

**Oil in the Arab World:
A Blessing or a Curse**

By

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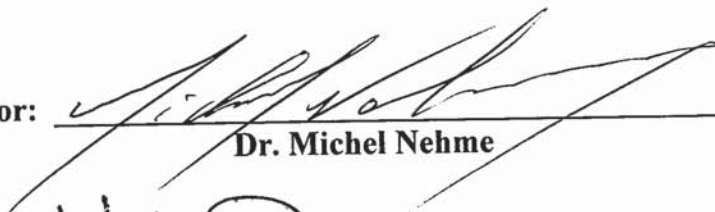
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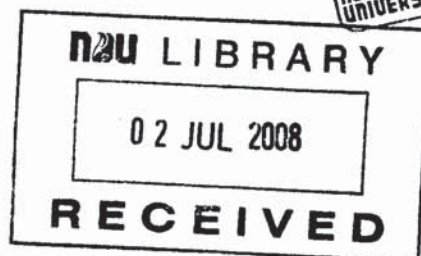


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DEDICATIONS

This thesis is dedicated to the loving memory of my father, Victor Bassil, who taught me that knowledge is never limited to space and time.

This work is also dedicated to my lovely daughters, Yara and Jana; May they seek richness in knowledge.

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INTRODUCTION AND FRAMEWORK OF THE STUDY

The current global dependence on oil leaves much to be said about the impact of this resource on its exporting states, specifically the Arab World. This leads to the question whether oil is a 'blessing' or a 'curse'?

While many scholars and researchers conclude that oil generates higher living standards, greater opportunities pertaining to education, health, personal incomes, and better living conditions, it remains evident that other scholars emphasize the negative impact oil on the Arab world. The objective of this research is not to ignore the positive effects oil generated on the Arab World; rather, the aim of this thesis explores the negative impact of oil on the socioeconomic conditions of the Arab world, as well as the Western political behavior and influence on the concerned states.

In today's world, oil is money, and money is power. How significant is that flow of money? Who receives it? How is it used? Who benefits from it? What is the impact of the oil revenues on the citizen of oil supplying countries – and on their neighbors? Answers to these questions are not easy to come by. This research starts with the assumption that: a nation's real economic progress derives from developing human resources more than it does from developing natural resources. Nations that develop their people create real wealth. While nations that simply extract and sell wealth from the ground are consumers of wealth, rather than creators. In nations without democratic institutions in their civil societies, oil revenues have fostered corruption, tyranny, and oppression. When governments own and control the oil revenues, the nation's economy suffers, national governance suffers, and other neighboring nations are negatively affected. In addition, the West – mainly the US and EU – have been directly involved in the region at varying degrees due in most parts to their need to secure stable flow of oil.

The Arab world sits atop half of the most important and valuable natural resources in the world: petroleum. Yet, it is plagued by innumerable problems: internal and external conflicts, wars, lack of democracy, repressive regimes, terrorism, poverty, civil strife, unemployment, endemic emigration and economies generally incapable of exporting goods or services to compete in a globalized world. This thesis suggests that oil is the primary causal agent for these phenomena.

Therefore, highlighting the negative impact of oil on the Arab world leads us to analyzing three different aspects: The degree of Western meddling, the political landscape, and the socioeconomic conditions in those countries. This analysis will explore the causal nature of oil as a “resource curse.” This curse refers to the paradox that countries with an abundance of natural resources tend to have less economic growth for many reasons, including a decline in the competitiveness of other economic sectors, volatility of revenues from the resource sector, government mismanagement, political corruption, and high inflation.

The theoretical framework of this study is drawn from the assumption that oil is the independent variable, and the above-mentioned aspects are the dependent variables. It will be argued that oil has directly encouraged Western meddling, enhanced the political current conditions and generated the existing socioeconomic trends (Chapters I, II, and III). However, it will be further assumed that those three aspects are interrelated, affecting each other and in turn, amplifying the negative impact of oil, which I classify as the indirect effect of oil on the three dependent variables (Chapters IV, V, and VI). For example, chapter II makes the case that oil revenues have contributed to the enfeeblement of Arab economies. This “fact” is then assumed in Chapter IV to examine the political environment. It is then shown how feeble economies have impacted the political order, in this case making the Arabs politically dependent on the West.

As with most social science models, this represents an attempt to simplify a very complex set of interactions that are impossible to isolate in time or by magnitude. The phenomenon of religious extremism for example, is obviously a function of many factors

emanating from all three dependent variables. Socioeconomic issues like poverty, wars, overpopulation, unemployment; political factors like repression; Western meddling concerns support for Israel, cultural imperialism have been greatly affected by the existence of oil. Therefore while I may address a particular issue in only one part of this thesis, it should be clear to the reader that cause and effect are multifaceted. In addition to the logic associated with the causal nature of oil as a “curse,” the extent or magnitude of this curse will also be explored, based on various political and socioeconomic measures that negatively impact the human condition.

Books could be and indeed have been written about individual sections of each chapter of this thesis. For the sake of clarity and brevity I have necessarily taken a high level approach to the issues. I am trying to view the adverse impact that oil has had on Arab society from a wide variety of viewpoints and at least provide a general explanation for a particular hypothesis. As such some profound issues are addressed in a cursory fashion for the sake of concision. Obviously, Egypt with small oil reserves and a large population is very different from Kuwait which at the other end of the continuum has large oil reserves and a small population. What I try to capture, while making many generalizations, the commonality between the countries by recognizing that the differences are a matter of degree to which those countries are sufficiently close justifies the validity of such generalizations. Where differences are relevant, I try to point them out. Nevertheless, the claim that oil has had a generally negative impact remains the central theme and stands in sharp contrast to received wisdom.

The methodology used will rely on textual analysis as well as discourse analysis in relating theories and concepts to actual observations of the countries being studied. The historical analysis is also used as a back up evidence and a causal sequence for actual observations. Therefore, much of this research is, by necessity, exploratory and highly qualitative.

In conclusion and to avoid possible confusion let me outline definitions used here.

The term “Middle East” is based on the World Bank’s definition and includes Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Saudi Arabia, Syria, Tunisia, United Arab Emirates and Yemen. The acronym MENA (Middle East and North Africa) is sometimes used and is essentially the same reference. However, this analysis is primarily focused on the Arab world, which would exclude Israel, Malta and Iran (though Iran is discussed on occasion due to its many similarities to the Arab experience). Within the Arab context the study focuses on the Gulf countries (Saudi Arabia being by far the most significant), Algeria, Libya, Syria, Iraq and Egypt.

Reference will be often made to the term “oil exporters”. The term includes the six members of the Gulf Cooperation Council (GCC): Saudi Arabia, Kuwait, UAE, Qatar, Bahrain and Oman along with Libya, Iraq and Algeria. Egypt and Syria are not included in this group even though technically they are oil exporters. Due to their relatively large populations in comparison to the level of production, I chose not put them in the “non-oil producer” category.

When reference is made to the “West” in the context of historical matters, I will be referring to Europe and the United States. In an economic context “the West” refers to all industrialized societies. This would also include Asia. Since the United States has come to dominate the region since the 1960’s, I will often use the reference US/West, implying a transformation of Middle East policy from a Western European sphere of influence, to what has been since the end of WWII an increasingly American oriented and influenced zone.

CHAPTER I

OIL AND ITS DIRECT IMPACT ON THE DEGREE OF WESTERN MEDDLING

This initial chapter looks at what in this thesis we describe as the direct effect that oil has had on the degree of Western meddling in the region. Western influence has had a permanent and frequently lethal impact on the evolution of modern Arab society. It is here therefore that we begin to explore the topic of “the curse of oil”. While predominately historical in nature, the essence of this chapter is to demonstrate how Western meddling, as a function of their interest in Middle East oil, has laid the groundwork for many of the negative consequences that confront the Arabs to this day.

A. The History of the Prize

The significance of the oil reserves has been the overriding factor influencing Western policy toward the Middle Eastern and beyond. As Noam Chomsky puts it: “... the major interest [of the West] lies in the energy reserves of the region, primarily the Arabian peninsula. A State Department analysis of 1945 described Saudi Arabia as ‘...a stupendous source of strategic power, one of the greatest material prizes in world history.’ The U.S. was committed to win and keep this prize. Since WWII, it has been virtually an axiom of U.S. foreign policy that these reserves should remain under U.S. control” (Chomsky 1999, 17).

Michael Klare asserts that “as the American economy grows and U.S. industries come to rely more on imported supplies of critical materials, the protection of global resource flows is becoming an increasingly prominent feature of American security policy ...and the U.S. will need to keep close watch on events and remain engaged in the Persian Gulf to safeguard the flow of vital oil supplies” (Klare 2001, 6).

This initial chapter focuses on Western meddling in the region as a function of their interest in the oil supplies of the Middle East dating back from WWI to this day; it reviews how important oil has been to the various countries and how they have been willing to go to great lengths to secure control over it. Therefore I have chosen to start with the (negative) impact of Western meddling as the best place to begin with the Curse of Oil. A little history is in order to put this meddling into perspective.

1. World War I

The recognition of petroleum as a strategic commodity began during the earliest stages of WWI precisely in 1912 when Winston Churchill as Lord of the Admiralty and thus in charge of the British Navy, made the decision to change his naval ships from coal to oil burning. This was based on oil's strategic superiority to coal as a source of fuel. Klare confirms that "the transition from coal to oil provided British ships with a significant advantage in speed and endurance over the coal-powered vessels of its adversaries, especially Germany" (Klare 2001, 30). However, this realization was not limited to its use as a fuel in war ships. With the advent of the automobile and its war-related offshoots, gasoline and diesel derived from petroleum became an absolute necessity with a radical new means of waging war known as mechanized warfare. "For, in the course of the First World War, oil and the internal combustion engine changed every dimension of warfare, even the very meaning of mobility on land and sea and in the air (Yergin 1992, 167).

This being the case, it became readily apparent during the course of the war that access to oil would play a crucial determinant in the final outcome. Turkey's entry on Germany's side threatened British oil supplies via the Anglo-Persian Oil Company (APOC) as well as their fledgling interest in Mesopotamia (present day Iraq). Daniel Yergin comments: "Again, one of the major considerations was to secure the oil fields, as well as to counteract German subversion in Persia. At the same time, the oil potential of Mesopotamia was beginning to loom larger in British military and political planning" (Yergin 1992, 173).

The British, French and Russians, with their very survival at stake were willing to do whatever it took to ensure their ultimate success. This meant keeping control over oil supplies in the Middle East. Thus, the secret Sykes-Picot agreement between France and Britain in 1916 promised to divide and rule the region after the war with their allies, including Russia. This came to pass in spite of the fact that these same powers had promised the Arabs that if they cooperated against the Turks, they would in turn get their freedom and sovereignty. Under the leadership of Faisal and his British liaison, T.E. Lawrence, the Arab forces did in fact fight to achieve this end in what came to be known as the “Arab Revolt”. In yet a third agreement, the Balfour Declaration of 1917, Britain promised the fledgling Zionist movement (comprised largely of disenfranchised European Jews who believed in the need for an exclusively Jewish homeland), whose political help they needed in the war effort, a Jewish “national home” in Arab Palestine. This promise was subsequently incorporated in the mandate conferred on Britain by the League of Nations in 1922. Nonetheless, at the end of the war, the importance of oil as a strategic asset was never more apparent, the world had undergone a drastic change and the West was keen to recognize this. Quoting Yergin:

Senator Berenger, the director of France’s Comite General du Petrole, was even more eloquent. Speaking in French, he said that oil—“the blood of the earth” was “the blood of victory... Germany had boasted too much of its superiority in iron and coal, but it had not taken sufficient account of our superiority of oil.” Berenger also had a prophecy to make. Continuing in French, he said, “As oil had been the blood of war, so it would be the blood of the peace. At this hour, at the beginning of the peace, our civilian populations, our industries, our commerce, our farmers are all calling for more oil, always more oil, for more gasoline, always more gasoline.” Then he broke into English to drive home his point—“More oil, ever more oil!” (Yergin 1992, 183).

Oil was now inextricably linked to post WWI politics. The demise of the Ottoman Empire opened up Arabia and Persia (present day Iran) to Western influence since they were now completely under the control of their conquering armies. The subsequent, and relatively arbitrary dissection of the Arab world into disparate entities with Western inserted figureheads at the helm, was just the beginning of this influence. Yergin

comments: "If oil was power, it was also a symbol of sovereignty. That inevitably meant a collision between the objectives of oil companies and the interest of nation-states, a clash that was to become a lasting characteristic of international politics" (Yergin 1992, 229).

2. Inter-Wars Period

In the aftermath of WWI, and the formation of the League of Nations (largely a creation of the victorious Western powers), it was determined that nations that were not yet ready for self-government were to be placed under the tutelage of "advanced nations" until they were ready for independence. Governance was to be organized through a system of "Mandatories" and the outcome came to be known as the Mandate system. The Mandatories were to apply the "principle that the well-being and development of such people form a sacred trust to civilization." The fact that these mandates bore strong resemblance to colonialism was not lost on the territories in question. As it related to the north Arab world (or Levant), Lebanon and Syria fell under the French while Iraq, Palestine and Trans-Jordan under the purview of the British. In so doing, the administrative districts of the Fertile Crescent or pseudo-states, long established under the Ottomans, were ignored. In each country, the mandatory powers placed ruling elites into positions of leadership who would serve their interests. In essence therefore, the Ottoman Turks had been expelled from the Levant only to be replaced by the British and French, and European Jewish immigration that had been a trickle up to that time now began in earnest.

The British and French did not waste any time in their frenetic attempts to exploit the hoped-for bonanza in petroleum wealth now under their "tutelage". The Red Line Agreement of 1928 took the spoils of the post WWI Ottoman Empire and created the outline of what was to be Western hegemony over those territories thought to contain vast amounts of oil. The impetus for the agreement was the initial discovery of large quantity of oil on October 15, 1927 in an area known as Baba Gurgur Number I near Kirkuk in the Kurdish region of Iraq. Britain expanded its oil interests in the Persian Gulf area and strengthened its dominant position in Iran. France established a state-owned firm, the

Compagnie Française des Pétroles, and “obtained concessions in the Mosul area of northwest Iraq. Germany and Japan laid plans to acquire their supplies from Romania and the Dutch East Indies, respectively” (Klare 2001, 31).

