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Foreign Aid and Reform: The Diverging
Paths of Egypt and Jordan in the 1990's

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Scholars have long recognized the potentially negative impact of foreign aid on the political and economic development of Third World states. Years ago, John Waterbury observed that infusions of external capital – especially U.S. foreign aid – had enabled the Egyptian government to forestall critical economic reforms in the late 1970's and early 1980's.¹ Subsequently, scholars of the “rentier state” argued that exogenous revenues such as foreign aid insulated Middle Eastern rulers from political opposition, enabling them to avert political liberalization and democratization.²

In the late 1980's and 1990's, tremendous shifts in the provisions of foreign aid to select Middle Eastern countries have had dramatic effects on political life. In Jordan, the collapse of foreign aid revenues prompted the monarchy to initiate an unprecedented political liberalization. Meanwhile, in Egypt, an extraordinary increase in foreign aid receipts encouraged the Mubarak regime to crack down on much of the opposition and to scale back political liberalization. Here, in comparing these cases, this paper underscores the obligation of donors (who are largely interested in securing such geopolitical goals as Arab-Israeli peace and preventing the rise of Islamists) to consider the effects of foreign aid on democratic development. I seek to extend the conceptualizations of the rentier state literature, by arguing that foreign aid flows may well have a critical impact on parliamentary life. In concrete terms, such flows have contributed to the emergence in Jordan – and to the demise in Egypt – of a substantial opposition. In recent years, Jordan has moved toward, and Egypt has moved from, the establishment of a meaningful multipartism. Here the comparison of Egypt and Jordan underscores the sweeping impact of exogenous resources on political and economic reform.

In the late 1980's and early 1990's, Jordan and Egypt approached economic reform, and their relations with international donors and financial institutions, from dramatically different perspectives. Each state sought to avoid far-reaching economic reforms for most of the 1970's and 1980's, relying on substantial exogenous revenues to avert economic crisis. In the 1980s, Egypt became the recipient of massive US aid contributions because of the Camp David Accords, which have further allowed it insulate itself from economic and political reforms. But Jordan was not a beneficiary of this agreement, and with oil prices and aid flows declining by the late 1980s, most of Jordan's exogenous resources had evaporated. In turn, the Jordanian state experienced a crippling fiscal crisis that compelled the monarchy to reach a sweeping accommodation with the international financial institutions. Equally important, the economic crisis and the watershed agreement with the IFIs precipitated a powerful political crisis. The government responded by extending significant political liberties and establishing a meaningful parliamentary process.

By contrast, in the late 1980's and early 1990's, Egypt had much greater exogenous resources, and therefore averted the political and economic crises that rocked Jordan. In receiving extraordinary amounts of foreign aid, the Mubarak regime had little incentive to engage in a risky political liberalization, or to offer its population increased political liberties in exchange for its acceptance of economic austerity. Indeed, from a relatively secure position, the regime engineered the demise of the significant parliamentary opposition that had existed in the 1980's.

The contrast between current Egyptian and Jordanian approaches to political reform is especially interesting in that each country has been grappling with painful economic reforms. Economic crisis has prompted Jordan to implement far-reaching political reforms. Meanwhile, exogenous windfalls have papered over Egypt's economic problems and have left the Mubarak regime free to repress its opposition during a disruptive period of economic austerity.

Jordan: From Economic Crisis to Political Reform

The search for foreign aid has long been a defining feature of Jordan's foreign policy and international relations. For most of its existence, the Jordanian state has been heavily reliant on grant-in-aid, bank loans and other forms of external budgetary assistance. Until the late 1980's, rather than push for the expansion of a resource-poor domestic economy, the monarchy used its strategic position in the Arab-Israeli conflict to garner external revenues. Therefore, observes Laurie Brand, the state "gradually evolved as primarily a distributor or an allocator (of the rents collected from outside) rather than an extractor of resources from within." In this sense, the state enjoyed a "relative autonomy from the input of societal forces."³ The monarchy was able to maintain a highly repressive rule, so long as it provided the citizenry with a relatively high standard of living through the distribution of external rent.

