

Globalization and the Politics of Development in the Middle East

Clement M. Henry
and Robert Springborg



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Globalization and the Politics of Development in the Middle East

At the beginning of the twenty-first century countries in the Middle East and North Africa contend with the threats and opportunities of economic globalization, the driving force of change in the contemporary world. As Clement Henry and Robert Springborg confirm in their straightforward and, at times, irreverent analysis of the region's response to these challenges, it is globalization which is the key to an understanding of economic reform.

Through an investigation of the structures of state and civil society, including financial systems, they also demonstrate that there is a correlation between economic performance and democratization. In other words, the more open and liberal a polity, the more effective is its economy in responding to globalization. By dividing countries in the region into particular categories – military dictatorships, as exemplified by the “bullies” and the “bunker states,” and monarchies and conditional democracies – the authors signal their conclusions: that democracies and monarchies have a better chance of benefiting from economic globalization than the bullies and bunkers, but politics stands in the way of necessary reforms, even in the most promising prospects, such as Israel and Turkey.

With its up-to-date, original, and incisive approach to the politics and economics of the Middle East and North Africa, this will be an essential purchase for students and policy-makers, and for anyone trying to come to grips with economic globalization generally.

CLEMENT M. HENRY is Professor of Government at the University of Texas at Austin. His publications include *The Mediterranean Debt Crescent: A Comparative Study of Money and Power in Algeria, Egypt, Morocco, Tunisia and Turkey* (1996) and (with co-editor Kate Gillespie) *Oil in the New World Order* (1995).

ROBERT SPRINGBORG is Director of the American Research Center in Egypt. Until 1999 he was Professor of Middle East politics at Macquarie University. His most recent publication (with Abdo Baaklini and Guilain Denoeux) is *Legislative Politics in the Arab World* (1999), while his book *Politics in the Middle East* (1993), which he co-authored with James A. Bill, is now in its fifth edition.

The Contemporary Middle East 1

Series editor: Eugene L. Rogan

Books published in **The Contemporary Middle East** series address the major political, economic and social debates facing the region today. Each title comprises a survey of the available literature against the background of the author's own critical interpretation which is designed to challenge and encourage independent analysis. While the focus of the series is the Middle East and North Africa, books are presented as aspects of a rounded treatment, which cut across disciplinary and geographic boundaries. They are intended to initiate debate in the classroom, and to foster understanding amongst professionals and policy-makers.

To George and Mildred Springborg
and to our spouses,
Elizabeth N. Bouri and Anne-Marie Drosso

Preface and acknowledgments

We were commissioned by the editors of the series in which this volume appears to produce a manuscript on the politics of economic development in the Middle East and North Africa (MENA). In fact we have written a book that seeks to describe and explain the responses of that region to the threats and opportunities posed by economic globalization, the driving force of change not only for these, but for virtually all economies in the developing, not to say developed, world. We have sought to avoid the normative debate over the phenomenon. We have also not speculated on the possible consequences for the MENA of increasing criticism of and resistance to globalization and its standard bearers. We have assumed that at least for the foreseeable future this criticism and resistance are unlikely to fundamentally alter the course or momentum of economic globalization, whatever its consequences for the rhetoric and actions of such standard bearers as the IMF and World Bank.

We are convinced that globalization should be the starting point for understanding economic change in the region. It is the primary thesis against which all countries of the region are struggling to form responses. The widely perceived analogy, at least in the MENA, between today's globalization and yesterday's colonialism provides an analytical framework with which to understand not only the region's response as a whole to *'awlaama* (the newly coined Arabic term for globalization), but also the strategies employed by individual countries and particular social forces within them. Similar to the colonial dialectic which pitted the region's traditional, radical, and revolutionary nationalists against imperialism, the "globalization dialectic" is now generating three distinct stances contending with what is simultaneously a threat and an opportunity, both politically and economically. Aspiring globalizers contend with reactive moralizers in search of new syntheses that might promote the needed reforms in the name of the authentic Islam.

We have examined the structures of state and civil society that

channel the reactions to globalization of different social forces. Particularly vital for civil society is the role of financial systems, the private components of which generate the material resources that sustain civil society. We have, therefore, paid particular attention to those financial systems and the constraints they impose upon political elites while providing them with opportunities to benefit from globalization.

Our investigations suggest a direct correlation between economic performance and the degree of democracy that obtains in any given national political economy in this region. The more open and liberal a polity, the more effective has been its economy in responding to globalization. Additionally encouraging from the perspective of democratization is that the capacity to formulate and execute effective national responses clearly depends not just on the states of the region, but on their respective civil societies as well. Those states that have waged literal or metaphorical wars against their civil societies and the autonomous capital that is both the cause and product of civil society can and sometimes do formulate economic textbook responses to globalization. Those responses, however, are dead letters in the absence of implementation capacity, which only a dynamic civil society appears to be able to provide. On the other hand, those states with comparatively robust civil societies appear to have less autonomy in formulating economic policies, but the greater implementation capacity their civil societies provide more than makes up for policy deficiencies.