It was during this time that US companies, fearing that they would be left out, began their explorations in those parts of the Arab world not under French or British domain --- the southern two thirds of the Arabian Peninsula. The first significant American oil strike in Arabia was on the island of Bahrain by Standard Oil of California (Socal) in the interwar year of 1932, only confirming suspicions about the prospect of tremendous reserves on the Arabian side of the Persian/Arabian Gulf. In accordance with such prospects, America’s President Roosevelt was able to help a tribal chieftain by the name of Ibn Saud establish his preeminence over most of Arabia proper in that same year creating the Kingdom of Saudi Arabia. This act greatly facilitated the existence of the strong US-Saudi ties that exist to this day.

The newly created states of the Arab world made little if any progress toward self-rule during this Mandate period as the Western powers were not keen to relinquish their hard fought for prizes. In fact, as Hilal Khashan argues, they did incalculable damage “...it would not be unfair to assert that Arab political and economic decay—previously facilitated by centuries of unenlightened Ottoman despotism—suffered enormously from Anglo-French military occupation. Western colonial powers created arbitrary political entities, restructured Arab economies, and decimated long-established patterns of politico-economic continuity in order to serve their own imperial interests” (Khashan 2000, 69). Nonetheless, nascent national movements began to take root in the region while US, British and French oil exploration continued frantically until WWII broke out. Oil was recognized more than ever as a military necessity and a strategic commodity for international power. The Germans too were well aware of its importance.

3. World War II

Hitler had many motives for pursuing his various campaigns but it was his invasion of the Soviet Union that contributed most significantly to his final demise. While he had no love

for Bolshevism, Stalin or Slavs it was his interest in Russian-controlled oil that may have provided the main impetus for the invasion as Yergin puts it: "From the very start, the capture of Baku and the other Caucasian oil fields was central to Hitler's concept of his Russian campaign. "In the economic field," one historian has written, Hitler's obsession was oil," To Hitler, it was the vital commodity of the industrial age and of economic power" (Yergin 1992, 234).

The oil fields of Iran, in close proximity to German activity in the Soviet Union also became of great concern to the Allies. The rule of Reza Shah, who was believed to be a Nazi sympathizer, only exacerbated this anxiety. He, the original "Shah of Iran" was summarily deposed by a Western plot and replaced by his twenty-one year old son Mohammed Pahlavi; the contemporary version of the Shah.

The Germans failed in their bid to secure the fields of Central Asia or Iran and while their synthetic fuel production was technologically years ahead of anything in the West, it was not nearly sufficient to sustain their machines of war. Jet fighters, one of many German innovations, provided a significant advantage to the Luftwaffe but there was no fuel to get the planes in the air let alone enable the necessary levels of flight training. The Nazis inability to secure reliable sources of fuel not only accelerated their ultimate defeat but did so in a manner that was totally on the terms established by the Western alliance.

4. The Cold War Era

The defeat of Germany in WW II brought with it the rising significance of the Soviet Union in world politics. The amicable relations, which at first followed the allied victory, quickly turned into a rivalry between East and West; a rivalry that quickly degraded into what became known as the Cold War. The significance of oil however only continued to grow in the estimation of foreign policy analysts, both in the West and the East.

The lessons of World War II, the growing economic significance of oil, and the magnitude of Middle Eastern resources all served, in the context of the developing Cold War with the Soviet Union, to define the preservation of access to that oil as a prime

element in American and British—and Western European—security. Oil provided the point at which foreign policy, international economic considerations, national security, and corporate interests would all converge (Yergin 1992, 410).

The United States quickly became obsessed with a fear of Soviet expansion into the oil rich Middle East, due in no small part to their relatively close proximity to the region. They had been active in Iran during the war and there was no reason to believe they would not assert some level of influence, invited or not, on the Arabs as well. Thus, Washington established a modest military presence in the region and sought to integrate Iran, Iraq, Saudi Arabia, and other key oil-exporting states into the Western alliance [Klare 2001, 32]. In response to the perceived threat to their interests, the Western alliance, now firmly controlled by the United States, took various measures to stem any attempt by the Soviet Union to make trouble.

- The Truman Doctrine – First set forth by United States President Harry S. Truman in 1947. “The immediate objective of the policy was to send U.S. aid to anti-Communist forces in Greece and Turkey, but it was later expanded to justify support for any nation that the United States government believed was threatened by Communism during the Cold War period.”
- Eisenhower Doctrine – Came a decade after the Truman Doctrine and stated that the United States would intervene in the Middle East if necessary to protect the area against Communism.
- The Baghdad Pact – An offshoot of the Eisenhower doctrine. In theory it was a mutual-security pact between Iraq (still effectively under British control) and Turkey signed in February 1955. The alliance created by the pact was joined by the United Kingdom, Iran, and Pakistan later that year. The Arab states which had for the most part been granted independence in the aftermath of WW II, were not eager to join the alliance, as they felt

that they had as much to fear from the West as they did from the Soviet Union.

- The Carter Doctrine – when, in 1979, the Shah of Iran was overthrown by militant Islamic forces and the world experienced a second major “oil shock,” President Carter was quick to threaten the use of force against any adversary that might seek to impede the flow of oil from the Persian Gulf area – thus, the United States commenced a military buildup in the Persian Gulf area that has continued to this day (Klare 2001, 33).

a. Suppression of Nationalist Forces

Perceived threats to Western oil hegemony came primarily from the former Soviet Union in the context of the Cold War and indigenous sources who would not be as accommodating as the list of friendly dictators (e.g. Nasser of Egypt). The West has worked strenuously to prevent both types of threat from affecting their interests. As it relates to Nasser specifically, Yergin elaborates: “Suez has taught all the Western powers about the volatility of the Middle East; and now at Bermuda, the British emphasized the importance of maintaining the independence of Kuwait and the other states along the Gulf, all of whose rulers seemed very vulnerable to Nasserite coups d’état” (Yergin 1992, 498). However, for regional concerns, Nasser was for Kuwait independence away from Iraqi dominance, in other words, Nasser and England were in agreement for the independence of Kuwait.

The domino effect of the loss in Vietnam (1975), the revolution in Iran (1979) and the Soviet invasion of Afghanistan (1980) represented the height of Western fear of the Soviets coming to dominate the oil resources of the Persian Gulf. To exacerbate this tension, was the belief held commonly in 1980 that the US was in many respects at a military disadvantage compared with the Soviet Union.

The Western alliance’s anxiety about the Soviet threat helped usher Ronald Reagan into the White House in 1980 to fight the “Evil Empire”. His administration desired more than

anything to have an actual presence in the area to mitigate the vulnerability of the Gulf to Soviet designs. This would-be presence however, was not thwarted so much by the Gulf countries as it was by the looming shadow of Soviet power itself.

In the context of the Iran-Iraq war of the mid 1980's, Kuwait was desperate to seek help for its shipping which was coming under fire from the Iranian navy. So concerned were the Kuwaitis that they went to the extraordinary step of asking the Soviet Union for protection from Iran (perhaps a tactical ploy). Yergin comments: "The potential significance of the approach to Moscow provided reason for a quick response. For Russian involvement would have expanded Russian influence in the Gulf—something the Americans had sought to prevent for more than four decades, and the British, for no less than 165 years" (Yergin 1992, 765). Needless to say, the US did not waste any time in agreeing to serve as protector of Kuwaiti shipping.

By fate or by design, it would be Saddam Hussein, just a few years later, with his invasion of Kuwait, who finally provided the necessary pretext for the establishment of this presence. Nonetheless, it was evident that the US led "free world" was willing to go to any lengths to confront the Soviet Union in the context of the Cold War. Any country that did not accept American policy in this regard would be dealt with accordingly. This was true for states throughout the world but particularly so with regard to the Arab world due to the presence of their "strategic commodity".

5. The Post Cold War Era

The fall of the Soviet Union effectively ended the Cold War, but there were new threats to the control of the oil reserves. The Islamic Republic of Iran was seen to be working to destabilize the various Arab regimes, which prompted the US to back Saddam Hussein in his eight-year campaign against Iran. Iraq, this new "strategic asset," quickly turned into a liability when it initiated the conflict with Kuwait and by default, Saudi Arabia. The policy of "dual containment" has been in place ever since. However, a fundamental shift had now occurred in the strategic balance of the region. America, ostensibly in coming to

the defense of Kuwait, had now finally established or, perhaps more accurately stated, re-established, a Western presence in the Persian/Arabian Gulf.

6. The Post September 11

The September 11 attacks on US soil have given the most powerful ideological and propaganda framework to date for the U.S. and NATO's military intervention in the furthest corners of the globe. In September 2002, George W. Bush's National Security Strategy (known as the Bush Doctrine) created new dimensions in international affairs. This doctrine is a compound of different principles that somewhat define the role of the U.S. security and military forces in order to protect and promote a more secure environment for the United States and its allies. The Bush doctrine has been an attempt to deal with three separate problems: terrorism, weapons of mass destruction, and the weakness of postcolonial states. For the U.S., the main issue is the consolidation and expansion of its political and ideological concepts through the military in unilateral actions. Consolidation and expansion of America's global position, within the context of pressures and opportunities created by the September 11 attacks have been cited as the main aims of this policy.

The United States declared a war on terrorism calling upon the international community: "You are either with us or against us". Thus it led a broad coalition of international forces to attack Afghanistan aiming at the removal of the Taliban regime harboring al-Qaeda organization. Then U.S. officials speculated on possible involvement by Saddam Hussein; although unfounded, the association contributed to public acceptance in the US for the 2003 invasion of Iraq. This invasion consolidated the western presence in the Arab world and further changed the political dimensions among the states of the region.

B. Interventions

The extent to which Western intervention in the Arab world has been directly or indirectly a function of oil is a relatively arbitrary estimation. This thesis of course argues that virtually the entire history of Western intervention in the Middle East affairs is a

function of oil. Much of this was discussed in the previous section. Here, this thesis is limited to what is believed to be the three most important political interventions and cover other military and economic interventions in subsequent chapters.

1. Colonialism

The West played its most direct role in the Arab world as a function of their influence on the formation of the states that eventually came to constitute the countries of the Arab world. Much of this was covered in the previous section regarding the inter-war activity of the British and French and spoke of the arbitrary way in which these nations had been created from an overlaid map of the defeated Ottoman Empire. Suffice it to say that the birth of the new Arab states was a creation of the Western colonial powers. “They bore numerous deformities—ranging from the artificialities of their borders to the internal weakness of their institutions (Ibrahim 1995, 33).

And while all the states eventually received their independence after WWII, the new rulers, with some exceptions, were largely installed by the colonial powers including the ruling elites in Egypt, Iraq, Jordan and Syria. With the exception of the Hashemites in Jordan, all of these rulers eventual fell to nationalist forces. The displacements of the elites who served their Western masters did on occasion invite direct intervention, but most of the time, the West was limited to using political and economic tools in an attempt to influence the region. Nevertheless, the vestiges of colonialism contributed to economic imbalances as well as sectarian strife and political instability. Put another way, the Arabs have been able to muster little unity, little cooperation and lots of conflict. If “divide and conquer” was the goal of the West, nowhere more than in the Arab world has it proven so effective.

2. Creation of Israel

Theodor Herzl, the Viennese journalist born in Budapest and father of the early Zionist movement tried successfully to sell the creation of a Jewish State in Palestine to British policy makers as an outpost of European civilization (and British influence) in the heart

of “Asia’s barbarism”. “Such attitudes reflect the fact that Zionist enterprise was part of the broader pattern of European colonization, requiring for its success cooperation with the imperial powers and subordination of the indigenous population” (Bill and Springborg 1994, 316).

The British government began to see what they believed to be certain advantages to a state of European Jews in Palestine. As Bill and Springborg suggest; “It would serve to counter French interests in the Levant, while it would also gain the support for British war aims of influential Jewish communities in the United States and Russia “(Bill and Springborg 1994, 318).

Therefore during the height of the first World War, such efforts led to the infamous “Balfour Declaration” of 1917 promising British government support for the establishment in Palestine, of a national homeland for Jewish people; this in spite of the fact that at the time the indigenous Muslim and Christian Palestinians outnumbered the European immigrants ten to one.

The subsequent creation of Israel in 1948 was, for the most part, a function of the efforts of the Zionist forces that had immigrated to Palestine up to that time. The US was quick to recognize the new state providing its “war of independence” (which resulted in, the ouster of the majority of the indigenous Palestinian population), with crucial legitimacy. As such, whether by design or ineptitude, the creation of the State of Israel in the heart of the Arab world, remains perhaps the second most visible remnant of Western meddling in the Middle East.

3. The De-facto Establishment of Saudi Arabia as the Kingpin of World Oil

Prior to America’s actual entrance into WWII, its “Lend-Lease” program was used to aid friendly governments in their struggle against the forces of fascism. Roosevelt was able to get his friends in Saudi Arabia included in this program by declaring the defense of Saudi Arabia as vital to American strategic interests. With due reciprocity and with victory in sight in 1944, the Saudis welcomed the US Petroleum Administration’s

Everette Lee DeGolyer, perhaps the most eminent geologist of the day. He was there to make a more comprehensive assessment of Arabian oil potential. Was it in fact as great as had been predicted prior to the outbreak of hostilities? Upon their return, a member of the task force is reported to have stated: "The oil in this region is the greatest single prize in all history" (Yergin 1992, 393).

While Saudi Arabia was not part of the Mandate system, still in effect during the war, the US government and American oil companies began to exert an increasing amount of influence on the Kingdom. This arrangement among the Saudi government, the United States government and American oil interests set the stage for a strong pattern of dependency relationship for Saudi Arabia, which was to be enhanced by the impact of the oil price revolution. This dependency entailed the Saudi's serving American interests in exchange the US would protect the regime and not impose any alien "Western values" on the Royal family as Denoeux suggests:

On his return from the Yalta conference in February 1945, President Roosevelt held a critical meeting with Saudi King Ibn Saud on the cruiser Quincy. Ever since, the preservation of Washington's close relationship with the oil monarchies of the Gulf has been the single most decisive factor limiting the United States' ability to call for greater democracy in the region. After all, why should the United States risk antagonizing or destabilizing friendly regimes which control more than half of the world's oil reserves? It is difficult to imagine how these regimes could be more accommodating to American wishes (Denoeux 1993, 6).