Accordingly, before the electoral opening of 1989, parliamentary politics had never developed in any significant sense in Jordan. By and large, when operative, the parliament was a rubber-stamp institution. It had little influence on state policy – and certainly did not function as a meaningful forum for debate, dissent and political expression. In 1957, the regime banned political parties, leaving popular and professional interests with few avenues for political participation. The parliament was suspended in 1974, and was replaced in 1977 by an even more ineffectual National Consultative Council, whose members were appointed by the king. In 1984, the regime reconvened the parliament. But by 1985, political repression increased again, and elections slated for 1986 were indefinitely postponed. A government crackdown on remaining pockets of

political pluralism, especially among the Palestinians, continued into 1988. But recasting the Jordanian political landscape in 1988 - 89 was an economic crisis triggered by a steep decline in foreign aid from Arab Gulf sources. The result was – and clearly remains – one of the Arab world's most promising and far-reaching political opening, despite some setbacks that have occurred in the late 1990s.

Through the 1970's and the early 1980's, Jordan had received roughly half of its revenues in the form of foreign aid grants and loans. Such aid – mainly from the Gulf monarchies, though also from Western allies – was unquestionably the state's most important revenue source. For most of the 1970's and 1980's, it enabled the state to maintain high levels of growth, expenditure and consumption. But by 1988, the Jordanian economy slipped into a severe crisis, as the state's foreign aid receipts fell to roughly one-third of their 1980 - 81 level.⁴ By 1989, external capital accounted for only about one-quarter of government revenues.⁵ The state in turn was forced to reach an accommodation with the IMF and its international creditors, and to impose a relatively severe orthodox stabilization program in 1988 and 1989.

This sudden shift toward highly austere macroeconomic policies triggered a political crisis. In the words of Brand, “the budget could no longer bear the regime's part of the political acquiescence bargain.”⁶ As the government's distributional capabilities declined, the population asserted itself. Severe civil disturbances rocked the country in April of 1989, as thousands of Jordanians took to the streets. After quashing the protests, the regime took the risky strategic decision to engage in unprecedented political reform. It provided limited political liberties, released and pardoned political prisoners, and above all, held parliamentary elections in November of 1989.

In those elections, the most significant since 1956, 877,475 voters registered and 647 candidates competed, even though parties were still banned. The polling was free in most respects.⁷ Indeed, Islamist candidates won a stunning victory, becoming strident opponents of the regime. The Muslim Brotherhood captured 22 of the parliament's 80 seats – the most of any faction – and allied with ten independent Islamists to form an Islamic bloc. Leftists and Arab and Palestinian nationalists won 11 seats, and pro-government candidates won 35 seats. Consequently, with the 1989 elections, parliamentary opposition emerged as a powerful force in Jordanian politics. As well, the 1989 polling initiated sweeping new political reforms. In 1990, the regime abolished anti-communist legislation, freed political prisoners, repealed martial law and allowed parties to function. By September of 1991, the authorities had officially approved roughly 90 parties.⁸

With the conduct of multiparty elections in 1993, the country's parliament had emerged as one of the region's most important democratic institutions. Some 1.2 million voters registered, and 536 candidates and 20 parties participated. A 4.7% increase in the number of voters seemed to reflect increased trust in the regime's democratization efforts. A change to a one-person, one-vote system did serve to reduce the number of Islamist parliamentarians, and to increase the number of independent or pro-regime ones.⁹ But despite the protests of some activists, the 1993 polling was on the whole considered an important step in Jordanian democratization. In sum, the body had been endowed with genuine policy-making powers, had had consecutive open and free elections and had come to express a vibrant multipartism.

Meanwhile, despite the revival of parliamentary life, the regime did not relent in its implementation of economic orthodoxy. In the early 1990's, Jordan's receipt of exogenous revenues remained at low levels, and the regime had no choice but to adhere to macroeconomic austerity (see the table below). Indeed, the structure of Jordanian state revenues experienced a transformation in the 1980's and 1990's. Its domestic revenues rose from 46% of total revenues in 1980¹⁰ to 86% in 1993. In short, in response to the collapse of Arab aid, Jordan increased its revenues from direct and indirect taxation, with receipts from income and profits tax more than doubling in 1990, and with an overall increase in tax revenue of 59% in 1992.¹¹ As the Finance Minister Hanna Odeh noted, the regime was attempting to shift Jordan from a "consuming to a producing society" that would be less vulnerable to vagaries in foreign exchange.¹²

