



A Political Economy of the Middle East

*State, Class,
and Economic
Development*

Alan Richards
and John Waterbury

Westview Press



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Economic Development

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Westview Press

BOULDER, SAN FRANCISCO, AND OXFORD

To the memory of
MALCOLM KERR

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ACRONYMS AND ABBREVIATIONS

AAAID	Arab Authority for Agricultural Investment and Development
ADLI	agricultural-development-led industrial
AMIO	Arab Military Industrialization Organization
ANM	Arab National Movement
ASU	Arab Socialist Union
b/d	barrels per day
BNDE	National Economic Development Bank
BP	British Petroleum
CIA	Central Intelligence Agency
CNRA	National Council of the Algerian Revolution
D	Tunisian dinars
DA	Algerian dinars
DC	developed country
DISK	Confederation of Progressive Trade Unions
EC or EEC	European Community or European Economic Community
FAO	Food and Agriculture Organization
FDIC	Front for the Defense of Constitutional Institutions
FLN	National Liberation Front
GDI	gross domestic investment
GDP	gross domestic product
GNP	gross national product
GOBI	growth monitoring, oral rehydration therapy, breast feeding, immunization
HYV	higher-yielding varieties
IBRD	International Bank for Reconstruction and Development
ICOR	incremental capital-to-output ratio
ICP	Iraqi Communist party
IMF	International Monetary Fund
IPC	Iraq Petroleum Company

IRR	internal rate of return
ISI	import-substituting industrialization
LDC	less-developed country
£E	Egyptian pounds
LEB	life expectancy at birth
MAPAI	Israel Labor party
MEB	Military Economic Board
MENA	Middle East and North Africa
MVA	manufacturing value-added
NATO	North Atlantic Treaty Organization
NIC	newly industrializing country
NLF	National Liberation Front
NPC	nominal protection coefficient
OCE	Cherifian Foreign Trade Office
OCP	Cherifian Phosphates Office
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
ORT	oral rehydration therapy
OYAK	Armed Forces Mutual Assistance Fund
PDRY	People's Democratic Republic of Yemen
PLO	Palestine Liberation Organization
PPA	Algerian People's party
PRC	People's Republic of China
PRI	Institutional Revolutionary party
RCC	Revolutionary Command Council (Iraq, Egypt)
ROK	Republic of Korea
RPP	Republican People's party
SABIC	Saudi Basic Industries Corporation
SAVAK	Iranian Security and Intelligence Organization
SNS	National Steel Corporation
SOE	state-owned enterprise
SONACOME	National Corporation for Mechanical Construction
SONATRACH	National Corporation for Transport and Marketing of Hydrocarbons
TL	Turkish lira
UAE	United Arab Emirates
UAR	United Arab Republic
UGTA	General Confederation of Algerian Workers
UGTT	General Confederation of Tunisian Workers
UK	United Kingdom
UNESCO	United Nations Economic, Scientific, and Cultural Organization
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
WHO	World Health Organization
YAR	Yemen Arab Republic

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The authors dedicate this book to the memory of Malcolm Kerr.

Alan Richards
Santa Cruz

John Waterbury
Princeton

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1

INTRODUCTION

There are two great games being played out in the Middle East. One, upon which this book is focused, is a quiet game that seldom makes headlines. It is the game of peoples and governments, states and societies, sometimes in cooperation but more often at odds, trying to advance the prosperity and overall development of the region's nations.

The other is the more conventional great game (see Brown 1984; Walt 1987) in which regional and superpower politics intersect. It has been the unhappy fate of the Middle East to be the stage for an extraordinary amount of conflict, much of it generated within the region itself, and the rest provoked from without. Merely in this century the region has been a major theater in two world wars, and it has witnessed a war for liberation in Turkey and seven years of colonial war in Algeria. There have been four wars between Israel and several of its Arab neighbors, prolonged civil wars in Lebanon and the Sudan, major long-term insurrections in Iraq and the former Spanish Sahara, prolonged violence between Israelis and Palestinians, and until the fall of 1988, one of the two longest conventional wars of this century, between Iraq and Iran (the other being that between Japan and China, 1937-1945).

The Middle East throughout history has always been frontstage in world politics. It has been endlessly fought over, coveted as strategic real estate on the world's major trade routes, and occasionally used as the launching pad for homegrown expansionist powers, the latest of which was the Ottoman Empire. The Middle East will not be left alone; that is its curse and its blessing. Geopolitical significance draws resources and special treatment from outside powers, but it also draws interference, meddling, and occasionally invasion.

These are the events that capture headlines. Over the period in which this book was being written, U.S. planes bombed Libya; Iraq and Iran exchanged missiles and strafed and bombed Arabian/Persian Gulf shipping; the United States downed a civilian Iranian flight with nearly three hundred passengers aboard; planes and ships were hijacked; Israel invaded Lebanon; and there was a major Palestinian uprising in the occupied West Bank.