Thus began a partnership that has endured to this day, although 15 of the 18 hijackers of the September 11 were Saudi citizens; the dominant economic and military power in the world with a desert sheikdom that boasted a few hundred thousand people before oil was discovered. People however, were not what interested the US. The Arab world alone possesses about half of the world's one trillion barrels of proven petroleum reserves and Saudi Arabia claims about half of that. As the dominant supplier of world oil, Saudi Arabia has long been the focal point of Western strategy to maintain the free flow of relatively cheap oil.

Saudi Arabia sits at the top of a pyramid of strategic partners in this regard, a mantle they once co-chaired with Iran, until the fall of the Shah. Every thought of Western policy (the vast majority of which is American) has had as its focus the well being of Saudi Arabian oil. To the extent that the Royal Family maintains proprietorship over these reserves, they can count on virtually unlimited Western support. Fuller and Lesser: “American support for Saudi Arabia, whose oil policies are dedicated to perpetuating moderate prices over the long term, has been the centerpiece of this strategy “ (Fuller and Lesser 1997, 43).

Even in the aftermath of the 1973 war, when the Arab oil embargo was actually having an impact on the political discussions regarding the continued Israeli occupation of Arab land, the Saudis, based on some rather hollow American promises, relinquished their grip, only to see matters revert back to the pre-war status quo shortly thereafter. In addition to one quarter of the world’s oil reserves, Saudi Arabia possesses an unmatched production infrastructure that can scale up in volume to such a great extent that any attempt to influence pricing by a slowdown elsewhere, even by the rest of OPEC combined, can simply be overwhelmed by the Saudis production capacity if they so choose. On the other hand, the U.S. has pledged to protect the Saudi Royal family since Roosevelt, and continues to do so. To defend the monarchy against external opponents, the U.S. has fought a war against Iraq and conducted a huge military buildup. Internal threats were also revealed starting with the November 1995 truck bomb on the Saudi Arabia National Guard in Riyadh, June 1996 attack on the Khobar towers and the consecutive bombs in 2002-20003 on residential compounds, and in February 2006, the movement staged its first direct attack on a major oil installation, the giant plant in Abqaiq in the Eastern Province which processes two-thirds of Saudi Arabia’s daily oil output. To prevent these efforts from coalescing into a more substantial threat to the Saudi regime, the United States has assisted in the creation of a large efficient, and well equipped domestic security apparatus. It was further involved in “extensive intelligence-collection activities designed to identify and track leaders of Saudi extremist organizations – especially Osama bin Laden and his associates – as well as diplomatic efforts to deny them safe haven and banking privileges in neighboring countries” (Klare 2001, 77). The

United States has also made it clear that it will employ military force to punish those implicated in terrorist attacks on U.S. bases and personnel in the Gulf.

While the alliance between the two countries is innocuous on the surface, there are issues that need be considered in the context of “the curse of oil.” As will be established later, Saudi Arabia is an authoritarian regime, ostensibly a monarchy, run by the ruling Saud family. It is arguably one of the most extreme such states left in the world. Up till recently, there was virtually no political representation, no freedom of expression, heavy censorship, almost no rights for women, and a suspect legal system. Were it not for their strategic position, the American government would freely decry their abominable record of human rights and the lack of anything resembling a free or democratic society. (Human rights organizations are not so constrained.) Saudi citizen’s rights movement would have the undesirable consequence of having the American supported ruling elites use their resources for the benefit of the country, and the region as a whole, not merely to serve their Western masters. Hassan Hammoud best describes Saudi Arabia as “born in the crucible of the colonial era, the child of British then American imperial interests, remains Saudi Arabia, a tripartite of Saudi royal power, radical clerics and a US military guarantee-for-oil” (Hammoud 2003, 91).

While authoritarianism is perhaps unfortunate for the average Saudi citizen, it has regional ramifications as well. As the kingpin of Western oil strategy, the US is not only compelled to turn a blind eye to Saudi domestic policies, it is also “forced” to bend to the will of the Saudis on other regional issues. Foremost among these is the prospective founding of representative government in any other part of the Arab world. The Saudis are loath to see the establishment of any such precedent and work in concert with their fellow Arab dictators to make sure this does not happen. The US as their partner therefore, is also reluctant to support nascent democratic movements or freer societies.

Chapter Summary

Chapter I is intended to provide some historical context for the near obsession the West has had with Middle East oil and the lengths to which they were prepared to go, to see that they maintained control over it. In so doing this Western meddling has had a profoundly negative impact on the Middle East. First, it led to the betrayal of the Arabs regarding statehood after WWI. Second it led to the partition of the Arab world in a manner disregarding any established natural boundaries. Third, even when the new states did receive independence, the West maintained a great degree of control through the installation of puppet regimes to serve their interests, at the expense of the native inhabitants. Fourth, there was the sanctioning of the creation of the State of Israel by immigrating European Jews into the heartland of the Arab world, Palestine. And finally there was the promotion of Saudi Arabia as the kingpin of the region, giving them de-facto veto power over many political and economic issues, not the least of which is their distaste for “liberal” governments in the region setting an uncomfortable precedent. The next chapter is more internally focused and will explore how oil revenues have impacted socioeconomic conditions in the Arab world.

CHAPTER II

OIL AND ITS DIRECT IMPACT ON SOCIO-ECONOMIC CONDITIONS

This chapter looks at what our analysis considers to be the direct effect that oil has had on socioeconomic conditions in the Arab world. Since economics has such a major impact on social norms it is difficult to separate the two. Arab society is considered neopatriarchal as a “dependent, non-modern socio-economic structure representing the quintessentially underdeveloped society” (Sharabi 1988, 6-7). It is suggested later that it is the lack of economic progress, due in large measure to the abundance of oil that has kept them in this situation. Oil has been a major causal agent in inhibiting these societies from making progress economically and therefore to a great extent socially.

Progress or “human development” as is the term used by the United Nations Development Program (UNDP), takes into consideration such factors as health, education and poverty. But the key or overriding criterion in defining progress has to do with human choice; the capability to seek health care, education or vocational opportunities as one desires (Doraid, 2000, 32). In addition, this definition takes political choice into account; the ability to participate in political activities and to express oneself for political or social reasons. Based on these choice-related criteria, the Arab countries have made very little progress since their establishment as sovereign states.

National leaders of Arab countries put the state forward as the primary player in allocating and managing resources and in determining economic outcomes. Regimes restricted private investment. Leaders justified state domination of the economy by claiming that the private sector was too weak to lead national growth, too compromised to develop strategic industries, and incapable of creating enough jobs and providing for the welfare of the masses. Economies in the region have been divided into two basic

types, both of them state-dominated, relatively unproductive, and extremely vulnerable to external shocks. Those types are the rentier model and the semi-rentier model.

A. Rentier Economies

The concept of the “rentier state” lies at the heart of a debate on the negative impact that oil has had on all facets of Arab society. Rentierism will be defined and explained here at the outset although its relevance will be pervasive for much of the remainder of this analysis. This is especially true in light of the assumption that the various political, economic and social aspects of oil’s impact are interrelated and mutually reinforcing. Rentierism as defined in Wikipedia “is a concept used to classify those states which derive all or a substantial portion of their national revenues for the rent of indigenous resources to external clients” (www.wikipedia.com).

Hazem Beblawi elaborates on the concept as follows:

- A rentier economy is one in which the rent situation is “predominant” (a subjective determination).
- The origin of the rent is of an external nature.
- Only a few are engaged in the generation of this rent, the majority are involved in its distribution and utilization.
- The government is the principle recipient of the rent.
- A “rentier mentality” takes hold where economic reward is not a function of hard work or risk but rather subject to chance (Beblawi 1990, 87).

This rentier model best describes the highly oil-dependent economies of the Gulf Cooperation Council states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, as well as Lybia and – to a lesser degree Algeria. In these countries, the bulk of GDP as well as of government revenue is generated mainly by exports of a single natural resource – petroleum – and is based not on productivity of the economy but on the large gap between the cost of production and international prices. In such economies, production is usually limited to a very small fraction of the population, while the remaining people are on the receiving end of the equation. In those states rents or revenues accrue directly to the government (as opposed to indirectly via taxation) who then dispense it according to their particular agenda.

The second type of economy found in the region is the semi-rentier state model, which covers most of the remaining Arab states and North Africa. Such economies also suffer from low productivity. Though they appear more balanced than the rentier type because they do not rest on a single-resource export, they are heavily dependent on a different kind of rent: transfers in the form of remittances from expatriate workers, foreign aid, and bilateral or multilateral loans (Beblawi 1990, 95-96).

These rents are also often a by-product of oil, albeit indirectly. Aid often comes as a function of one country being important to another (like having the power to influence the supply of oil). Transit fees have to do with getting the oil to market and investment is a function of the Western oil companies extracting the oil. (The magnitude of non-oil related foreign investment in the Arab world is of much less significance.) Thus Middle East rentierism, in most of its forms, is by and large a function of the existence of oil. And, as will be further explored, it is this rentierism that has led to the exacerbation of many of the problems in the region.

Having said this, what is not often obvious is the fact that the two most historically significant political entities in the Arab world, Egypt and Syria, usually thought of as poor “non-oil states” are themselves rentier states to a great degree. This is not only true because they too realize the majority of their hard currency from the production of oil, but they are also the recipients of significant amounts of revenues from the other measures of rentier income as defined above.

For example, in the 1960’s and early 1970’s, Egypt received the highest level of Soviet aid of any foreign country. Since the late 1970’s, due to the Camp David peace treaty, Egypt has become the second largest recipient of US aid behind Israel. In addition, Egypt has the Pyramids, the strategic Suez Canal and lots of people who work in Gulf oil economies and send their money home. Beblawi commented: “In Egypt, for example, it is estimated that about 45 per cent of its GDP is represented by exogenous---read rent --- elements in the form of oil revenues, workers’ remittances, foreign aid, Suez Canal

revenue and tourist expenditures. It is also to be noticed that most of these revenues accrue directly to the state or the government” (Beblawi 1990, 97).

Syria too, while not a major recipient of US aid, Egyptian levels of tourism or Suez Canal revenue, does in fact meet our loose criteria of a semi-rentier state. (The fact that Syria, Egypt and other Arab states have relatively small GDP’s to begin with, makes having a large percentage of it being rentier in nature, much easier.) Prior to the dissolution of the Soviet Union, Syria also received substantial amounts of military and economic assistance in return for their patronage. This was especially true once Egypt had jettisoned the Soviet Union prior to the 1973 war. In addition to Soviet aid, Syria also possesses modest oil reserves, accrues revenues from the oil pipeline royalties running to their ports for export and has received considerable aid from the Gulf States, most prominently Saudi Arabia, and now Iran. James Bill and Robert Springborg commented:

Official bilateral and multilateral aid provided by the Arab oil-exporting states to other Arab countries totaled \$55 billion between 1973 and 1989. ...By far the largest transfers of funds have been for political reasons, such as supporting the Arab “front line states” against Israel, or Iraq against Iran. In the 1970’s Egypt alone received from the Gulf states over \$20 billion; during Iraq’s eight-year war with Iran, it obtained probably half again as much from those same sources. For opposing Iraq during the second Gulf war, Egypt and Syria were paid some \$7 billion and \$2 billion, respectively, by Kuwait and Saudi Arabia” (Bill and Springborg 1994, 418).

It can be argued that aid in general, whether it comes from the Soviet Union, a Western power or a wealthy oil exporting state, is granted as a function of the strategic nature of a given state. However, were it not for oil, these states would be considered far less strategic, if not irrelevant. (The possible exception being Egypt because of the Suez Canal.) Therefore it can be assumed that aid, a major component of rentier income, is also tied to the existence of oil, the biggest component of rentierism.

Although not technically rentier income based on our definition, worker remittances are a close relative to pure rentier income and again exist largely as a by-product of oil. Men (very few women are involved in the remittance economy) from the more populated

countries like Egypt, Syria, Lebanon and Yemen go to work in the oil states to do everything from strenuous manual labor to brain surgery. While remittances did not make the list of rentier income per se, they are nonetheless a significant source of foreign exchange to many “non-oil” Arab states, and were not “earned” from the respective domestic economies. Beblawi:

“Worker’s remittances are becoming one of the major foreign exchange sources in some non-oil states. Yemen is a well known example where remittances represent more than 85 per cent of GDP. Workers’ remittances are becoming the biggest single source of foreign exchange in Egypt as well. In Syria, Lebanon, Tunisia, Algeria and Morocco, workers’ remittances play a very important role in their balance of payment adjustments. It is not easy to equate workers’ remittances to external rent. From the workers’ point of view, he is earning his income at the cost of effort and work. From the recipient country’s point of view, remittances are, nevertheless more akin to aid or non-requited money transfers (Beblawi 1990, 97).

Beblawi identifies several other characteristics particularly associated with “rentier” oil states. For example, “where the government is the largest and ultimate employer, the bureaucracy is frequently bloated and inefficient – and indeed comes to resemble a “rentier class” in society. Moreover, local laws often make it impossible for foreign companies to operate independently. This leads to a situation where citizenship becomes a financial asset. In order to do business, foreign enterprises engage a local “sponsor” (al-kafil) who allows the company to operate in his name in return for a proportion of the proceeds – another type of rent” (Beblawi 1990, 92, see also www.wikipedia.com).

A variation of the discussion on the rentier state comes from Giacomo Luciani, who categorizes states that receive a large amount of their revenues (more than 40%) from external sources (i.e. oil related income from abroad) and where government spending constitutes a substantial share of GDP, as “exoteric” states; those states whose revenues are derived from domestic sources and taxation as “esoteric” (Luciani, 1990, 71). In 1990 the Arab states that fell within his exoteric criteria included Kuwait, Saudi Arabia, Oman, Libya, Algeria, Syria and even Jordan.

According to Luciani the source of state revenues has great significance for the formation of the state. The primary implication of this reality is that exoteric revenue frees the state from having to raise income domestically, thus de-linking the state from its domestic economic base. In other words, the revenues accruing to the coffers of the government are independent from the domestic economy. Implicit in this assertion is that there is not a great incentive on behalf of the state to ensure the vitality of the domestic economy (by for example investing in infrastructure, creating and enforcing business laws or providing a stable banking and macroeconomic environment). Conversely, in esoteric states economic growth is the primary goal of state economic policy in order to derive more tax revenue. Without a growing domestic economy, “government spenders” whoever they are, have stagnating amounts of tax revenue with which to pay for “citizen pleasing” services including their own paychecks.