After persuading East Bank loyalists that the economic reforms were unavoidable, the regime successfully defended its development program in the 1989 and 1993 elections. Its drawing of electoral districts – which discriminated against the urban vote and helped regime loyalists from rural areas – worked to prevent Islamists opposing the regime's new economic orthodoxy from obtaining an absolute parliamentary majority in 1989.¹³ In the 1993 elections, the regime's electoral manipulations improved the standing of pro-orthodox loyalists, enabling them to ally with other forces to marshal a conservative parliamentary majority. As in other democratizing Third World states, such manipulations represented a successful attempt on the part of the regime to reconcile the exigencies of political and economic reform.¹⁴

In sum, the "Jordanian glasnost,"¹⁵ as the former foreign minister Taha Masri termed it, expressed the regime's interest in obtaining an electoral legitimization of its new development policies. It resembled the reform process in rent-poor Morocco, in that the coincidence of political and economic crises

generated a substantive process of political liberalization.¹⁶ In a word, powerful crises compelled the regime to seek a far-reaching electoral legitimation. Later in the paper, I will consider some setbacks to Jordanian political liberalization that occurred late 1990s. But on the whole, at the end of the decade, Jordan remains a leading political reformer in the region – in sharp contrast to Egypt.

**The Jordanian Central Government Budget of the 1990's:
External vs. Internal Revenues**

	1990	1991	1992	1993
% Domestic	79	75	86	86
% Foreign	21	25	14	14

Source: Monthly Statistical Bulletin of the Central Bank of Jordan, as cited in the Economist Intelligence Unit's *Jordan Jordan Country Profile, 1994 - 95*, p.28.

The Mubarak Regime of the 1990's: Limited Economic Reforms, Increased Repression and A New Deluge of Exogenous Revenues

The maintenance of social welfare provisions was a critical concern of the Mubarak regime for most of the 1980's. Following the instability of 1979 - 81, which culminated in the assassination of President Anwar Sadat, Mubarak sought to reconsolidate the regime's control over the Egyptian polity. At the same time, Egypt was experiencing rapid economic growth – about 8% a year in the late 1970's and 1980's – which was fueled almost entirely by oil and foreign aid rents.¹⁷ These seemingly favorable economic conditions enabled the insecure Mubarak regime to legitimate its rule, by increasing its populist and statist expenditures. The regime postponed the economic reforms recommended by Western donors and creditors, portraying itself as a populist defender of the Egyptian masses.¹⁸ In parliamentary openings in 1984 and 1987, the regime underscored its populist positioning. It ensured that its National Democratic Party (NDP) won majorities opposed by oppositions espousing right-wing and neoliberal economic policies. As well, the regime prevented left-wing parties (in other words, those left of the NDP) from gaining any meaningful representation in parliament.¹⁹

In the late 1980's, mounting debt and the collapse of oil prices caused a precipitous decline in Egyptian growth rates. As the 1990 parliamentary elections approached, the regime realized that it had to scale back its populist expenditures and adopt a more serious neoliberal reform program. But unlike other Arab states – for example, Morocco in 1983 and Jordan in 1988 – Egypt did not experience

a foreign-exchange crisis that left it in a weak bargaining position with the IFIs. Indeed, regional geopolitics enabled Egypt to obtain a uniquely generous accommodation with its donors: the Iraqi invasion of Kuwait, and the security interests of Western and Arab-Gulf states, served to ease Egypt's cash flow problems. At the same time, Western and Gulf aid eviscerated the Mubarak regime's interest in political reform. For much of the 1980's, exogenous revenues (in the form of foreign aid, loans, oil revenues and Suez Canal tolls) accounted for between 40 and 50% of Egyptian state budget revenues.²⁰ The state slowly moved to reform the economy in the late 1980's, as its debts mounted and its oil revenues declined. But by 1990, the Egyptian economy was not in any sense in the throes of a crisis. Egyptian GDP in fact grew at an annual rate of 4.7% between 1986 and 1992.²¹