Our findings may be read to imply that liberalization and democratization, were they to proceed, would benefit MENA economies. Indeed, they suggest that in the absence of more open, liberal polities, MENA economies are likely to stagnate in comparison to their global competitors. They further suggest that while many responses to globalization are possible, the phenomenon itself will generally support the opening of political economies, even if within a framework of Islamicization. This in turn implies a "win-win" situation, whereby globalization induces political changes that are in turn beneficial for national economic growth. But it may also inspire craftier and more intrusive forms of authoritarianism.

It is worth remembering that, as the eminent MENA economist Charles Issawi once noted, Murphy's Law applies with a vengeance in this region of the world. Bearing that in mind, we will shy away from predicting that globalization will work wonders for the political economies of the region and observe only that the potential for it to do so is there. As we hope the book demonstrates, moreover, there are obstacles aplenty to the realization of the rosy scenario in all the countries of the

region, whether they are praetorian republics, monarchies, or democracies.

Finally, our observations reflect a cumulative total of about seven decades of intermittent teaching and field work in the MENA, and we wish to thank our many friends and acquaintances in the region for generously sharing their insights with us over the years. They are too numerous to name and of course bear no responsibility for the conclusions we have drawn in this book. However, Hasan Ersel, Chief Economist of Yapi Kredit Bankasi, deserves special mention for his timely responses to email that gave us a better understanding of the Istanbul Stock Exchange. Clement Henry also wishes to thank Abdelmounaim Dilami and Nadia Salah, the publisher and editor-in-chief, respectively, of *L'Economiste*, for their extraordinary hospitality during the summer of 1998 as well as their refreshing insights into Morocco's political economy.

We have also benefited from the advice and constant encouragement of Eugene Rogan and the critical reviews of two anonymous readers for Cambridge University Press. We are grateful, too, for comments from Catherine Boone, Bradford Dillman, Ira Lapidus, and Alan Richards. We are especially indebted to Anne-Marie Drosso, former student of one of us and wife of the other. As a political economist and multilingual author par excellence, her insights and editorial suggestions vastly improved both the content and the style of the book. The other spouse, Elizabeth Bourri, is an information specialist who greatly facilitated our online research efforts with the Arab Social Science Research web site (www.assr.org), which she has designed especially for the needs of social scientists.

Our collaboration in drafting and redrafting our manuscript has been exemplary across three continents – Australia, the Middle East, and North America – facilitated by computer support from Macquarie University and the University of Texas at Austin. We particularly wish to thank John Telec, Paul Lyon, and William Bova for their advice and troubleshooting. We also gratefully acknowledge Macquarie's award of a Visiting Research Scholarship to Clement Henry that enabled us to spend a few weeks together in Sydney during July and August of 1999. A special word of thanks is due to an old friend and colleague, Andrew Vincent, director of the Macquarie University Centre for Middle East and North African Studies, for making these weeks so productive and enjoyable. Henry also wishes to acknowledge an earlier grant from the University of Texas at Austin that enabled him to begin drafting some chapters in the spring of 1998 and a grant from the American Institute of Maghrib Studies for field work in Morocco and Tunisia during the