Implicit in the discussion of the exoteric or rentier state is that the funds used to run the government are not filtered through a tax paying public as a function of their personal income. The monies go directly to the treasury bypassing the involvement of the citizenry altogether. If the well-being of the state is not a function of the well-being of its constituent parts, then those parts lose economic relevance. As Robert Looney explains: “The relatively “easy” availability of foreign exchange arising from large scale oil-export is likely to take the pressure off necessary institutional and other policy changes. It can also lead to the development of a rentier society where there is disconnect between effort and reward” (Looney 2003, 2).

Whether we call government revenue emanating from external sources, rents or exoteric, the point to be made is that virtually every Arab state of significance, including the “non-oil” states of Egypt, Syria, Yemen and Jordan are to a great extent, dependent on this form of funding to pay the expenses of state. Oil extraction, transportation and refining employ few capitalistic resources of their domestic economies. Since revenues emanate from abroad, the governments are not dependent on the health of their domestic economies. The net effect is that these domestic economies have not fully developed, as

they would have under “normal circumstances”. This “rentier reality” has had severe economic implications as will be discussed below.

B. Feeble Economies

The Arab world produces little if anything for export other than raw materials and labor, and with few exceptions depends on imports for most staples. Certainly the severe climatic conditions that exists in most of these states has impacted this reality but as has now been established, most of the governments of the Arab Middle East including Egypt, Syria and Jordan have never been “forced” to develop their economies largely because of their ability to “get by” on oil related rents. While it may seem paradoxical, Ross asserts that “these states and many of the poorest and most troubled countries in the developing world have high levels of natural resource wealth. There is a growing body of evidence that resource wealth can have and has had a harmful effect on these countries’ development prospects” (Ross 2000, 12); the premise being that states with greater natural resource wealth tend to grow more slowly than their resource-poor counterparts.

Nowhere is this resource paradox more evident than in the Arab world. In spite of being in possession of over one half of the known oil reserves in the world, which translates into hundreds of millions of dollars in revenue every day, Arab economic progress lags significantly behind the rest of the world with the possible exception of Sub-Saharan Africa. And if we used criteria like diversity, competitiveness and dependency the Arabs have actually declined in many respects as it relates to economic “progress”. Economist Sufyan Alissa highlighted the status of economic growth in the Arab world:

Figures for 2005 show that total trade of the Arab countries represents only 4 percent of world trade; exports from the Arab world make up only 5.5 percent of global exports, of which oil accounts for 90 percent. ...Many countries of the region have watched GDP per capita decline. In Saudi Arabia, GDP per capita fell from \$22,634 in 1980 to \$12,556 in 2000. In Jordan, over the same period, per capita GDP dropped from \$4,308 to \$3,907. ...Public debt in Egypt in 2006 reached \$113 billion, or 110 percent of GDP. In addition volatility in external rents and vulnerability to external shocks increased sharply in many countries of the Arab world. Most non-oil exporting, labor abundant countries in the Arab world experienced deficits in the public-sector budget, ranging in 2005 from 3 percent of GDP in Morocco to 9 percent in Lebanon and 19 percent in the West Bank and Gaza Strip” (Alissa 2007, 4).

1. Stunted Private Sector

Implicit in our discussion of oil revenues accruing directly to the government, employing few local resources and providing little incentive for the government to stimulate the domestic economy, is the effect it has had on the development of the private sector in the Arab world. What little progress being made in this regard in the twenty-five or so years of the post colonial era, was effectively stifled as a function of the oil boom years (1973-1981) following the 1973 Arab-Israeli war. While there were significant political causes for this phenomenon as will be discussed in the next chapter, here we will explore the implications of the stillborn private sector of the Arab world in the context of rentierism.

a. The Dutch Disease

The term Dutch Disease was a way to describe the recessionary impact that the exploitation of large amounts of natural gas had on the Dutch economy. In essence the “disease” represents an economic phenomenon in which factors of production are moved out of other sectors of the economy and into the booming sector, impacting local output of other commodities. In addition, the income derived from the export of the natural resource is then spent on imports, further dampening the demand for the local factors of production, with the overall effect of stagnating the indigenous industry.

This phenomenon has two effects, the first focuses narrowly on the exchange rate and the other on the private sector. In the Arab world, “the exchange rate appreciation resulting from a ramp up of oil exports is likely to reduce the profitability and competitiveness of traditional agricultural exports. It would also encourage imports of food and raw materials, which may compete with domestic production; it is likely to discourage the emergence of new manufacturing exports, essential for the successful diversification of the economy” (Looney 2003, 2).

The effect of oil revenues has severely dampened the competitive “edge” essential for the health of a dynamic private sector. The bureaucracies in turn became corpulent with little incentive to focus on structural issues. The net effect of government inaction was to

produce a distortion of the “natural” economic order, thus making success in the private sector, difficult to the under privileged. Looney concludes that during the modernization and expansion of the oil sector, the rest of the economy may be “crowded out” from access to key factor inputs – “the oil sector with its financial resources would preempt these resources weakening the ability of the private sector to invest and diversify” (Looney 2003, 2).

With macroeconomic mechanisms distorted by oil revenues and the government doing little if anything to make corrections, the private sector has been severely retarded. An unenviable condition for the business community as described by Abdulaziz Sager:

“The private sector in the Middle East comprises three main components: Small, and Medium Enterprises (SME), large and medium family enterprises, State-dominated publicly listed companies in which private investors own minority holdings, without having decisive influence on the corporate decision making process....The private sector is dominated by family enterprises that cherish their independence and absolute discretion in decision making. Only a small minority of them has floated some of their companies on the local stock markets (and then only to a very limited extent, retaining an overwhelming portion of the shares) also because the financial infrastructure in MENA countries is often still underdeveloped”(Sager 2007, 2).

Oil and related rents mitigated the need for the states to develop market-oriented economies because the regimes had, for some time a dependable source of income whose acquisition generated few political demands. It was an ideal situation for the various dictators who use the rents to buy patronage, while never having to ask that people pay taxes, which would imply some level of accountability. By the middle 1980’s however these rents had shrunk markedly. Instead of pursuing the twin goals of economic development and taxation, the governments resorted to borrowing instead; a ploy to buy time until it was hoped, the price of oil returned to a more sustaining level

2. The Rentier Mentality

Beblawi makes reference to the rentier mentality when he states: “A decade of the oil era shows that the whole of the Arab world, oil rich as well as oil poor, is becoming a sort of oil economy with various undertones of rentier mentalities” (Beblawi 1990, 88).

A rentier mentality is a psychological condition characterized by an individual who feels first that there is no purpose in working hard as a means to achieve economic gain, second, that the state will provide for his basic needs, and third, that there is no point in complaining. And as it relates to a more extreme version of the condition, existing to a much greater degree in the oil exporting states, add fourthly; that even if work is available, it is beneath ones dignity to perform manual labor. However, Beblawi specifies that the basic assumption about the rentier mentality is that it embodies a break in the work-reward causation. Reward, he explains, is not related to work and risk bearing, rather to chance or situation. It is integrated in a process as the end result of a long, systematic and organized production circuit (Beblawi 1990, 88).

The first aspect of this condition is to a great extent a function of the lack of opportunities in the private sector. The other three factors are a result of government policy or lack there of. The governments are clearly guilty of making little effort to enact structural reforms that would have facilitated the growth of the private sector. This is what they did not do. What they did do was attempt to employ as many people as possible, provide a modicum of social service and subsidize essential commodities. Whether by design to create a means of control or just by default, such measures complemented and reinforced the rentier mentality as will be now explored.

a. Government Employment

While the authoritarian nature of Arab governments (explored in the next chapter) has had a lot to do with their desire to hire and control their people, it was the oil related rents that greatly contributed to their capacity to do so. This phenomenon initially had its roots in the socialist nature of many Arab states which came out of the colonial period smarting from the betrayal at the hands of the democratic, private-sector oriented and treacherous

set of imperial Western powers. The so-called “social contract” had as its premise an egalitarian ideal, which quickly changed once the oil price boom enabled the burgeoning growth of the bureaucracy and state run “industries”. This growth was probably less by design than it was out of necessity. The small and anemic private sector could not begin to absorb the ever-growing labor force, which then compelled the government to hire. It was better to have a poorly paid bureaucracy doing very little, so the thinking went, than to have masses of restless youth fomenting dissent on the streets. Luciani comments: “The frequent policy of offering employment to all school graduates, independently of the actual need for them, has created bloated bureaucracies that are to this date a huge obstacle to liberalization and a production-oriented policy. The preoccupation of Arab governments is, and always has been, to keep potential opponents quiet. New graduate entrants in the workforce were not viewed as an asset that should be put to productive use, but as a potential source of trouble” (Luciani 1995, 215).

Keeping potential sources of discontent too preoccupied to be organizing against the state is one of the means that regimes use in order to stay in power, a theme that is redundant throughout any study on the Arab world. However, government employment has had the effect over the years of instilling and then reinforcing the rentier mentality as Beblawi suggests, “Every citizen – if not self-employed in business and/or not working for a private venture—has legitimate aspirations to be a government employee; in most cases this aspiration is fulfilled”. Though utterly free enterprise oriented, “the number of government employees in the oil states is only matched by socialist-oriented states. Civil servant productivity is, understandably, not very high and they usually see their principal duty as being available in their offices during working hours (*Al Dawam*)” (Beblawi 1990, 91).

Government employment peaked in the early 1980’s and two factors have since put an end to the ever-swelling ranks of bureaucrats. One has to do with the fall in the price of oil that began at that time. The second reason was a more subtle force, the demographic reality of increasing populations in virtually every Arab country. The economic and

demographic factors were and still are, on a collision course as suggested by Syrous Kooros, Ayser Sussan, and Morjorie Semetesy:

“Unemployment in the Arab countries arises mainly from the inability of entrants into the labor force to find jobs rather than from existing workers being laid-off. Arab labor markets are also characterized by rapid population growth, combined with large-scale shifts of population from rural to urban areas, which leads to severe pressures on labor markets, especially in urban areas” (Kooros, Sussan, and Semetesy 2006, 5).

The Arab regimes are fighting a losing battle against demographics. They will not be able to continue to hire everyone who needs a job, especially in the bigger countries of Egypt, Syria, Algeria and Iraq. Failing to liberalize their economies and allow the private sector to flourish promises ever worsening employment prospects. Even if they do however, the oil inspired rentier mentalities that have formed over the past forty years or so are going to make “getting back to work”, a challenge to say the least.

b. Subsidies

Public sector employment beyond a certain level is itself a form of subsidy especially when one views the unproductive nature of the work undertaken by most Arab bureaucrats. As alluded to, it is another means of attempting to placate and control the masses while all the time reinforcing the rentier mentality, both adversely affecting the economic vitality of a country as Beblawi suggests:

Government favors are now embodied in a welfare doctrine. Subsidies of all kinds pervert the economic system. A huge slice of the government’s bureaucracy, sort of a new rentier class, is getting a substantial slice of the government’s accrued rent. Though individually very low-paid, civil servants as a social group are a very expensive element in view of their contributions to the country’s productivity (it is often thought that they contribute negatively to the growth of the economy) (Beblawi 1990, 97).

The various governments subsidize food, fuel, housing and in many cases industrial and agricultural output. Why countries like Saudi Arabia and Libya, desperate for water,

would be encouraging its depletion for the sake of wheat bought at a fraction of the price on the world market, is just one of the many economic anomalies of the Arab world. Nevertheless, any subsidy has the effect of distorting the economic tenets of comparative advantage and division of labor. Like government employment, several decades of subsidies have left the populations psychologically dependent on welfare. On the few occasions that attempts have been made to eliminate them, for example bread subsidies in Egypt and Jordan, the result was rioting, which served as a warning to the regimes and conveyed the extent to which the populace was addicted to subsidies. Luciani comments:

Structural adjustment also entails cutting expenditure on consumption subsidies, especially under conditions of rapidly increasing population. This has been and in some cases still is, strenuously resisted by Arab governments, notwithstanding the fact that subsidies have to a considerable extent benefited the relatively well off rather than the poorer sections of the population. ...Subsidies generate distortions, and offer occasions for discrimination and favoritism. Hence they tend to encourage rent-seeking among people (Luciani 1995, 216).

Thus, state subsidies, enabled by rentierism from oil, have diverted government spending into non-productive areas, mitigated the need for local industry to become competitive, led to a dependency mentality, distorted the economic system and benefited the privileged at the expense of the needy.

c. Lethargy of the Populace

As is now apparent, the formation of the rentier mentality has been greatly facilitated by the existence of oil related rents. It has had the effect of mitigating the natural human tendency to work hard, seek higher vocational skills or take entrepreneurial risk in return for economic and social reward. This psychosocial phenomenon has emanated from the lack of economic opportunities, meaningless employment in the public sector and subsidies that are aimed at keeping the masses minimally placated. It is little wonder that workers in the Arab world have a reputation for being lazy, corrupt and incompetent. Thanks in large measure to oil, the silent majority of the people demonstrate a general lethargy for work and complacency about life itself, as Beblawi states:

Be it oil revenue, or workers remittances or strategic location, or el-kafil, or Soukh el-Manakh, they are all consequences of the oil phenomenon, and have been accompanied by a serious blow to the ethics of work. Income is no longer a reward of serious and hard work, it is very often related to special circumstances, chance, location, etc. In a word we are living in a rentier universe which has affected both the state and the citizen (Beblawi 1990, 98).

In addition, “oil wealth has changed expectations among people- specifically in the Gulf- about the kind of work they should and should not do. It is not unique to the Gulf to pay other people to do basic labor”... “Access to great wealth has allowed Gulf countries the luxury of paying other people to do their (literally) dirty work” (Gause 1994, 151).

Other academic studies have located the problem in the socio-political norms underlying Arab political culture. This is characterized by the “patrimonial nature of social interactions, such as the importance of clientelism and ‘*wasta*’ and primordialism, that is the existence of strong tribal, clan, and sectarian loyalties” (Scwartz 2004, 17). Several authors have noted that social interaction and decision-making in all fields of politics are determined by highly elaborate networks of patrons and clients, by rent-seeking, and by informal group structures. Particularly important in this context is “the notion of ‘*wasta*’, which is the social mechanism that determines allocative political decisions in society, economy and politics”. ‘*Wasta*’, it is argued, is to be seen as the “lubricant of the patronage system” (Sharabi 1988, 45).