In the fall of 1990, as the U.S. solicited Egyptian participation in the anti-Iraq coalition, the Egyptian government engaged in intense negotiations with its international donors and creditors. Ultimately, Egyptian officials agreed to implement substantial (though limited in key respects as I argue below) economic reforms in exchange for an unprecedented exogenous windfall. Foreign aid to Egypt tripled during the three years following the Persian Gulf War. Between 1980 and 1989, Egypt annually received between \$1.29 billion and \$1.79 billion; during 1990 - 1992, it garnered roughly \$5 billion per year.²² Additional concessions from Western donors and creditors, including massive debt relief, also dramatically increased the state's resources. After the Gulf War, for example, the United States and Arab governments agreed to cancel \$13 billion worth of military debt. Soon thereafter, the Paris Club of creditor nations promised the eventual cancellation of \$10 billion worth of loans in exchange for Egyptian promises of economic reform. Egypt, in short, had become the world's largest foreign aid recipient, claiming more than 10 percent of the \$45 billion in overseas assistance distributed among over 150 countries.²³

In appealing for aid during 1990, Egyptian officials argued that the Iraqi invasion of Kuwait might create a potentially destabilizing economic crisis in Egypt – that the Gulf crisis had perhaps cost Egypt as much as \$9 billion. Huge losses of revenues were expected to result from the mass expulsion of expatriate workers from Iraq, and to a lesser extent, from the decline in tourism and Suez Canal traffic. Drops in such revenues were in fact considerably less precipitous. The decline of expatriate remittances from the Gulf created a \$1 billion drop in the balance of payments during 1990; the impact of the disruption of tourism and the Suez Canal traffic was considerably less substantial. These latter two revenue sources returned to healthy levels in 1991.²⁴ Meanwhile, massive aid, loans and debt relief from the international community vastly outstripped the decline in state revenues from remittances. Consequently, despite the serious losses resulting

from the war, Egypt's exogenous resources increased dramatically in the 1990's.

The United States, Arab donors and international creditors and bankers have closely coordinated their aid efforts to achieve three aims. First, the foreign assistance has been a reward for Egyptian participation in the Gulf War. Second, Western (and Arab) donors have used massive assistance to buy Egypt's implementation of limited economic reform. Third, the donors have been concerned with the regime's political stability and the threat of militant Islamists in particular. In attempting to finance Egypt's economic revival, in confronting its enduring poverty and economic inefficiency, the donors have sought to ensure the security of a regime that serves as the cornerstone of a pro-West regional stability.²⁵ Their concerns, notably, have not included substantial efforts to promote political liberalization or democratization.

Foreign Aid: Obviating Political-economic Crisis

Here massive foreign aid infusions have prevented in Egypt the cycle of economic crisis and political liberalization that occurred in Jordan. In 1990, because of the regional geopolitical crisis, Egypt was in a relatively strong position vis-a-vis its donors and creditors. It eventually extracted unprecedented levels of aid from the international financial community – and on comparatively lax terms that have softened economic austerity. The key point is that Jordan liberalized economically, largely because it lacked exogenous revenue. Extreme fiscal pressures created a political crisis that the regime sought to defuse through political liberalization.

By contrast, Egypt was not brought into a substantive reform process through a destabilizing political-economic crisis. Rather, the Mubarak regime agreed to limited economic liberalization to obtain extraordinary levels of exogenous resources. Such resources, from the regime's perspective, would in fact obviate the occurrence of the political-economic crisis that rocked states such as Jordan and Morocco. Like Guillermo O'Donnell and Philippe Schmitter, and others theorizing about the causes of political openings, I assume a regime liberalizes politically and democratizes in order to deal with some manner of political or economic crisis.²⁶ Of course, crises do not necessarily prompt an authoritarian regime to liberalize. Yet during the last two decades a far-reaching crisis – and a state fiscal crisis in particular – has provided the most propitious context for the initiation of political liberalization. Indeed, in such Middle Eastern countries as Morocco and Jordan, the evaporation of exogenous resources have pushed regimes to implement orthodox economic reform programs and to initiate significant political reforms. (A similar process occurred in Tunisia, though the regime's political reforms were short-lived). Why did political liberalization increase in rent-poor Middle Eastern countries compelled to reach

far-reaching agreements with the IFIs, but decline as the relatively rent-rich Egypt implemented its version of neoliberal economic reforms? The Egyptian case demonstrates the ability of foreign aid flows to shape – or disrupt – Third World political development. For the Mubarak regime, *before* the advent of economic crisis, apparently calculated that the acquisition of massive aid would alleviate political pressures on the regime and obviate the need to cope with issues of economic reform through a defining political opening.