The above notwithstanding, we premise much of our argument on the assumption that the game of development, no less painful and destructive in some ways than the game of conflict, is of equal if not greater importance. But the two are closely interrelated, as conflict obviously influences the course of development and vice versa. History has made clear, for instance, that regional conflict, even single events, can set in motion processes that destroy resources and disrupt societies, thereby irretrievably altering the political economies of large populations. One need think only of the assassination of the Archduke Ferdinand in Sarajevo, which triggered the events leading to World War I, to realize the extraordinary consequences that small incidents may contain. That act could be seen as a kind of epiphenomenon, in no way part of an ineluctable historical process. Yet it is the case that unresolved conflicts, unsettled scores, grievances unavenged and unforgotten abound to such an extent in the Middle East that events of seeming insignificance may put a spark to the tinder. The June 1967 war could have been avoided—in fact it took some colossal bungling on the part of all parties to launch it. But once launched, it changed not only the military and political landscape of the region, but the economic as well. Much the same could be said of the long war between Iraq and Iran.

In the midst of these tensions and conflicts, rapidly growing populations must be fed, educated, and employed, agricultural productivity increased, industrialization promoted, universities founded and expanded, technology acquired, armed forces trained and equipped, and some semblance of political order maintained. These are the questions with which we are concerned, and we address them through the lenses of political economy. What we have in mind is the formulation of public policies that shape the allocation of resources within societies *and* the political consequences that flow therefrom. Public policy is about choice, alternatives, and opportunity costs. Sometimes it is small groups of leaders who make these choices and then impose them on their societies. Sometimes choices are made that are reflective of the aspirations of major sectors of society, and sometimes choices are made through the elected representatives of society. However the choices may be determined, they always produce relative losses and gains for various sectors of society. Normally we expect those who benefit to try to consolidate their advantages and privileges, whereas those who have fared poorly will try to alter the status quo. Contending groups have various means at their disposal, some legal and some illegal, to try to influence public authorities and public policy in their favor. And as we shall show repeatedly, those authorities, the people who make up the governments and staff the upper echelons of the bureaucracies and public enterprises, frequently constitute an autonomous set of actors and interests in their own right.

Middle Eastern societies range from the very poor, such as North Yemen and the Sudan, to the very rich, such as Kuwait and Saudi Arabia. The highest generalized standards of living are probably to be found in Israel.

Similarly, these societies in political terms run the gamut from authoritarian rule by cliques and juntas to the qualified democracies of Israel,¹ Turkey, and until 1976, Lebanon. No simple generalizations can be made about the economic resources available to Middle Eastern nations, nor about the permissible channels through which Middle Easterners may seek to effect the allocation of those resources. What can be said is that there is a constant dialectic between state actors and various segments of their societies, and that in this century the dialectic has yielded dynamic, constantly changing equilibria. Like the unicorn, the status quo in the Middle East is the figment of fertile imaginations.

In some respects we see our endeavor as unique, but not entirely so. We have plenty of forerunners and sources of inspiration. We have tried to write an integrated, analytic text covering all of the contemporary Middle East. We believe we are the first to have tried to do this in the political economy mode, although Samir Amin's *The Arab Economy Today* (1982) might be seen as a cursory and polemical antecedent. Galal Amin's *The Modernization of Poverty* (1980) is richer and analytically more satisfying.² Generally one encounters anthologies in which individual authors contribute country case studies, often descriptive and not necessarily related to any set of analytic themes. Some of these are highly useful, such as Reich and Long (1986) and Ismael (1970), and could nicely accompany the present study.

There have been some notable attempts at synthetic analysis by individuals or coauthors, although none has used political-economic approaches. Halpern's *The Politics of Social Change in the Middle East and North Africa* (1963) is a landmark and although dated is still of great value. Hudson's *Arab Politics* (1977) is also highly recommended, as is Bill and Leiden's *Politics in the Middle East* (1984). Limited to the Maghreb is Moore's *Politics in North Africa* (1970). In other disciplines, there have been illustrious forerunners; in sociology, Berger's *The Arab World Today* (1964) and Lerner's *The Passing of Traditional Society* (1959). The study of North Africa by Hermassi (1972) is one of the rare contemporary contributions to sociological synthesis. In anthropology, Coon's *Caravan* (1958) is excellent but dated. More recently Bates and Rassam (1983) and Eickelman (1981) have provided fine anthropological interpretations of Middle Eastern society. Two economic historians have been unquestionably a source of inspiration for us in that their writings have been explicitly in the political-economy vein: Issawi, *An Economic History of the Middle East and North Africa* (1982), and also his pioneering article "Economic and Social Foundations of Democracy in the Middle East" (1956), and Owen, *The Middle East in the World Economy* (1981).

Finally we come to authors who have used political economy, implicitly or explicitly, in single-country studies. It is no surprise that authors formed in the French tradition of Marxist political economy have played a major role here: Hassan Riad (Samir Amin's nom de plume), *L'Egypte Nassérienne*; Abdel-Malek, *Egypt: Military Society*; and the more recent book by Raffinot