While often dismissed as a cultural phenomenon, the high socioeconomic status enjoyed by Americans and other nationalities of Arab descent, belies this cultural stigmatism. Clearly, once out of the stifling economic and political climate of the Middle East, Americans of Arab ancestry demonstrate strong tendency toward high achievement.

While the lack of meaningful employment opportunities may be the largest contributor to the malaise that has overcome the Arab world, this condition intentionally or otherwise is reinforced by government policies. The rentier mentality has had a profoundly tranquilizing impact on the social fabric of Arab society and is an outgrowth of “oil enabled” governments. The omnipotent patriarchal states present themselves to their

people as the provider of all things and expect obedience in return. These expectations are articulated via the mass media which are owned or “controlled” in virtually every Arab state with the possible exception of Lebanon. The governments have historically “informed” their citizens as to the parameters of acceptable behavior via television and radio, while exercising supervisory power over the daily newspapers and periodicals. (This however, is getting increasingly difficult in the age of satellite television and the Internet.) Khashan wrote:

Most mass media outlets, dailies included, are controlled by the government and disseminate information that commends official policies and glorifies autocratic leaders. The regimes, unable to induce economic modernization and afraid of the consequences of political liberalization, submit to the lure of oppression and brainwashing, in which media control and censorship play a major role (Khashan 2000, 89).

It is generally understood that the press should uphold the security of the country, promote the illusion of economic development, and support decisions of the regimes. Social and cultural issues can be discussed, but there can be no direct criticism of the rulers. In addition, any scholarly or literary work that a religious authority deems offensive to religion, particularly Islam, is generally prohibited. The muzzling of the press and the suppression of all but the most innocuous forms of expression has had the effect of demoralizing and discouraging intellectual debate in the countries as suggested by Khashan; “Political authoritarianism, subservience, economic underdevelopment, and overdependence on the outside world make Arab intellectual life unavoidably stagnant” (Khashan 2000, 133). Put another way, docility and a sense of powerlessness have been inculcated into the peoples of Arab societies.

Even in Egypt, historically considered the leader of Arab cultural awareness, artistic and journalistic freedom is severely limited. This repressive atmosphere was illuminated by a statistic revealed in the weekly magazine *al-Mussawar* which indicated that Egypt produces a mere 375 books annually while Israel, with one twelfth the population produces 4000 titles (Ajami 1995, 77). Ajami goes on to suggest that Egypt produced better, freer cinema in the 1930’s than it does today and with regard to condition of Al-

Ahram, the country's leading daily newspaper: "There is no trace of investigative journalism or thoughtful analysis in its pages, only the banal utterances of political power" (Ajami 1995, 78).

The outcome of the "welfare" or entitlement mentality is that the general public has come to expect handouts, cushy government jobs and, especially in the oil states, the elimination of physical labor, being as it were, beneath their dignity to perform. Rather than a purposeful and motivated population, the Arab states in general and the oil states in particular have a largely demoralized citizenry imbued with a general lethargy concerning most aspects of their lives. Having an emasculated populace may be negative in all respects regarding human development, but it works well for the illegitimate regimes that rest a little easier knowing they rule a generally demoralized and unmotivated population. The one exception to this lethargy lies within the realm of religion. Organized Islam, mainstream and militant has offered a viable alternative to a life of complete compliance with State wishes.

3. Unemployment, Underemployment & Poverty

When oil revenues, which had historically insulated the local economies from the international market place, began to drop in the early 1980's, virtually every Arab country was severely affected. The lack of vitality or competitiveness in the private sector and government run industries could not begin to take up the slack in the economies. Quite the contrary in fact, as oil dependent Arab economies could produce little of substance for local consumption let alone compete on the world market. The stunted private sectors, ever increasing populations and the hordes of underpaid bureaucrats, contributed to unemployment, underemployment and accordingly, poverty.

Commenting on the Arab unified economic report for 2005, Massoud asserts:

"With respect to the general economy, its development show that the savings and investment levels are still low in most Arab countries, as they averagely represent 20% of GDP, compared to levels that exceed 30% in developed countries. Moreover, it is evident in this respect that despite the increase in the aforementioned general economic growth rates, the Arab countries haven't been

able yet to face their main developmental problems, especially unemployment, poverty, diversification of income sources, increase in export potential, production increase..." (Massoud 2006, 2).

The oil recession merely exacerbated what was already a bad situation from the perspective of vocational opportunities or the labor associated with a token, low paying job in the bureaucracy. What the oil recession did affect was the government's ability to co-opt the masses via employment and subsidies. The populations became increasingly restless while incidences of Islamic militancy began to occur with increasing frequency. While the oil recession is today technically over, in lightly populated Saudi Arabia, a country that sits astride one quarter of the known oil reserves in the world, "the unemployment rate is estimated to be running 20 to 30%" (Raphaeli 2003, 3). And while accurate statistics of this nature are hard to come by, this is probably one of the lowest rates of unemployment in the region. The irony of the situation is that the Saudis employ 6 to 7 million foreign workers, including 3 million maids and drivers. To deal with the problem of unemployment "the Saudi government has allowed the civil service and the public sector to hire Saudis for nonexistent jobs, turning government agencies into a vast welfare system" (Raphaeli 2003, 3).

GCC countries, mainly Kuwait and Saudi Arabia, have encouraged the employment of nationals. However, to do so they should restrict labor immigration or even send some foreign labor home. Both countries, for political not economic reasons, effectively expelled large contingents of foreign laborers as a result of the Gulf War – Palestinians from Kuwait and Yemenis from Saudi Arabia. In effect, particularly in Kuwait, there was much effort to take advantage of the situation and encourage dependence on national labor. Ultimately, in both cases the expelled labor is being largely replaced by foreign workers from other places, mainly South Asian, East Asian, and Egyptian (Gause 1994, 150, 151, 152). Poverty is ultimately one of the immediate manifestations of unemployment.

4. Labor Migration and Remittances

The oil boom years of 1974–1981 had the apparently positive effect of spurring the transfer of labor from the larger non-oil states to the smaller oil states. Literally millions of workers from Egypt, Yemen, Syria and Lebanon left their countries to seek their fortunes in the Gulf States and Libya, Alnasrawi: “It was estimated that in 1975 there were 1.8 million migrant workers in the Arab world with 72 percent drawn from within the Arab region and 20 percent from Asian countries. By 1980 the number of migrant workers had reached 3.4 million with Arab workers constituting 67 percent or 2.3 million of the total. Egypt was by far the largest sender of workers whose remittances amounted to \$127 million in 1973 and increased to \$3.4 billion in 1984 (Alnasrawi 1991, 158).

These laborers in turn sent much of their earnings home to family members, who were able to improve their standards of living, mainly through the purchase of Western manufactured consumer goods. Nonetheless, the apparently positive re-distributive effect of these purchases had negative consequences for their societies in the long run. Primarily these consequences were manifest in three ways. First, there was a “brain drain”, second, there developed a “consumption mentality” and third, there occurred a distortion in the macroeconomic equilibrium of the big countries.

a. Brain Drain

Since the demand in the oil states for labor was voracious, they attracted the entire spectrum of workers in search of prosperity. While Egypt and Syria for example may not have been too concerned about losing their unskilled laborers, they could ill afford to lose their skilled workers including their doctors, engineers and professors. These highly sought-after professionals could earn ten times or more their domestic wage working in the oil states. Thus it put these labor-exporting countries at a disadvantage regarding availability of local skilled professionals.

b. Consumption Mentality

From a psychological perspective remittances led to what may be called a “consumption mentality”. It gave what were relatively poor people the ability to acquire many things that they had only dreamt of. However it was generally a short-term phenomenon that led to an addiction of sorts for those consumables. As Alnasrawi suggests: “...these remittances were used to promote and sustain a consumer demand that had to be satisfied by imports of durable consumer goods—automobiles, televisions sets, and the like—in addition to nondurable consumer goods. Moreover, the returning workers by displaying their acquisitions of these consumer durables tended to create a consumption demonstration effect that impacted on the rest of the society, hence contributing to a general rise in imports, which could not be matched by a similar increase in exports (Alnasrawi 1991, 161).

c. Macroeconomic Imbalances

Were trying to feed the consumption addiction not bad enough, oil related remittances in turn wreaked havoc on the macroeconomic environment in these labor-exporting countries. Alnasrawi continues: “It should be stressed that the consequences of labor migration and workers’ remittances transcend consumption patterns and increased imports, since these flows tend to generate inflation, affect the distribution of income, change the structure of the economy, distort savings and investment patters, compromise the effectiveness of fiscal and monetary policies, and cause labor shortages and bottlenecks in the labor-exporting countries” (Alnasrawi 1991, 162).

On the surface therefore, it would appear that remittances were a viable means of distributing petrodollars from the small oil states to the larger non-oil states. However, beyond fueling more imports of Western produced consumer and even luxury goods, remittances did more harm than good. In addition, reintegrating a large percentage of these workers displaced as the oil prices dropped, into the already weak economies of Egypt, Yemen and Syria was and was a pressing issue impacting these societies.

5. Welfare Disparities

The oil revolution had the effect of transforming desert sheikdoms into the power brokers of the region, foremost amongst them, as discussed in Chapter I, mainly Saudi Arabia. Iraq who had the unique combination of oil, population and a relatively diverse economy was contesting Saudi primacy prior to its invasion of Kuwait and the US led destruction of that country. This power came by virtue of the petrodollars now in their control as Alnasrawi contends. "The magnitude of the redistribution of income among Arab countries can be seen in the dramatic rise in the share of the Gulf Cooperation Council (GCC) countries in the combined GNP of the Arab countries. In 1972 the six GCC member countries accounted for 26 percent of the combined Arab GNP. By 1975 their share had jumped to 46 percent, only to rise again to 50 percent in 1980 when their combined population was less than 8 percent of the Arab population of 163 million (Alnasrawi 1991, 156).

Remittances did affect a slight redistribution of income for a decade or so but as discussed in many respects it had a negative impact. Alnasrawi reiterates. "The rise in oil income created a huge gap in the distribution of income and wealth between these family regimes and other Arab states, distorted economic development in many Arab countries, helped create patterns of consumption totally insupportable by local resources, and increased Arab dependency on the West (Alnasrawi 1991, 35).

Therefore, the income disparities created by oil led to more cleavages in Arab unity than existed before oil's significance became overwhelming. Power was transferred from the traditional leaders of the Arab "nation", Egypt and Syria, to the once desolate sheikdoms of the GCC. This shift was highlighted when during the second Gulf war against Iraq, the GCC called on the West for mediation and protection. An Arab solution was not seriously considered and the result was in effect to say that the GCC states are no longer now part of the "Arab nation" but rather mere minions of the West. The effective dissolution of Pan Arabism is covered in the next chapter.

C. Psychosocial Phenomenon

This chapter has focused on the formation and implications of rentierism and the associated poor economic management of Arab societies by the ruling elites. This last section of Chapter II, will address two important psychosocial consequences that these economic realities and governmental policies have had on the citizenry. First the issue of the subordination of women and second the issue of religious extremism.

1. The Subordination of Women and Its Affect on Population Growth

The subordination of women in Arab society is a complex psychosocial phenomenon that is steeped in cultural factors as well as contemporary socioeconomic conditions. Sharabi asserts that “familial patriarchy provides the ground for a dual domination-of the father over the family household, and of the male over the female” (Sharabi 1988, 32). While I will not begin to explore the implication of so-called traditional Arab culture, it is worth mentioning that every culture was traditional at one time, including all the various cultures that made their way to America. Far from being an article of faith in the Western world, female “equality” is a relatively recent phenomenon. Having said this then, I will limit my comments here to two very general suppositions. First that the “liberation” of women is primarily a function of economic progress and two, it is subject to the psychological well being of the males in a society (which is also greatly affected by economic progress). Neither condition in Arab society has lent itself for the betterment of womankind.

a. Feeble Economies

The labor scarcities of World War II and the post-war booming economies of the West, more than any other single factor provided the impetus for the full-scale integration of women into the work force. Economic vitality has always been an agent for social change. The feeble economies of the Arab world conversely, which cannot even begin to gainfully employ their men, have mitigated the natural economic and social evolution of women into the modern service and information based global economy. If and when

economic conditions enable women to enter the work force in large numbers, the so-called traditional culture will begin to change as it has everywhere else.

b. The Arab Male Psyche

Then there are the psychological issues that Arab men have had to deal with, some but certainly not all of which are cultural in nature. Suffice to say that when the “man of the house” cannot find meaningful employment he will be less amenable to seeing his wife, sister or daughter earning a wage or seeking higher education, as insecurity breeds irrationality. On top of the economic miseries of the region there is the litany of other psychological factors impacting the Arab psyche. Subordination to the West, humiliation at the hands of Israel, civil strife and repressive regimes all contribute to feelings of frustration and inadequacy in the Arab male. Therefore the subordination or even subjugation of women in Arab society, while often dismissed as simply a cultural aberration, has a lot to do with poor economies, disenfranchised males and all the associated social implications therein.

c. Implications on Population Growth

The relegation of women’s self worth in Arab society to exporting offspring, in combination with modern medical facilities, has proven to be a tremendous boom to the fertility rates in the Arab world. Enabled by oil revenue, Arab governments have been able to improve infrastructure and import health care technology of all sorts, strongly impacting the population growth in the Middle East. In addition, the subordinate role of the woman has all too often reduced her societal worth to that of exporting as many offspring as possible, preferably male. Richards and Waterbury discuss the interrelationship between fertility rates, the status of women in society and education levels of Middle Eastern women.

“Such an analysis suggests that the socioeconomic status of women may play the critical determinant of fertility rates. Here we find a clue to our puzzle of the

region's fertility rates' exceeding what we would expect given both income levels and rates of child mortality. The adult literacy figures for women in the Middle East are dismally low. There is much evidence that higher education is correlated with lower fertility. Educated women both want to have fewer children and are more likely to use birth control to achieve their desired family size" (Richards and Waterbury 1996, 83).

In a study on female illiteracy in 2005, Hassan Hammoud asserts that "tremendous improvements were witnessed in six countries (Bahrain, Jordan, Kuwait, Lebanon, UAE, and Qatar) with rates ranging between 10 to 20 percent. Another group (Libya and Saudi Arabia, Algeria, Djibouti, Oman, Syria, and Tunisia) had brought down their female illiteracy rates to a range of 25 to 40 percent. Females in five other countries (Iraq, Egypt, Mauritania, Morocco, and Yemen) did not fair any better, their illiteracy rates are still as high as 50 to 67 percent" (Hammoud 2005, 7).