Above all, unlike other Middle Eastern regimes, the Mubarak regime moved toward economic orthodoxy while its control over the political system was relatively secure. Indeed, during 1990 and 1991, as Egypt drew closer to the international financial community and began accepting the new foreign assistance, the Mubarak regime was, in the words of one observer, "without any serious challenger." The secular opposition remained badly fragmented; and the power of the Islamists, particularly the Muslim Brotherhood, had also waned, largely because of dissaray in the Islamic investment houses. As well, during and after the Gulf War, the regime enjoyed broad popular support for its handling of the crisis and its stance against Iraq (which for years had mistreated the two million Egyptian expatriate workers there).²⁷ In turn, the aid enhanced its position, halting the movement toward increased political liberalization which had been prominent during the 1980's.

In fact, a limited closing of the political-electoral system took place in 1990. In deference to supreme court rulings that the parliamentary electoral laws were illegal, Mubarak dissolved the People's Assembly which had been elected in 1987. But in drafting new electoral codes, the regime designed a single-member electoral system that disadvantaged the interests of the major opposition forces, most importantly, the Wafd and the Moslem Brotherhood. Most of the opposition boycotted the elections, and the NDP ultimately obtained 91% of the seats. Consequently, in creating an electoral system that was obviously unacceptable to the major opposition forces, the regime effectively constricted the political liberalization process. The coincidence of the narrowing of political space and the deluge of foreign aid, illustrates the rentier state thesis: namely, high levels of exogenous revenues may well militate against processes of political liberalization and democratization. In the end, a rentier windfall worked to constrict the Egyptian polity, whereas resource gaps served to liberalize other Middle Eastern states.

Foreign Aid and Vital Electoral Factions

Stagnation has been the key feature of Egyptian politics during the 1990's. Under Mubarak, the NDP has retained its institutional structure, minor cabinet shuffles

and shifts in the regime's attitudes toward reform notwithstanding. Unlike Jordan and Morocco, Egypt has not experienced the emergence of vigorous parliamentary competition. Nor has the NDP attempted to reform or reorganize itself in any substantive way. The regime made provisions for the political participation of center-right forces in the 1980's, but did so within the context of the opposition, and through the Wafd and the Muslim Brotherhood in particular. The regime's indulgence of the Egyptian opposition in the 1984 and 1987 parliaments dissipated in the early 1990's. With one opposition party, the leftist Tagamu, winning but 6 seats in 1991, the parliament no longer functioned as a locus of meaningful competitive party politics.

The regime seemed to reach an important milestone in 1994, with its renewed repression of the Muslim Brotherhood. By June, most Brotherhood leaders were in jail on charges of incitement or complicity in terrorism. The government seemed to be returning the organization to an illegitimate status, branding it "terrorist" for the first time since Mubarak reopened the political system in the early 1980's. Said Issam al-Irian, a senior Brotherhood leader,

This is the first time the government has linked us to terrorism. It is a wide move by the government to curtail all forms democracy by narrowing the opportunities for democratic participation, the government is creating more problems than it is solving. Another Brotherhood activist noted that the repression would make the movement more extremist, as members who had moderated their political positions to participate in the parliament in the 1980's, became increasingly disillusioned. "What do you expect?" he asked.²⁸

As well, secular opposition members who had advocated parliamentary participation in the 1980's, have become increasingly alienated during the 1990's. One prominent member of the Wafd's "old guard," for example, has maintained that the current parliament is nothing but "a branch of the dominant party." He has observed that the party's participation in elections under the current regime is probably "pointless."²⁹ That Wafdists have such opinions is predictable enough, given the demise of oppositional politics in the parliament of the 1990's. It is also a far cry from their optimism of the mid-1980's, when party leaders predicted, if only for propagandistic purposes, that the New Wafd would eventually come to dominate the parliament and the polity.³⁰

Surely, independent and NDP members of the parliament have been considerably more sanguine about the body's prospects. They, of course, still presumed that parliamentary life signifies a true process of "democratization."³¹ Consequently, some members seemed to believe the parliament eventually will become increasingly representative, inclusive and vociferous in the near future.

