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978-0-521-73744-9 - Globalization and the Politics of Development in the Middle East,
Second Edition

Clement Moore Henry and Robert Springborg

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Globalization and the Politics of Development in the Middle East

Second Edition

In a new edition of their book on the economic development of the Middle East and North Africa, Clement Moore Henry and Robert Springborg reflect on what has happened to the region's economy since 2001. How have the various countries in the Middle East responded to the challenges of globalization and to the rise of political Islam, and what changes, for better or for worse, have occurred? Utilizing the country categories they applied in the previous book and further elaborating the significance of the structural power of capital and Islamic finance, they demonstrate how over the past decade the monarchies (as exemplified by Jordan, Morocco, and those of the Gulf Cooperation Council) and the conditional democracies (Israel, Turkey, and Lebanon) continue to do better than the military dictatorships or "bullies" (Egypt, Tunisia, and now Iran) and "the bunker states" (Algeria, Iraq, Libya, Sudan, Syria, and Yemen).

CLEMENT MOORE HENRY is Professor of Government at the University of Texas at Austin. His publications include *The Politics of Islamic Finance* (2004), coedited with Rodney Wilson, and *The Mediterranean Debt Crescent: A Comparative Study of Money and Power in Algeria, Egypt, Morocco, Tunisia, and Turkey* (1996); *Images of Development: Egyptian Engineers in Search of Industry* (2nd ed. 1994); and *Politics in North Africa: Algeria, Morocco, Tunisia* (1970).

ROBERT SPRINGBORG is Professor of National Security Affairs at the Naval Postgraduate School. Until August 2008 he held the MBI Al Jaber Chair in Middle East Studies at the School of Oriental and African Studies in London, where he also served as Director of the London Middle East Institute. Professor Springborg's publications include *Politics in the Middle East* (1999), coauthored with James A. Bill, *Mubarak's Egypt: Fragmentation of the Political Order* (1989), and *Family Power and Politics in Egypt* (1982).

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Preface to the second edition

Writing a second edition a decade after the first provides ample time to reflect on our original work. By and large it seems to have stood the test of time, even if some assumptions and implied prognoses were off the mark. We overestimated both the magnitude and the consequences of the financial squeeze on the MENA. Excess global liquidity, which caused investors to seek out higher rates of return in emerging markets, combined with substantial increases in hydrocarbon prices, generated financial resources for the region in excess of what we anticipated. Pressures for governments to become more transparent and accountable were correspondingly less. But so, too, did we underestimate the creativity of MENA governments in combining focused governance reforms with persisting authoritarianism, so that they maintained or even enhanced revenue flows without democratizing. We also did not foresee the dramatic emergence within the regional and global economies of the Arab Gulf states and the increased speed and depth of change to their domestic political economies. Iran's collapse into praetorianism was likewise not anticipated. On the other hand, the basic finding of the first edition, which was that the MENA countries can be categorized according to regime types and that those types in turn determine capacities to respond to the threats and opportunities of globalization, has been borne out. Over the past decade the region's worst performers have been the most repressive and the best performers the most democratic, with others similarly arrayed as predicted. So, too, has the claimed relationship between financial sector autonomy and civil society capacity been demonstrated to obtain.

Readers familiar with the previous edition will notice that this one is considerably larger. That is due not just to updating, but to a remarkable increase in available comparative economic and governance data over the past decade, a phenomenon that has paralleled and contributed to economic globalization. We have drawn on this data to evaluate propositions contained in the first edition and to formulate new ones. We have also used it to enrich analyses of specific countries. Discerning readers will

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notice a substantial increase in tables and figures, which we hope will help both to explicate and to reinforce our arguments that link globalization, regime, and civil society types and capacities with political and economic outcomes.

Instead of imposing a common set of transliteration rules, we have preferred to keep the spellings of proper names as commonly used for the individuals in question.

In the preparation of this edition we have accumulated yet more debts of gratitude. Useful advice and information was provided by Richard Boocock, Graham Boyce, Jason Brownlee, Charles Buder, Matt Buehler, Christopher Davidson, Mahmoud El-Gamal, Bob Looney, David Lubin, Mahmoud Muhielidin, Robert Parks, Paul Rivlin, M. Saïd Saâdi, Stuart Schaar, John Sfakianakis, Ibrahim Warde, and Eckart Woertz. Our intern, Hela Mehr, helped download data and prepare figures and tables. The United States Institute of Peace supported Clement Henry's brief trips in North Africa in 2007–10, as did a semester leave from the University of Texas at Austin and a supplementary grant from the American Institute for Maghrib Studies. The Naval Postgraduate School provided Robert Springborg with a travel grant and a quarter's leave that facilitated both data gathering and writing. The London Middle East Institute at SOAS kindly hosted him as a Research Fellow in 2009 and 2010. As was the case with the first edition, our spouses, Elizabeth Bouri and Anne-Marie Drosso, both of whom have personal and professional interests in the Middle East, assisted in various ways in the gathering and interpretation of data and in its presentation. We are grateful to all.

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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 *'awolama* (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

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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 fieldwork in the MENA, and we

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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 Bankası, 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 Bouri, is an information specialist who greatly facilitated our online research efforts with the Arab Social Science Research website (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 fieldwork 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

AKP	Adalet ve Kalkınma Partisi, Justice and Development Party (Turkey)
APICORP	Arabian Petroleum Investments Corporation
Aramco	Arabian-American Oil Company
BAM	Bank Al-Maghrib, Morocco's central bank
bonyads	charitable foundations (Iran), becoming revolutionary business conglomerates after 1979
BDL	Banque du Liban (Lebanon's central bank)
CBRT	Central Bank of the Republic of Turkey
CGEM	Confédération Générale des Entreprises du Maroc
CIM	contract-intensive money (the amount of money held inside a banking system, divided by the total money supply M2)
DRS	Département du Renseignement et Sécurité, Algeria's military security agency
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

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	output plus net receipts of primary income (employee compensation and property income) from nonresident sources” (World Bank)
GOE	Government of Egypt
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit, official German agency for technical assistance
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
infitah	“opening” of the economy to international markets, along lines suggested by Egyptian president Anwar Sadat in 1974
ISCI	Islamic Supreme Council of Iraq
ISE	Istanbul Stock Exchange
ISI	import substitution industrialization
KDP	Kurdish Democratic Party, Iraqi party led by Barzani clan
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
makhzan	Moroccan king’s household and ruling center
mamlukes	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
MEED	Middle East Economic Digest (London)
MENA	Middle East and North Africa
MNC	multinational corporation
mudir	director, manager
NGO	nongovernment 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

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PA or PNA	Palestinian Authority or Palestinian National Authority
PJD	Parti de Justice et Développement, Moroccan Islamist party
PKK	Parti Karkerani Kurdistan, Kurdistan Workers' Party
PLO	Palestine Liberation Organization
PUK	Patriotic Union of Kurdistan, Iraqi party headed by Jalal Talebani
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	Algerian state oil company, originally the Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures
SSI	State Security Investigations, an Egyptian plainclothes auxiliary police force
TPF	total factor productivity
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

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