Poorly educated women have few opportunities or motivation to work. This only increases their desire to have more offspring to validate their societal self worth. More children in economies that cannot employ them inevitably lead to increased levels of poverty with all its associated social ills. The combination of better facilities, declining infant mortality and illiterate women has caused this bonanza in the birth rate.

Thus oil revenues have had the effect of drastically increasing fertility rates in societies that cannot accommodate them due to their lack of economic or social development. Illiterate women are relegated to baby machines in societies that offer few other avenues for demonstrations of female self worth or masculine potency. However, as the women of the GCC countries become more educated, there will be increasing pressures from women themselves to have the right to work in the public sphere. In fact, women who are more educated and are in the workforce tend to have fewer children, thus, the problematic growth of national population could be reduced (Long and Koch 1997, 263-264). Kuwait has, in fact, provided an example for the Gulf of a much higher women's participation in public and political life as a few women ran their candidacy for the coming parliamentary elections. On the other hand, "the state perpetuates the patriarchal system, particularly in Saudi Arabia where the issue of women's formal participation in

public areas is largely ignored. The Majlis al-shura, established in 1991 as a step towards participation of the citizenry in the management of their country's affairs, includes no women of any mention of them. The support in Saudi public law for this omission is the still-accepted principle that there is no role for women at any level in public affairs. Suffice it to mention that women in Saudi Arabia are not allowed to drive cars.

2. Religious Extremism

Islamic militancy (or fundamentalism as it often known, although the term is misused) has many roots including an outgrowth of political repression, Israeli belligerence, a history of defeats and humiliations and Western imperialism. In the socioeconomic context however we again return to the theme of the lack of opportunities in the economically stagnant rentier states. Poverty, illiteracy, subordination of women, overpopulation, low self worth etcetera, are the major consequences as the negative socioeconomic dominos impact one upon the other. Alienated, disillusioned people, unable to find gainful employment and often times living 5 and 6 to a room make easy targets for "recruiters" with alternative ideologies. A few then, become compelled to join a movement and take out their feelings of inadequacy and frustration on their government or even those Western tourists who may represent the prosperity that they themselves are unable to attain.

After September 11, religious extremism was best featured in the messages of fundamentalists such as Osama bin Laden using oil as a weapon against the West, particularly the US. In this context, Williams argues:

"The control of oil features so prominently in the statements of bin Laden can only be understood in the broad context of his political goals. Briefly, the worldview of Osama bin Laden is a restoration of an Islamic Caliphate and the return in status of Islam as a world power. To achieve this requires two things: 1) the humiliation, defeat, and eventual withdrawal of the United States from the Middle East; and 2) An Islamic revolution against the monarchs and dictators of the region. For bin Laden, an American withdrawal from the Middle East would cut the autocrats off from their powerful benefactor. With the Americans gone, the revolution against the oppressive rulers can ensue. Following the revolution, conflicts within the boundaries of this newly established Caliphate—Kashmir,

Chechnya, and of course Palestine—will be decisively resolved in the favor of a triumphant Islam” (Williams 2007-08, 15).

Chapter Summary

Oil related rents have enabled Arab regimes, especially the states of the Persian/Arabian Gulf to ignore the development of their domestic economies. Oil revenues provided all the funds necessary to pay their bills, provide various levels of subsidies and even employ much of the populace. This began to change in the mid 1980's but much of the “damage” had already been done. Any semblance of economic vitality that may have once existed was eradicated by the welfare states that arose from oil. It has proven difficult if not impossible to revive it. The decline in revenues brought about by the oil recession, caused weak economies to lapse into enfeebled status, unable to employ the ever-increasing masses of people brought on by the population burst. The lack of real economic progress in most of the Arab world has had profoundly negative implications that ripple throughout these societies. Under-employment, poverty, decreasing educational levels, sectarianism, gender inequality, over population, all leading to the formation of a disenchanted if not dysfunctional societies with religion performing its role as the last bastion of hope, and sometimes sedition, and terrorism. In this analysis, it is the existence of oil-based economies that is offered as the primary causal agent or facilitator for these socioeconomic problems. However, as argued in the next chapter, oil has also contributed to a lack of political progress, the corruption of the political system and the ruling elites who use that system to maintain their grip on power. Ultimately they are the ones who have so poorly managed the use of oil related wealth and created nightmares that are part of the socioeconomic realities of the Arab world.

CHAPTER III

OIL AND ITS DIRECT IMPACT ON THE POLITICAL LANDSCAPE

This chapter looks at what this analysis is calling the “direct impact” that oil has had on the political landscape of the Arab world, primarily based on the assumption that resource rich states in particular and other Arab states in general are less likely to become democratic than their resource poor counterparts. At the heart of this discussion is the effect that revenues accruing to states, without the benefit of taxation, have on the political make-up of these societies. Three primary aspects of this phenomenon will be explored in this chapter, 1) how such an arrangement leads to authoritarianism 2) how such an arrangement leads to corruption and 3) how it has contributed to the death of a one-time Pan Arab ideology in the region.

A. Authoritarian Rule

There are various explanations regarding the lack of democracy in the Arab world. Some argue that the socioeconomic preconditions of democracy do not exist, which as we saw in the last chapter is probably true in the economic sense. Others emphasize the obstacles created by a kinship oriented, patriarchal political culture marked by distrust and the survivalist instincts developed in a harsh Middle Eastern climate. Thus the norms and values needed to sustain a democratic political order simply do not exist. Sharabi [1988] ascribes much of the regions authoritarian nature to such cultural factors.

Whereas a cultural explanation for this democracy gap refers to historical legacies, especially to the dominant role of Islam, an economic explanation emphasizes oil wealth as the main barrier to democracy. Luciani makes the argument that the formation of states is influenced by the prevailing features of economic life and this holds especially true as

it relates to the Arab world and the impact of oil on state formation. The features include a high degree of centralization and a tendency toward authoritarian rule. Oil being liquid in nature lends itself to a centralized network of hydraulic installations that need to be centrally coordinated. And since oil must be exported to have value this process also lends itself to a high degree of government involvement. But more important than the liquid per se is the impact that the revenues derived from the liquid have on the state polity. "While we should not speak of hydrocarbon societies and states, it is a fact that oil production appears to have a strong and decisive influence on the nature of the state. It does so through its effects on the structure of state revenues and the ratio between revenues that are obtained domestically and revenues that are obtained from abroad" (Luciani, 1990, 70).

Of course there are countless cultural, economic and external factors, which ultimately impact the political development of societies. Some of these are covered in the next chapter. The focus here however, is the economic effect that oil has had on this development. Several studies have established a strong correlation between economic realities and their impact on political and social developments. Ross (Ross, 2000, 2001) and others have provided strong empirical evidence to suggest that rentier states tend to be authoritarian in nature. It is a basic economic reality that in recent times most Arab states are massively dependent on oil related revenues to fund their governments. (According to Ross, ten of the fifteen states most reliant on oil wealth--measured by the value of oil exports as a percentage of GDP--are Arab, with Egypt being the only Arab country of significance not so qualified.)

Ross' study in particular focused on the question of whether "oil impedes democracy". He investigated the claim that states that receive their government revenues primarily from oil related rents, tend to remain or become less democratic. We will borrow from and elaborate on his theoretical framework in the discussion that follows. He identified three causal mechanisms that might explain the link between oil/rentier states and authoritarian rule: 1) the rentier effect; 2) the repression effect and 3) the modernization effect.

1. The Rentier Effect

This is defined by Ross as the use of oil revenues to relieve social pressures that might otherwise lead to demands for greater democracy. It has three sub-components, the taxation, the spending and the group formation components.

a. Taxation Effect

In general when governments derive sufficient revenues from the sale of oil they are likely to tax their populations less heavily or not at all. Accordingly, the argument runs, in the absence of taxation the public will be less likely to demand accountability from, and representation in their governments (Ross 2000, 9). Beblawi adds: “With virtually no taxes, citizens are far less demanding in terms of political participation. The history of democracy owes its beginnings, it is well known, to some fiscal association (no representation without taxation)” (Beblawi 1990, 89). Friedman adds that “the motto of the petrolist authoritarian is “no representation without taxation.” “Oil-backed regimes that do not have to tax their people in order to survive, because they can simply drill an oil well, also do not have to listen to their people or represent their wishes” (Friedman 2006, 4).

Ross defines *Taxes* as “the percentage of government revenue collected through taxes on goods, services, income, profits and capital gains.” The hypothesis he seeks to investigate is that governments that fund themselves through corporate and personal taxes should be more democratic than those that resort to the use of government rents.

The Result: Higher personal and corporate taxes are strongly associated with more democratic government.

Luciani also argues that states that derive much of their revenues from “exoteric” sources (rents) tend to be authoritarian because they are not dependent on the domestic economy for their funding. If they are not dependent on the private sector as the primary source of government revenue (from taxes) then they are not accountable to the people either.

“It is by now widely accepted that oil rent is a key factor in understanding Arab economic and political realities. It is also widely accepted that access to such rent is a factor reinforcing the control and power of existing authoritarian regimes, independently of the fact that the latter differ greatly among themselves ... A state that economically supports society and is the main source of private revenues through government expenditure, while in turn is supported by revenue accruing from abroad, does not need to respond to society. On the contrary, a state that is supported by society, through taxes levied in one form or another, will in the final analysis be obliged to respond to societal pressure” (Luciani 1995, 211).

Thus Arab regimes, being authoritarian and to a great degree lacking legitimacy, find it very difficult to charge taxes when the government is in need of revenue to pay its bills. Even where taxes do exist, they are derived primarily from trade-related activity which only limits the government’s ability to pursue structural reform through trade policy and leads to higher exchange rates which then discourages exports as well as imports. Direct taxation would invite a demand for accountability by the people. The regimes therefore, have traditionally relied on other means to raise funds when oil related rents went wanting for example via aid, borrowing and inflationary financing. To do otherwise would risk the weakening of their already tenuous acceptance.

Even during the height of the oil recession, regimes found it impossible to ask their citizens to pay taxes in order to fund the governments, which is indicative of how insecure the various regimes are about their legitimacy in the eyes of their own people. Luciani comments: “...it is worthy of note that no Arab state with the exception of Morocco and to a lesser extent Tunisia, has embarked on significant reform and expansion of its fiscal base for a period of over 20 years. The level of direct income tax collection is ludicrously low in most Arab states in which a personal income tax exists, and in a good number of them such a tax does not even exist”(Luciani 1995, 217).

Thus what is apparent in the rentier Arab states is that oil-related rents have mitigated the need to tax the public, which on the surface is good for the citizens. Upon further scrutiny however, when there is no responsibility for the citizens to fund government expenditure, there is also no responsibility for government to respond to citizens needs. Luciani sums

it up.” From the political point of view, the distinction must be drawn between expenditure that is financed by revenue obtained from taxes that require compliance, and expenditures that is financed by non-tax revenue, taxes on international trade and excises, or deficit spending. The former supports a demand for democracy, the latter commonly does not” (Luciani 1988, 466).

b. Spending Effect

The spending effect phenomenon or as it is more commonly know as, cooptation, is the “buying off” of local power brokers to insulate the regime from potential dissent. Ross’ theory claims specifically “that oil wealth leads to greater spending on patronage, which in turn dampens latent pressure for democratization” (Ross 2000, 9). This same argument was made by Friedman as he explains that “oil wealth leads to greater patronage spending, which in turn dampens pressures for democratization” (Friedman 2006, 4).

Ross uses the *Government Consumption* variable, which measures government consumption as a percentage of GDP. His hypothesis is that higher levels of government spending as a percentage of GDP should result in less democracy. **The Result:** There does indeed appear to be a highly significant correlation in the hypothesized direction.

It can certainly be argued that long before the advent of oil money in Arabia there existed a network of patronage where tribal harmony was sustained through a system of reciprocal support. The availability of oil rents merely enabled the maintenance of these same links at a much higher level. It was no longer goats or water, but every thing from basic subsidies to multimillion-dollar contracts. Beblawi adds, “...the rentier nature of the new state is magnified by the tribal origins of these states. A long tribal tradition of buying loyalty and allegiance is confirmed by the *etat providence*, distributing favors and benefits to its population” (Beblawi 1990, 89). Brynen, Korany and Nobel elaborate:

“The availability of financial resources not only supports the coercive apparatus of the state but also sustains massive social welfare programs and fuels powerful neopatrimonial networks based on family, tribe, and proximity to the ruling elite.

Indeed, coercion becomes less important as political legitimacy is “purchased” through economic rewards” (Brynen, Korany and Noble 1995, 15).

Beyond the economic and social power centers (especially religious) that require favors in order for them to support the regimes, the military has now become the most important power center. Without the support of the men who run the militaries, no regime would endure. It is no coincidence that in the Arab experience, it has always been the military that toppled a given regime. Thus, high-ranking generals are offered the most desirable attaché positions in Washington, Paris and London as a perk for obedience. But more importantly, the regime enables these officers to “line their pockets” with commissions received from military procurements and from the money exchanged by military enterprises, which produce military products.

Regimes of the Arab world then, use their rents to buy support from the masses through various forms of subsidies and buy support from power centers by providing economic rewards for doing little if anything in service to their country. As put by Bill and Springborg: “Having failed to establish viable institutions of political participation and government legitimacy, they are forced to spend what they have to buy the acquiescence of their populations” (Bill and Springborg 1994, 432). A pyramid of sorts has arisen with the ruling elites at the top and the common people at the bottom. Rental monies, in all its forms, benefit those closest to the top. Rather than seek legitimacy via representative government, the regimes instead insulate themselves from their own people by spending on those who can protect them. This system continues to this day even though the rents are not nearly as plentiful as they were twenty years ago. Bill and Springborg succinctly described the situation: “Faced with the choice of imposing some austerity in exchange for greater political freedoms or buying off the public while continuing to restrict widespread political participation, political elites opted for the second alternative” (Bill and Springborg 1994, 416).

b. Group Formation

Here Ross argues that “oil wealth will be used to prevent the formation of social groups that are independent of the state, and hence would be inclined to demand political rights” (Ross 2000, 10). The essence of which is the formation of what is commonly known as “civil society” which according to Sean Yom presumes that “through the collective force of its demands and interests, the associational sector can compel unwilling authoritarian governments to instigate periods of democratization” (Yom 2005, 2).