One highly-regarded independent has argued that pressure from the U.S., and from a young generation of educated, restless, CNN-watching Egyptians, ultimately will push the regime to expand the parliamentary process. Like other members of the Egyptian political elite, she has believed that the United States is responsible for, and will promote, democracy in Egypt. On her view, economic dependence on the U.S. and other Western nations, and the consequent "liberalization" of the country's economic system, will prompt increasingly autonomous social forces to push for democratization.³²

Naturally, Egyptian dissidents have had a more realistic estimation of the impact of foreign aid on political life. On their view, genuine Egyptian democratic activity has withered. Though not necessarily opposing Egypt's receipt of massive foreign aid, prominent human rights activists are particularly sensitive to the fact that such aid increases the ability of the regime to stifle movement toward democracy.³³ Their gloomy predictions of political stagnation seem sound for the foreseeable future, given the Mubarak's regime apparent reluctance to liberalize politically during a difficult period of economic adjustment.

Given the West's poor record of promoting democracy in the Arab world, the insiders' and independents' claim that external forces will push Egypt to democratize in the near term seems fatuous. As well, the regime's inability or unwillingness to undertake restructuring projects like privatization, seems to ensure that powerful social forces clamoring for more democracy will not be unleashed anytime soon. Indeed, the last half of the 1990s has been a catastrophe for Egyptians hoping for increased political liberties.

The 1995 Elections: Chaos and Thuggery

The parliamentary elections of November and December of 1995 only reconfirmed the regime's lack of interest in establishing any significant multipartism. The regime seemed to begin its pre-election crackdown the preceding January, as it renewed its harassment of the Brotherhood. On November 23, 54 Islamist professionals, including parliamentary candidates, were sentenced by a military court to three to five years in prison. The regime then closed the Brotherhood's Cairo headquarters and arrested dozens of activists. The interior minister, Hassan Alfi, asserted that the Brotherhood – the most important opposition group, and one that officially denounces violence – was a greater threat to security than the Islamist radicals who have waged a bloody campaign against the state for the past three years.³⁴

Such ominous developments gave way to the bloodiest elections in the history of modern Egypt. 40 people were killed and between 400 and 700 were

injured in a polling dominated by fraud, vote-buying, chaos, intimidation and sectarian violence. On December 7, the NDP won 317 seats, independents won 113 and opposition parties won 14. But the next day, 99 independents rejoined the NDP, giving it 416 or 94% of the seats. Denouncing the results, the opposition called for new elections and the dissolution of the body.

In short, parliamentary politics have become increasingly irrelevant in Egypt. After the 1995 ballot, the Egyptian Human Rights Legal Aid Center warned of a “political explosion because the chances of peaceful change seem to be non-existent.”³⁵ In subsequent years, the government has effectively repressed leading opposition groups, particularly Islamist ones, thereby avoiding (thus far) any political explosions. But in the latter half of the decade, Egyptian political liberalization continued to contract. The parliament – lacking any serious opposition – had in fact become a rather pathetic political club for the NDP.

Following his election to a fourth six-year presidential term in October of 1999 – after winning 94% of the vote in a “presidential referendum” – Mubarak acknowledged the problematic parliamentary stagnation. He floated the idea of organizing leading businessmen within a new party (called the Future). Egyptians simply understood him to mean that Mubarak’s version of political reform would continue to be highly incremental and perhaps barely noticeable. Appropriately, 1999 also featured a renewed repression of the Brotherhood.