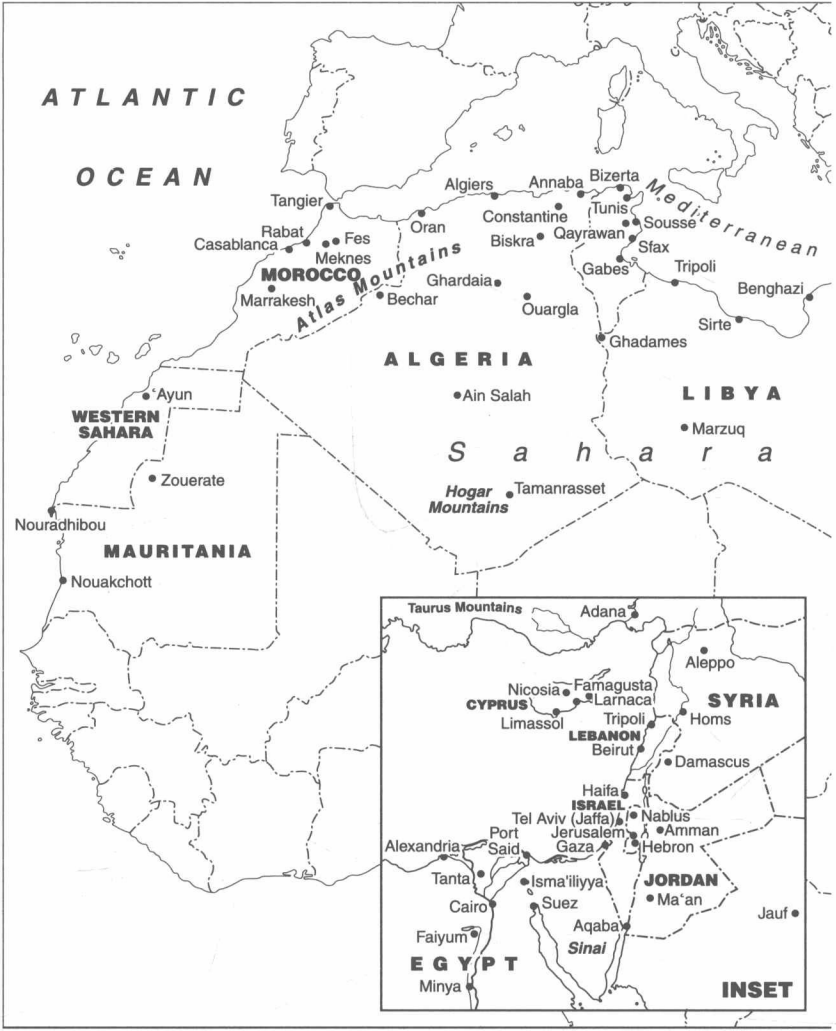
summer of 1998. Finally, we thank Sherry Lowrance and Ji-Hyang Jang, doctoral students in political science at the University of Texas, for assembling and checking some of the economic data, and other members of Henry's political economy seminar, especially Sunila Kale, for their editorial help.

Glossary

Aramco	Arabian-American Oil Company
BDL	Banque du Liban (Lebanon's central bank)
CBRT	Central Bank of the Republic of Turkey
CGEM	Confédération Générale des Entreprises Marocaines
CIM	contract-intensive money (the amount of money held inside a banking system, divided by the total money supply M2)
ECU	European Currency Unit, a basket of European currencies, renamed the Euro in 1999
ESCWA	Economic and Social Commission for Western Asia (United Nations)
EU	European Union
FDI	foreign direct investment
FIS	Front Islamique du Salut (Islamic Salvation Front), outlawed Algerian opposition party
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)
GDP	gross domestic product – “the total output of goods and services for final use occurring within the domestic territory of a given country” (World Bank)
GNP	gross national product – GDP “plus any taxes (less subsidies) that are not included in the valuation of output plus net receipts of primary income (employee compensation and property income) from nonresident sources” (World Bank)
GOE	Government of Egypt
HDI	Human Development Index
HHI	Herfindahl-Hirschman Index, measuring the degree of concentration of an industry as the sum of the squares of the market shares of its competing firms

IIT index	intra-industry trade index
IMF	International Monetary Fund
<i>infatih</i>	“opening” of the economy to international markets, along lines suggested by Egyptian President Anwar Sadat in 1974
ISE	Istanbul Stock Exchange
ISI	import substitution industrialization
KFH	Kuwait Finance House
LE	Egyptian pound
M2	measure of the money supply that comprises transferable deposits and currency outside the banking system and time, savings, and foreign currency deposits
<i>makhzan</i>	Moroccan king’s household and ruling center
<i>mamelukes</i>	medieval Egyptian military ruling class, recruited from Circassian slaves; the term is also used by Egyptian critics to denote high-ranking officers and security officials in contemporary Egypt and to associate them with medieval practices
<i>MEED</i>	<i>Middle East Economic Digest</i> (London)
MENA	Middle East and North Africa
MNC	multinational corporation
<i>mudir</i>	director, manager
NGO	non-government organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
ONA	Omnium Nord-Africain, a Moroccan conglomerate
OPEC	Organization of Petroleum Exporting Countries
PA or PNA	Palestinian Authority or Palestinian National Authority
PLO	Palestine Liberation Organization
S&P	Standard and Poor’s, a business information firm that rates countries and enterprises worldwide for their credit-worthiness and financial performance
SABIC	Saudi Arabia Basic Industries Corporation
SAMA	Saudi Arabian Monetary Agency
SOE	state-owned enterprise
Sonatrach	Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures
UNDP	United Nations Development Program

USAID	United States Agency for International Development
USFP	Union Socialiste des Forces Populaires, a Moroccan political party
WTO	World Trade Organization



The Middle East and North Africa



Map (contd)

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