Ross uses *Government spending/GDP* as his variable, defined as the share of GDP accounted for by government activity. His Hypothesis: As governments increase in size (relative to the domestic economy) they are increasingly likely to prevent the formation of civil institutions and social groups that are financially independent from the government, and that the absence of these groups will hinder a transition to democracy.

The Result: There is a highly significant correlation, the larger the government spending as a percentage of GDP, the less movement towards democracy.

“Though the civil society thesis encapsulates several distinct hypotheses, the relevant one here entails that under conditions of authoritarian rule, an energetic associational life—comprising independent, voluntary organizations distinct from the state, economy, and family—can trigger democratic transitions by challenging autocratic leaders and forcing the state to accept liberal reforms” (Yom 2005, 2).

Denoeux made similar claims about civil society as being fundamental to the nurturing of Arab democracy. In his view : “The weakness of civil society—the network of voluntary associations, clubs, professional syndicates, unions, chambers of commerce, independent media organizations, and other institutions that are autonomous from the government—has thwarted prospects for democratic development in the Arab world” (Denoeux, 1993, 32).

Luciani suggests that the lack of group formation is not just a matter of repression but that in rentier economies there are few natural incentives for the formation of interests groups irrespective of the governments' desire to keep it to a minimum.

“In states which derive a considerable part of their revenue from external sources (which we may call rentier or allocations states), it is the state that supports the domestic economy through public expenditure, rather than the economy supporting the state. As a consequence, not just the public sector, but a very substantial part of the private sector as well, are dependent on government expenditure and are essentially structures through which the exogenous rent is circulated, rather than strictly productive sectors. Hence one cannot speak of exploitation nor envisage class conflict. Indeed, coalescence of economically motivated groups is unlikely, as individuals are generally better off vying for and increase in their share of the rent that accrues to them personally rather than engaging in political action to change the economic structure” (Luciani 1988, 463).

Calls for democratization and the West's promotion of civil society have pressured governments of the Arab world to act. However, “in terms of both the total number of civil society organizations and their “density” (quantity of organizations per 100,000 inhabitants), Egypt, Morocco, Algeria, Lebanon and the Palestinian territories enjoy the largest and most active civil societies, the oil-rich Gulf countries the most enervated, and the other Arab countries in between” (Yom 2005, 3). What prevails is the phenomenon of the extensive growth of voluntary religious associations founded on Islamist ideas. “Their institutional infrastructure provides charitable venues and social services to fill voids where the state has withdrawn; their *raison d'être* demands the imposition of Islamic law (*shari'a*), the more extreme voices calling for violence by many articulating peaceful means”(Yom 2005, 6). Therefore, Yom comments: “if democracy donors address them as part and parcel of Arab civil society, much of their assistance could support religious groups who see democratic reform as means rather than ends; cynical spectators envisage them as recipes for political chaos –an “Algerian scenario,” referring to the 1991 Islamist electoral victory and the resultant domestic conflict” (Yom 2005, 6) I here add the Hamas and Hizbollah electoral victories in Palestinian territories and Lebanon respectively.

Khashan found three factors that have inhibited the formation of civil society in the Arab context; authoritarian regimes, particularistic identifications, and underdevelopment.

“First, most Arab rulers suppress professional associations and other types of demand groups, or simply manipulate them; the few others ban all forms of special-interest groups. Second, weak anonymous identifications make the concept of a community nebulous to many Arabs. For the most part, Arab societal identifications have not transcended the family sphere, localism, or regionalism. Interest-driven and duty-bound associations that cut across society are little known in the Arab world. Third, the small Arab economies and their lack of versatility do not promote the proliferation of viable interest groups” (Khashan 2000, 146).

While this section is focused on how authoritarian Arab governments have suppressed group formation, Khashan adds the two socioeconomic factors listed above to those seen as contributing to the weakness of civil society. As it relates to “societal identification”, I would agree, but would add that this is a symptom emanating from the authoritarian nature of the political and social system and the lack of economic opportunity which would otherwise have the effect of transcending parochialism in all its forms. When people from varying backgrounds spend time together every day, work for a common cause and count on each other for their prosperity, then different identification patterns arise. His third factor, underdevelopment as covered in Chapter II, is then part and parcel with the identification issue.

Yom states that, after September 11, as reformist demands grew, “a range of liberalizing reforms swept across the region. Several governments like the Bahraini and the Abdallah regime in Saudi Arabia, inaugurated national parliaments or consultative assemblies, establishing fresh openings for popular participation into previously opaque decision-making processes” (Yom 2005, 9). Egypt’s President Mubarak promised political pluralism and King Abdullah II of Jordan encouraged civic participation absent in his father’s reign. Yet, “civil society grew not because the state retreated, but because authoritarian regimes deployed a new tactic of control –they could reassert power and satisfy opposition by granting concessions too mild to produce systemic change, but heavily built enough to merit symbolic applause at home and abroad”. Yom summarizes:

“The role of rentierism in bolstering Arab executives’ will and capacity to rule generates two insights. First, it explains why MENA authoritarian regimes flourished during a time when civil society enjoyed a meteoric rise in activity and diversity. Persistent linkages to external financial and political resources bestowed confidence to rulers’ decisions to control the civic sector while crushing immediate threats, all the while pay lip service to reformism” (Yom 2005, 12).

To conclude this section, oil revenues have mitigated the need for Arab governments to impose taxes thus dampening the natural formation of groups who would coalesce around their economic and political interests (as opposed to parochial or tribal interests), like the formation of political parties, clubs, professional syndicates etc. In addition, the governments have made every attempt to further disable group formation and the creation of civil society by employing state sponsored repression, which is the topic of the next section.

2. The Repression Effect

The failures of Arab leadership as measured by the lack of economic and social progress and their political and military impotence vis-à-vis Israel and the West long ago “forced” the regimes to turn towards coercive means to keep the highly discontented masses at bay. Virtually without exception the de-legitimized ruling elites came to fear internal dissent from their own people more than any external threat including that of Israel or Iran. While various ideologies have competed over the decades to “liberate” Arab society, the most recent manifestation of this internal discontent has arisen under the guise of an Islamic reformation. To combat this discontent the regimes became increasingly open to peace with Israel, the most obtrusive example of their failure, while adopting a dual domestic strategy of co-optation (the “spending effect”) in combination with political repression. While co-optation has been effective with the empowered elites, maintenance of the regimes has needed to be augmented through the employment of varying degrees of political repression. Dekmejian remarks:

“The frequent failure of [political] elites to develop and implement socially beneficial policies has led to the erosion of their tenuous legitimacy and to a

consequent increase in the use of force to maintain control. While the crises in identity and legitimacy primarily affect the psychological and political aspects of Arab society, the pervasive reliance on the instrumentalities of repression affects the every-day existence of the people. In recent decades Arab ruling elites have often maintained themselves in power through increasing levels of coercion against opponents, who are denied institutionalized channels of free expression. Simultaneously, the coercive capabilities of these elites have substantially increased through the acquisition of administrative expertise and technological sophistication. These quantum increases of coercive and control capabilities have further contributed to the Arab crisis environment” (Dekmejian 1995, 28).

Oil wealth and authoritarianism may be linked by repression. “Citizens in resource-rich states may want democracy just as much as citizens elsewhere, but resource wealth may cause their governments to invest more heavily in the apparatus of repression” (Ross 2000, 13). Resources allow governments to spend excessively on police, internal security, and intelligence forces that can be used to choke democratic movements. Gause argues that Middle East democratization has been inhibited, in part, by the prevalence of the *Mukhabarat* state (Gause 1995, 283).

Ross deliberates two main reasons why resource wealth might lead to higher levels of military spending: “One is that given the opportunity to better arm itself against popular pressures, an authoritarian government will readily do so. A second reason may be that resource wealth causes ethnic or regional conflict; a larger military might reflect the government’s response” (Ross 2001, 335).

According to world Report in Egypt, the ruling NDP dominates the political scene to such an extent that citizens do not have a meaningful ability to change their government. ...The Emergency Law, which has been in effect since 1981, continues to restrict many basic rights, “providing the basis for arbitrary detention and trials before military and state security courts. Victims of torture and ill-treatment include not just political dissenters but also persons detained in ordinary criminal inquiries, ... NGOs are subjected to stringent controls under the new law on associations, and the authorities arbitrarily reject the applications of several organizations to register as NGOs”

(<http://www.hrw.org> 2005).

In Saudi Arabia, the Government commits and tolerates serious human rights abuses. Citizens have neither the right nor the legal means to change their government. *Mutawaa'in* continued to intimidate, abuse, and detain citizens and foreigners. The Government prohibits or restricts freedom of speech, the press, assembly, association, religion, and movement. Other continuing problems included discrimination and violence against women, discrimination against ethnic and religious minorities, and strict limitations on worker rights. The Government disagrees with internationally accepted definitions of human rights and views its interpretation of Islamic law as its sole source of guidance on human rights (<http://www.hrw.org>, 2001).

Accordingly, Ross defines the “repression effect” as the ability of states to invest their resource wealth disproportionately in the apparatus of internal security, blocking the population’s democratic aspirations (Ross 2000, 12). Internal security as it exists in the Arab world is generally known as the *mukhabarat* or secret police. Additional internal security is manifest in the existence of the military and its’ hybrid unit that is unofficially entrusted with the security of the regime known in many countries as the *Republican Guard*.

Ross uses the variables *Military/GNP* which measures the governments spending on military as a % of GDP and *Military Personnel* which measures the size of the military as a fraction of the labor force. His Hypothesis: Resource wealth enables governments to better arm themselves against popular pressures.

The Results: The results are often consistent with the hypothesis.

Of course Arab regimes have historically armed themselves in the name of fighting Israel, Iran or some other concocted enemy when it is often protection against their own people or rogue military units that is the main source of their security concerns. As such, the “repression effect” has at least two dimensions. First, consistent with the issue of “group formation” discussed above, it essentially means that civil society is prevented from evolving through interventions, arrests of dissidents, assassinations of leaders,

exiles etc. or as put by Khashan, “Instead of evolving the political system in a way that establishes rapport with the population, the ruling elite developed the military to protect the regime” (Khashan 2000, 84). Second, in its more subtle dimension; the mere perception that any form of insurrection or civil disobedience will very likely be met with deadly force, acts as a deterrent to those bent on change.

3. The Modernization Effect

“The modernization effect derives from the notion that democracy is caused by a collection of social and cultural changes including occupational specialization, urbanization and higher educational levels – which in turn are caused by economic development” (Inglehart 1997, 163). These social changes result primarily from economic development, not wealth per se. Ultimately, wealth allows citizens to exercise their voices in ways they would otherwise not. They will pursue means to improve themselves and begin to form groups where common interests lie. As citizens become more prosperous, they become less dependent on existing, often oppressive, institutions. However in rentier economies that by definition lack economic development, the incentives to “better oneself” or to attempt to affect economic change is substantially lacking. The role of education is vital for democratic citizenship because it increases one’s human capital, the learning experience itself is conducive to democratic civic orientations, and university students are more likely to be exposed to democratic ideas and norms.

“In order to promote democracy, material wealth has to unleash social changes, such as a higher level of education and rising occupational differentiation with shifts of the labor force into the industrial and, subsequently, the service sector. This economic diversification would also lead to a middle class independent of the state and equipped with bargaining power against the elites – whereas in oil-exporting countries the middle class is directly dependent upon the resources granted by the state” (Weiffen 2004).

Britta Weiffen concludes that oil wealth “makes possible a fairly high standard of living for the people, but enables the government to keep the public politically demobilized,

either by fiscal generosity or by repression, and does not bring about the social changes that usually lead to political mobilization in favor of democracy” (Weiffen 2004, 7).

Ross uses variables related to *occupation, education levels, life expectancy at birth, media participation and urbanization*. His Hypothesis: Abnormally low levels of occupational specialization, education, health services, media participation, and urbanization can help explain the death of democracy in the resource rich states.

The Results:

- The modernization effect is essentially valid but occupational specialization is the only real causal mechanism behind it.
- In resource rich countries the modernization effect and spending effect tend to occur simultaneously. i.e. relatively few people are drawn into the industry and service sectors; yet thanks to large revenues, the government can generously subsidize education, health care and other services. “The result is that the public is politically hampered by two anti-democratic forces: a lack of occupational specialization, and an overly generous government” (Ross, 2000, 28).

The modernization effect is yet another negative manifestation of poorly performing Arab economies perpetuated by authoritarian rule, both facilitated by oil money. Ross sums up his findings.

“The rentier, repression and modernization effects are largely complementary. The rentier effect focuses on the government’s use of fiscal measures to reduce the public’s latent demand for democracy, and keep it demobilized; the repression effect stresses the government’s use of force to deter the public, once it is mobilized; and the modernization effect considers social changes that may influence the public’s ability to bargain for democratic reforms” (Ross, 2000, 13).

His overall conclusion is that; “Both oil and minerals have strong antidemocratic effects (Ross, 2000, 18) and “the oil impedes democracy claim is valid and powerful”(Ross, 2000, 28). Friedman builds on such arguments but takes the correlation between oil and politics one step further as he links rises and falls in the price of oil with rises and falls in

the pace of freedom in petrolist countries; quoting Friedman “the correlation is very real, the pace of freedom really starts to decline as the price of oil really starts to take off” (Friedman 2006, 4). With the increasing price of oil in 2006 to 60\$ per barrel (now 130\$ per barrel), Thomas Friedman comments:

“Politically, that will mean that a whole group of petrolist states with weak institutions or outright authoritarian governments will likely experience an erosion of freedoms and an increase in corruption and autocratic, antidemocratic behaviors. Leaders in these countries can expect to have a significant increase in their disposable income to build up security forces, bribe opponents, buy votes or public support, and resist international norms and conventions” (Friedman 2006, 5).

To summarize Section A: oil-related revenues reinforce the authoritarian nature of Arab governments by giving them the means to suppress those factors in society that would challenge non-representative forms of government. It is ironic that Arab regimes not only do whatever they have to do to stay in power but in the process effectively incapacitate their societies in terms of there being able to evolve toward democratic rule. Even if the dictators were toppled, democratic rule would remain an overwhelming challenge.