During the 1990s, exogenous revenues have reinforced these political directions. Throughout these years, the Egyptian state retained its access to extraordinary exogenous resources. Indeed, by 1995 it had amassed \$17 billion in foreign-exchange reserves, which made the regime, observers noted, immune to pressures from the IFIs to reform the economy.³⁶ IMF complaints for much of the decade included an inflated exchange rate, high inflation, spiraling public-sector wages, high industrial subsidies, and an almost complete lack of movement on privatization, trade liberalization and civil service reforms.³⁷

In a report for the 1995 Amman economic summit, the IMF expressed its displeasure with the sluggishness of Egyptian economic reforms, and applauded Jordan (along with Tunisia and Morocco) for being one of the leading economic reformers in the Arab world.³⁸ Current IMF attitudes toward the two countries underscored the divergence of the Jordanian and Egyptian paths. Since 1988, in lacking nonconditional funding, Jordan has not had much leeway in its dealings with the IFIs. As well, in becoming increasingly reliant on domestic revenue sources (ie., taxation), King Husayn had no choice but to acquiesce in popular demands for democratization. Here parliament has become a useful venue for a wide-ranging debate about the scope and meaning of economic reforms. By

contrast, in Egypt, exogenous windfalls have given the regime greater freedom of action in its dealings with the IFIs. Nonconditional funding also has augmented the regime's political latitude, forestalling any manner of parliamentary accommodation with the opposition forces that have been calling for increased democratization for the last 20 years.

More recently, Jordan has not been a paragon of democratic development, though it has remained a leading example of political liberalization in the Arab world. Stung by vitriolic criticisms of his rapprochement with Israel, and in the wake of the assassination of Israeli Prime Minister Yitzhak Rabin, King Husayn formulated stricter laws governing freedoms of associations and the press in December of 1995. In June of 1997, the government passed laws clearly meant to restrict the press, as well as stifle academic and other expressions of debate and free speech.. A further setback came in 1997, as leading opposition groups boycotted parliamentary elections to protest restrictive electoral laws implemented by the government.

But overall, even given these reversals, Jordanian political liberalization has achieved – or at any rate maintained – some critical achievements during the latter half of the 1990s. Through 1999, the Jordanian parliament has remained an important locus of oppositional activity, in spite of the botched elections of 1997. Roughly one-third of parliamentary seats are still held by individuals opposing government policies. Perhaps most important, in controlling at times as much as one-third of parliament during the 1990s, Islamists have been able to rally opposition to the King's policies. Since 1989, parliamentary opposition has often had a critical impact on government policy. Furthermore, the parliament has remained a meaningful mechanism of popular political participation and expression, even as the government has had its way with the institution. For example, though the parliament ultimately ratified the austere 1996 budget, debate over the government's economic policies, and its handling of poverty and unemployment, was heated.³⁹ This is evidence of a dynamically developing system.

In recent months the parliament has worked to expose government scandals and curb the regime's arbitrary use of power. Further, in 1999 municipal elections, the leading opposition group – the Muslim Brotherhood and its political wing, the Islamic Action Front – realized stunning victories in 5 major cities: of its 100 candidates, 72 won city council seats. Building on these successes, the Brotherhood and the IAF have indicated their interest in competing in the 2001 parliamentary elections and in deepening their involvement in the nascent Jordanian electoral process.

Meanwhile, Egyptian parliamentary life has stagnated in the 1990's. Being supported by unprecedented levels of exogenous revenue, and having a gradualist and inconsistent approach to economic development, the regime has refrained from developing any kind of vital electoral factions. During the 1990's, as foreign aid obviated the need to impose a sweeping austerity, the NDP has not attempted to use parliament as a serious venue for political discussion and participation. Attempting to incorporate the major viewpoints of both the right and the left during the 1990's, the NDP has been content with its domination of a Lilliputian parliamentary opposition. In Jordan, the evaporation of foreign aid rents ultimately led to a clearer definition of political possibilities, which were vigorously discussed in the parliament.

Here the fiscal crisis compelled the Jordanian regime to tolerate – and to develop – increasingly sophisticated electoral coalitions. Having ensured the dominance of a coalition calling for an unpopular austerity, the regime also was obliged to tolerate the activities of opposition groups. Even so, and until the government should decide to directly attack the parliamentary process that it has allowed to grow in Jordan, it remains a leading example of political liberalization in the Arab world. Therefore, Jordanian liberalization and Egyptian repression remain stark contrasts, especially as Jordan has continued to develop its electoral process through 1999 and into 2000, under the rule of the new King Abdullah II.

Multipartism and Political Liberalization amid Economic Austerity: The Importance of Conditionality?

