

It is not surprising that the Tunisian revolutionary spark has set ablaze the Arab world and its repercussions are felt across the globe.

Algeria, Bahrain, Egypt, Jordan, Libya, Morocco, Saudi Arabia, Sudan, Syria, Tunisia and Yemen, now on focus, have

According to the United Nation's Food and Agriculture Organisation (FAO), good prices have fluctuated wildly over the last four years. The food price index rose from 122 in 2006 to 214 in June 2008 as the 2007-2008 food price crisis unfolded. The index then fell swiftly in the second half of 2008, reaching 140 in March 2009.

Food stock levels: as food stocks fall, price volatility rises. Bumper crops or increasing stocks in anticipation of shortages, and lowering stocks in response to

Tunisian spark sets Arab world

been ruled by autocratic rulers ranging from 42 to 6 years - the longest being Libya with 42 years and the shortest Saudi Arabia with 6 years - suppressing political freedom and freedom of association, corruption and inefficiency, denial of human rights, and the people driven to poverty, high unemployment and

In the latter half of 2010, it increased markedly, especially after a severe drought in Russia, and reached 215 in December, surpassing its 2007-2008 crisis peak. This volatility is said to be in four variables:

Petroleum prices: affect food prices

revision of reserves policies cause volatility in prices.

Exchange rates: changes in exchange rates, especially of major export-



record-breaking high food prices, in varying degrees.

The call for social and political reform by anti-government protestors in Tunisia led to the downfall of President Zine al Abidine Ben Ali who ultimately fled the country.

It was followed by the departure of Egypt's President Hosni Mubarak after handing over the government to the military. A national unity government has now been formed by the prime minister to prepare the country for elections.

Bahrain has given in to the protestors but riots still continue between the police and the anti-government protestors despite the streets being cleared of army tanks.

It remains to be seen whether structural changes would occur and real democratic governments be set up in these countries.

Libya has now come under fire and it is expected to develop into a civil war as the youngest son of President Muammar Gaddafi has declared that "his father would fight until the last man, the last woman, and the last bullet."

It appears that more than repressive, iron-grip on power by the rulers of Middle East, it was really massive unemployment among young school and university graduates, and skyrocketing food prices that led to the sudden explosive outbursts which forced people to march on the streets against these rulers.

through transportation costs and fertilizer prices. The introduction of the ethanol industry, which requires food crops as inputs, also change food prices considerably. More ethanol means less corn to feed people or livestock, raising the price of meat,



Dr. Mathu H. Liyanage

PhD in Creative Writing (Ireland)
Master of Letters in Creative Writing (Australia)
BA (Hons) in Philosophy (London)
Higher Diploma in Advanced Freelance Journalism (Australia)
Special Certificate in Advanced Social Work (Philippine Women's University)
Diploma in Social Work (Sri Lanka)

dairy products and eggs.

Crop yields: inelasticity of demand for food and a slight change in supply can cause food price fluctuations. Unfavourable weather conditions, droughts to floods in Russia, Pakistan, Europe and North America and the growing demand for the fastest developing country like China made, for instance, prices to fluctuate wildly.

ing countries, result in international food prices. Thus, as macroeconomic factors lead to more volatile exchange rates, food price volatility also rises.

Over the last few months, food prices rose sharply in terms of most currencies, and inflation made it hard to provide for families throwing the hungry out on the streets, resulting in protests indicative of their repressed anger over acute unemployment and repressive measures adopted by the regimes in Tunisia, Egypt and other Arab countries.

In Arab countries, economic reform is concerned not only with development and prosperity but it is also heavily bound up with the political system and the regimes in power.

The Arab countries are notably low-tax economies. Although oil provides most of the government revenue, they also rely mostly on indirect taxes on goods and services and customs duties which demand less transparency and accountability than in direct taxes such as income tax. This financial arrangement helps the regimes to relieve pressure for accountability and perpetuate authoritarian regimes and thus impede progress towards democracy.

Hossein Askari, a professor at George Washington University and a former energy

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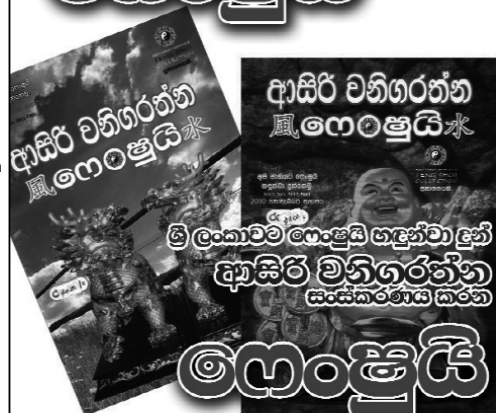
Ph: 03 5996 4304

Mob: 0433 455 596



No. 08, Miralie Way, Cranbourne West

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adviser to the Saudi government, said addressing a Doha debate organised by the Qatar Foundation that:

"Oil has been used as a crutch in this part of the world to avoid the reforms that are needed to create a vibrant private sector which would give jobs, productive jobs and generate revenues for the government. Instead, oil has been used to create less

productive government jobs and to give subsidies which are wasteful in order to buy loyalty amongst the peoples of the region... but this oil has been mismanaged by the leaders and the government of this part of the world, and the western world has also interfered and they also created problems. So on balance, what could have been has not been, and on balance, ladies and gentlemen, oil has been a curse."