguments in favour of optimistic expectations. First, there is a rich literature supporting the positive impact of human capital on the development of democracy. Second, many Arab countries have witnessed impressive educational increases in recent years. Third, the

Arab Spring itself involved large cohorts of the young and educated emphasizing the primacy of 'freedom', 'dignity' and 'social justice' over pure economic gains.

However, the Arab Spring remains a work in progress, and its final outcome depends on a number of factors which will be meat for future research. Among these, a better understanding of the role of human capital and its geographical distribution is important. In Egypt, it seems that urban population was the forefront of the revolution, while in Tunisia, and to some extent in Libya, Syria and Yemen, the protests began in provincial towns and spread into other areas. Another important issue concerns the interplay between leaders, armed forces, Islamists and civil society, and how groups break or maintain pre-existing alliances. Here again, the processes are contrasted across the countries concerned. It seems that in Tunisia the military kept a neutral or pro-reform attitude, while in Egypt the armed forces tried to repress protests, then adopted a more or less neutral behaviour and finally reasserted control. In Libya and Syria the armed forces were more repressive. The extent of the popular support for Islamist groups also varies across countries and may be a determinant of the potential concentration of political power in the hands of these groups. Support for the implementation of Sharia seems less important in Tunisia than in Egypt. Moreover, two prominent countries in the region ruled by Islamic parties (i.e. Iran and Turkey) exhibit highly different economic and political achievements. The active participation of other interest groups, such as labour unions or commercial interests, could prevent Islamists from initiating a new wave of autocracy in the region. Finally, the role of potential foreign interventions is still poorly discussed. Its examination could bring interesting insights into the processes of revolutions and their potential outcomes.

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Notes

1. The surprising result in terms of ranking of the various scenarios (e.g. PAFTA plus Euro-Med produces less gain than of each scenario alone) seems to be due to the interaction between domestic taxes and trade taxes (see Konan 2003 for further discussion).
2. PREs are defined as those elites that: (1) can influence political decisions of strategic importance for a country; (2) can influence decisions in a specific issue area or implement the regime's decisions; and (3) are implementers of regime policies at the local level or, as opposition elites, act as agenda setters.
3. The second longest period of peace in modern European history lasted only 27 years.

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