Multipartism represents the substantive and (for the regime) risky dimension of a political opening. In the Middle Eastern context of liberalizing authoritarianism, it suggests a substantive parliamentary accommodation with opposition forces. Ideally, multipartism implies some kind of power-sharing, by curbing the power of the ruling party and enabling opponents to participate in some aspect of the policy-making process. Presumably, this process has the potential to evolve someday into a genuine democratization.

Moreover, in the short-term, multipartism enables opposition groups to protect newly-extended political liberties, including freedoms of movement, speech, petition, dissent and so forth. As such, the regime sanctions and institutionalizes a delimitation of its power. Substantive multipartism emerges, because the regime believes that it signifies the best strategy for the forging of some kind of "democratic bargain" with a citizenry suffering the effects of economic crisis and austerity. Its development in Jordan has followed the evaporation of its exogenous resources, the onset of economic crisis and the regime's acceptance of far-reaching neoliberal reforms. Of course, such a crisis

does not guarantee, but merely provides a favorable context for, the regime's implementation of serious political liberalization.

Typically, the nature of the crisis dictates the extent to which regime elites are willing to permit liberalization and democratization. A manageable crisis or challenge tends to translate into a highly limited or controlled liberalization. Intense pressure – a near collapse of a key revenue flow, for example – limits the ability of the regime elites to control the political opening, and gives more leverage to an opposition seeking genuine democratization. Similarly, Patrick Clawson has argued that difficult economic circumstances have enhanced the prospects for democratization in the Middle East.⁴⁰ But the disintegration of external sources of support seems to create a particularly compelling crisis, as state elites must extract more internal revenues and reach a more substantial parliamentary accommodation with leading opposition groups. Conversely, this line of analysis underscores the negative aspects of massive aid to authoritarian rulers.

Of course, Western aid to the Middle East is not oriented toward democratic development, but toward the promotion of geopolitical stability and Arab-Israeli peace. It is not primarily a matter of democratic development projects, such as those of the U.S. Agency for International Development, being small, underfunded or ineffective. Rather, in countries like Egypt, massive foreign aid has been used primarily to preserve decades-old statist and authoritarian structures. At the same time, donors have considered aid to Egypt and other Arab countries to be a critical support of the peace process and the maintenance of a pro-Western geopolitical order. Since such aid decreases reformist pressures on the regime, the promotion of peace and the promotion of democracy seem to contradict one another, as Lisa Anderson has observed.

This conclusion, she notes, presents genuine and important dilemmas for policy makers, faced with hopes not only for peace and democracy but also for a stable, pacific and democratic world that is inexpensive to create and maintain.⁴¹ By definition, such dilemmas defy facile solutions. But this chapter suggests a basic incoherence in Western policies toward the issues of economic and political reform in the Middle East. That incoherence flows from the nature of the conditionality imposed upon the foreign aid to Arab states. Notwithstanding the official lip service paid to the promotion of democracy in the Arab Middle East, the array of Western aid to the region is intended, above all, to foster a friendly geopolitical environment and the implementation of neoliberal economic reforms. Through conditionality, the IFIs have forced governments in the Middle East to take basic steps toward economic reform. Indeed, conditionality has been the driving force behind the adoption of neoliberal

reforms in the developing world.⁴² Western donors have not flinched from using the provision of foreign aid to impose a harsh economic austerity and restructuring. But fearing political instability, they have refrained from demanding serious political reforms from their Middle Eastern clients. Indeed, the foreign aid projects have often only delayed such political reforms.

If Western donors are serious about promoting democracy in the region, they must consider linking foreign aid to the regimes' adoption of political reforms and the respect for basic political and civil freedoms. Ultimately, that conditionality should provide the regimes with the incentive to develop some form of meaningful multipartism. That prescription may sound radical to some practitioners. Yet the provision of U.S. foreign aid sometimes has been premised on such concerns in other world areas. The State Department perhaps already has recognized the need for increased leverage in the case of its Egyptian client: in recent years it occasionally criticized the repression of the Brotherhood and the implosion of the Egyptian electoral process.⁴³

More generally, practitioners might object that such a conditionality defies the rules of *Realpolitik*. But humanitarianism aside, unconditional support of decaying authoritarian regimes only undermines Western interests, as it radicalizes oppositions and precludes the possibilities for peaceful change.

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