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Mirages of reform: The politics of elite protectionism in the Arab World

by Steve L. Monroe, Cornell University Press, Ithaca, NY, 2025, 252 pp., USD 48,95 (hardcover), ISBN 9781501780608

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BOOK REVIEW

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Prof. Monroe's new book, *Mirages of Reform (Cornell University Press, Ithaca, NY, 2025, USD 48,95)*, manages to test long-standing conjectures about the relationship between free trade and economic development while addressing the nuances of long-run political trajectories. For these reasons, *Mirages of Reform* is an excellent example of the new wave of political economy research in developing countries – theoretically precise, empirically detailed, and innovative in its use of new quantitative methods and data. The book's lessons are valuable for Middle East and Mediterranean scholars but also for development economists and others who want to know why trade policy has had such mixed results at encouraging inclusive growth.

Monroe's argument about trade reform could be summarized as follows: the failure of trade liberalization to secure export markets and investment is nonetheless a political success for the Jordanian monarchy because it helped promote elite cohesion. Monroe uses two variables to determine when trade liberalization takes place: geopolitical value and the connectedness of business and political elites. He argues that trade reform occurs when both variables are high. Geopolitical value secures trade deals with important partners like the US without requiring overly invasive concessions from Jordan in terms of rule of law. Strong social connectedness, which, as Monroe shows in exquisite historical detail, has existed in Jordan between the king and business elites since the kingdom's founding, overcomes a collective action dilemma in which business elites might reasonably fear being displaced by international competition.

Instead of suffering harm from import competition, Jordanian businesses made use of temporary tariff exemptions and other ad hoc barriers of entry to protect their markets. With quantitative data derived from trade restrictions, Jordanian stock markets, and records of the ethnic identity of corporate board members, Monroe shows in chapters 4 and 5 how trade reform led to increases in the value of highly connected companies, even though these companies operated in protected markets that should have been harmed by export competition. Instead, Monroe shows that these connected companies remained profitable even though they experienced higher rates of tariff reductions relative to less-connected companies.

The reason for these perverse outcomes is what Monroe calls 'neopatrimonial' protectionism. Jordan's kings were able to offer guarantees of state protection to offset any potential losses from trade liberalization because of deeply embedded tribal and social networks incorporating both East Bank and West Bank Jordanian merchants. The long-standing nature of these relationships, which Monroe documents in chapters 2 and 3, helped to overcome fears of trade losses and ultimately resulted in greater profitability post-liberalization – though only for those firms with the right kinds of networks. The flexibility of personal and social relationships undermined the goal of trade liberalization, but also helped the monarchy secure its most valuable supporters among the business community.

While Monroe's book is admirable in its adroit use of diverse evidence to support the theory, it is important to note its limitations as well. The most important caveat that must be made is that data on Arab corporate performance – and certainly on political activity – are often scarce or incomplete. Second, even when data is available – and Monroe is very creative in identifying a wide range of data sources-the data can only shed so much light on the strategic nature of trade liberalization. We know when tariffs are imposed, and we can estimate Jordan's geopolitical importance at that time. But we must accept the premise that the two are indeed connected – even though trade negotiations are affected by many other factors, including the state of domestic and international economies.

For example, despite detailed data collection on temporary tariff relief applications, Monroe's analysis of connected firms' ability to obtain more tariff relief is inconclusive (p. 126). This could be because of data limitations, measurement error, or perhaps some other causal factor that we have yet to identify. Another issue is that his data primarily applies to publicly listed companies on the Amman stock exchange, and in a small economy like Jordan's, relatively few companies are publicly listed. The implications of the argument for privately held firms certainly obvious, but the data do not generally exist to test them at present. And finally, we do need to accept certain key measurement assumptions, such as that the ethnic identity of board members is a good marker for in-group elite status, as well as the presumed relationship between post-tariff profitability and presumed neopatrimonial protection, which we cannot observe directly.

Despite these limitations – which almost every work on comparative political economy in developing countries must confront-the book considerably advances our understanding of the messy political nature of trade liberalization. Ultimately, the book's take is fairly pessimistic about the outlook for trade reform as a driver of economic growth. What Jordan and many other MENA countries need is an authentic coalition for true reform and openness, such as one marrying the educated middle class with more dynamic SMEs and entrepreneurs.

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