B. Corruption and Cronyism

In resource-rich states, “revenues accrue directly to governments as it is often easier to maintain authority through allocating resources to favored constituents than through growth-oriented economic policies” (Fürting 2007, 9). Huge flows of money from oil encourage this political corruption. Thereby, the rent state leans towards being highly discriminatory; it tends to distribute financial means according to strategic rather than social criteria. Thus, it is generous to the upper middle classes when granting monopolies to the business sector, the urban poor in contrast have to “take potluck with subsidized bread” (Fürting 2007, 9).

It will come as no revelation to anybody experienced in the workings of the Arab world that corruption at all levels is rampant and it emanates from the top, government. Oil

revenues in the hands of non-accountable government officials are used as a means to secure their status. Ill conceived subsidies, bribes to foreign interests, military payoffs, contracts to friends and family and all other manner of loyalty cooptation exist. Winning a business contract from the ruling elites who control the economy, is not a function of being more competitive or offering a superior product, but is based on the doling out of favors. Oliver Schlumberger articulates that the specific type of non-democratic polity that prevails in the Arab world is the neopatrimonial regime; it is largely closed off from societal forces which are strictly controlled and whose room for autonomous action is narrow and limited. He further explains that “it displays strong paternalistic traits and, by being based on patronage and clientism, it delivers welfare benefits” (Schlumberger 2006, 50).

Corruption is a function of the lack of accountability and transparency -- both being endemic to the workings of authoritarian regimes. As long as government does not need to be responsive or accountable to its citizens corruption is inevitable. Oil rents enable these regimes to stay in power with corruption being the “natural” outgrowth. “Rather than labor, personal capacity or merit, it is the personal contact to political decision makers which determines and facilitates how resources are allocated and thus how the well-being of the individual is secured” (Scwartz 2004, 6). Schlumberger concludes that: “social interactions are organized in terms of asymmetric, vertical patron-client relations rather than a horizontal, class-based organization of societal interests. They are shaped by informal and personalized relations rather than by formal rules, and are determined by traditional loyalties” (Schlumberger 2006, 51).

C. The Death of Pan Arabism

The ideal of Pan Arabism was to facilitate some level of cooperation between the various states that had emerged from the end of the colonial period after WWII. The best case was the formation of a large Arab state that would include several if not all of the Arabic speaking world from Morocco to Iraq. The Arab League was established in 1945 to provide the mechanisms by which to further this Arab economic and political

cooperation. While it and the objectives it espoused struggled throughout the fifties and sixties, the advent of the oil boom of 1973 has made the pursuit of such objectives an exercise in futility. Alnasrawi (1991, 57) cites three reasons for its failure.

- The structural weakness of the League's charter, which does not make any resolutions binding. Thus provincial interests virtually always take precedent over Pan Arab interests.
- For those who had it, oil revenue mitigated the need to cooperate with those who did not have it. Unity and cooperation is brought on when the benefits to the whole would be greater than the sum of its parts. Oil destroyed this axiom.
- The power of the oil exporting states gave them virtual veto power over policies and actions. (As indicated in number 2, they as a function of their relative wealth, had little interest in tying their fortunes to those of their Arab brethren.)

Perhaps a fourth reason could be cited that is also tied to oil wealth. The oil exporting regimes, as has been suggested more than once, are keen to stay in power. Rather than share their wealth with their disadvantaged neighbors they had better uses for the funds. The main use being of course to buy support or pay for the coercive apparatus of the state.

As their potential for wealth became increasingly evident, the oil exporters, especially those with small native populations (like most of the GCC states) had decreasing interest in Pan Arabism as this meant that they would have to share their wealth with the larger countries. Arab integration thus became dependent on these countries to cooperate and even use their funds to facilitate it. The regimes however, were not motivated to do so as Alnasrawi suggests: "The onset of the oil era in the 1970's, which widened the economic gap between oil and non oil exporting states, had the effect of making the quest for Arab economic unity even less appealing to the richer states than it had ever been (Alnasrawi 1991, 47).

No issue better represents the impotence of Pan Arabism than the inability of the Arab states to provide meaningful support to the cause of Palestinian rights since the creation of Israel in 1948. However, at least in theory, the oil exporters did come to the aid of the Palestinian cause during the 1973 October war. While not engaging in combat, they financed it to a great degree and imposed a partial oil embargo on those countries which supported Israel. Rather than leveraging their strong bargaining position however, the Saudi led Arab oil exporters were quick to end the boycott, effectively taking all pressure off Israel to relinquish the Arab land they had been occupying since 1967 (which included the Palestinian territories of the West Bank and Gaza Strip). Nonetheless, it turned out to be a bonanza to the exporters and little if any benefit to the Palestinians, or the front line countries that fought the war, mainly Egypt and Syria. Whether by design or dumb luck, the subsequent quadrupling of oil prices, massively increased their wealth and political power. Alnasrawi put the predicament of the oil exporters into perspective.

“Given the fact that the economies of all Arab oil-exporting countries had become by 1973 so dependent on their oil export earnings, it would not be realistic to expect governments to endanger the viability of the political and economic systems of their individual countries for the sake of broader Pan-Arab objectives” (Alnasrawi 1991, 98).

Thus, rather than embrace a Pan Arab ideology leveraging the strengths of the various states, the Gulf oil exporters created the Gulf Cooperation Council (GCC) to effectively create an exclusive club for the privileged. The GCC states saw themselves as the source of envy by their neighbors, a position that has made them increasingly uncomfortable with the maintenance of strategic ties to their Arab brethren. The symbiotic relationship they have with the oil consuming states of the industrialized world, led them to effectively cast their lot with them, abandoning any semblance of the Pan Arab ideal. With the advent of an American presence in the Gulf in the aftermath of the second Gulf war, any question about this sentiment was put to rest. Ten years after, this Alnasrawi quote is evidence of just how prophetic it was at the time.

On the basis of interviews in the Gulf region, one observer concluded that rich, conservative Gulf nationals foresee a long American presence in a number of Gulf states, that the opinions of the rest of the Arab world will simply not matter with such a protective umbrella, and that Arab nationalism and the Arab League are finished (Alnasrawi 1991, 199).

Arab Nationalism or its less ambitious cousin, Pan Arabism was always a difficult challenge. It did however result in a five-year union between Egypt and Syria and a near union with Iraq. Yet the 1967 War was a major set back to these aspirations and then came the oil boom years. Rather than provide new life to struggling Arab economic cooperation and political unity, oil has all but killed it or as put by Alnasrawi, "In short it can be said that the oil states, thanks to their oil wealth, succeeded in what might be called the denationalization of Arab nationalism" (Alnasrawi 1991, 35).

Oil wealth made Gulf states important to the rest of the world, but it also increases their vulnerability. Most obviously, it made them the target of larger, ambitious neighbors, as the Iraqi invasion of Kuwait cruelly demonstrated. However it is not just military attack that the Gulf States worry about. Gregory Gause affirms that "they fear political intervention originating from abroad, based on powerful transnational ideological platforms of Pan-Arabism and Islam, aimed at stirring up their own domestic populations against them" (Gause 1994, 120).

Chapter Summary

This chapter has attempted to provide evidence that oil had been a major causal factor in the reinforcement of authoritarian rule in the Arab world. It has enabled the rentier states to avoid the responsibilities inherent to a government when taxation exists, and further uses the rent revenues to co-opt potential dissent and suppress the formation of elements of civil society so necessary in the evolution of democracy. This suppression derives from the coercive apparatus of state, the lack of economic vitality and the corruption that

runs rampant throughout government and society. In addition, it was shown that oil also had the effect of bringing any meaningful Pan Arab cooperation to an end.

CHAPTER IV

OIL AND ITS INDIRECT IMPACT ON THE POLITICAL LANDSCAPE

This chapter focuses upon the indirect impact of oil on the three aspects of the study. Chapters IV, V and VI proceed on the assumption that a strong causal relationship was in fact established in the three previous chapters between the existence of oil and its associated “curses”. Mainly that Western meddling and the lack of economic and political development are associated with the existence of oil-based economies--the so-called direct impacts of oil.

This chapter, like the previous one will focus on the political landscape but from the perspective of how external factors (Western meddling) and the pitiable socioeconomic conditions have further impacted it. One hypothesis being that the West’s imperialistic tendencies, due to their interest in Middle East oil, has been profoundly negative on political development, exacerbating the already harmful effect that oil has had on the evolution of the political landscape in the Arab world. The other hypothesis being that oils’ impact on the socioeconomic condition, as covered in Chapter II, has affected the ability of Arab countries to evolve toward more representative government. This assertion is based on the assumption that the formation of so-called “civil society” and the establishment of a vibrant middle class are crucial links in political development. Ultimately, the lack of socioeconomic progress in the Middle East has impacted the political environment.

A. Via Western meddling

It is rather a subjective exercise to distinguish between Western interventions in the political affairs of the Middle East as direct or indirect consequence of oil. Chapter I

focused on the more visible manifestations of Western meddling, here the emphasis will be on the more subtle aspects of this phenomenon, as an outgrowth of their interest in the oil resources of the Middle East. This meddling takes many forms but put simply it is a function of the West's preference for the rough tactics of Israel and the dictatorial Arab regimes, over the vulnerability and uncertainty associated with fledgling democratic governments. This section will explore first, how the West has historically provided little if any support for democratic movements as a function of their interest in Middle East oil and secondly why today even a decade after the end of the Cold War, the US/West is still reluctant to support representative governance in the region.

1. History for the Lack of Support for Democracy by the West

The precedent for authoritarianism was established under the mandate system as the British and the French put local elites in power that would serve their interests and in turn would have the backing of the mandatory power. As time evolved, several of the puppet regimes (Syria 1949, Egypt 1952, Iraq 1958) were overthrown by military coups bent on reversing what they saw as imperial rule. These juntas made matters worse in many respects by purging the only groups that had any knowledge on how to run a country, the ruling and economic elites. Shunning the West, they fell inexorably further away from the liberal political and economic framework established by the mandatory powers. Rather than make attempts to stem this momentum, the West was seemingly only focused on their own short term concerns, rather than the long term stability and well being of the region. This section looks at how the West did the prospects of representative government a great disservice throughout their involvement in the Middle East.

a. The Colonial, Post WWI British/French Mandate Era

As discussed in Chapter I, in the aftermath of WWI, the British and the French essentially took up where the Ottomans had left off as masters of the Levant, Egypt and the Persian/Arabian Gulf, the major difference being, the recognition that the Middle East now had value far beyond its strategic location, in the form of its enormous oil supplies. This recognition was exemplified by the significance that petroleum had played in the

outcome of the war itself. Germany's military had ground to a halt due in large measure to their lack of petroleum supplies. Oil had come to be recognized as the most highly desirable resource in the world.

The Mandatory powers installed their own elites to run matters on their behalf. The two primary goals of these elites were to embellish their personal well being and secondly, serve the imperial powers in order to maintain their positions of authority. However, their allegiance and lifestyles did not endear these ruling elites to the Arab populace as Khashan states: "Captives of their own mobility class, they jealously guarded their economic and political achievements and, in connection with that, they subserviently cooperated with the mandatory powers, to the intense resentment of the masses (Khashan 2000, 67).

So while the skeletons of democratic institutions were in place, they often were dismissed as mere cover for the imperialistic designs of the mandatory powers. As a result, very little "state building" was accomplished and as the Second World War approached, the Arab mandates were not progressing toward self-rule, as was the theoretical intent behind the U.N. system. Again it should be stressed that the British and French were focused on their own short-term self-interests in which oil was at the top of the list. The principle as established under the Mandate that "the well-being and development of such people form a sacred trust to civilization", was for the most part ignored.

b. Post WWII - The Cold War Era

In the aftermath of WWII, the United States reined unmatched in global primacy while the British and French came out of the war exhausted, having little financial or psychological means to maintain their holdings in the Middle East. Like the US, the Soviet Union also emerged from the war as a new superpower. It was the fear of an ever-stronger Soviet Union imposing its will on the Middle East and the associated "communist threat" that increasingly came to dominate the strategy of Western policy makers. What during the war had been a successful effort to keep the oil supplies out of

the hands of the Nazis, turned into a geo-strategic effort to keep many of those same supplies and the governments that controlled them, out of the sphere of Soviet influence. In the context of the Cold War, the US (and now to a far lesser extent Britain and France) felt they could not risk any destabilizing influences on their Middle East “friends” involved in the production or transportation of petroleum supplies. Most prominent of these potentially destabilizing influences were any Soviet supported groups in the region but also included Pan-Arab nationalist and/or even nascent democratic movements. Any influences perceived as destabilizing could in turn make these governments weaker and vulnerable to Soviet designs.

Immediately after the war, the French left Lebanon and Syria to their own devices while the British pulled out of Palestine in 1948, leaving a free-for-all amongst the Jewish émigrés working to create the state of Israel and the Palestinian resistance to that effort. Ill prepared for a war, the indigenous Palestinians were defeated by the relatively well trained, well-armed and highly motivated Zionist forces. This occurred in spite of token efforts of support supplied by the newly free, surrounding Arab countries, themselves with little proclivity for warfare. Thus thirty plus years of British self-serving duplicity, and bumbling, led to the birth of Israel and along with it, the so-called Arab-Israeli conflict. Shortly thereafter, the British and democracy were being dealt another blow on the other side of the Persian Gulf.

In 1951, Mohammed Mossadegh became the elected Prime Minister of Iran with a mandate to nationalize British petroleum interests in that country. Mossadegh was an eccentric, yet fiercely nationalistic leader who wasted little time in nationalizing the Anglo-Iranian oil concerns, sending the British into frenzy as they feared catastrophic consequences for their imperial petroleum holdings. Nationalization however popular, had dire economic consequences for Iran, and in combination with Mossadegh’s inability to govern, led to domestic unrest and to an increasingly fragile political situation. Fearing Soviet intervention, the British and Americans engineered a coup that put the Shah back in power in August 1953, in what was known by its Anglo-American code name, Operation Ajax. Things eventually stabilized but the lesson seemingly learned, was that

competent dictators are preferable to weak elected officials vulnerable to Soviet designs and internal unrest. This “lesson” has had a manifest impact on Western policy in the region ever since.

Most of the fledgling regimes in the young Arab states were in equally precarious situations as the Mandatory powers did not anticipate a world war interrupting the “tutelage” of their glorified colonies. As such, coming out of the war debilitated, they were not able to finish (or some might argue, start) the job of preparing the mandate countries and Egypt to properly govern themselves. These ill-prepared, newly independent countries were now to a great extent, on their own. The associated political instability therefore had the West leaping from one crisis to another throughout the 1950’s and 1960’s, always with the specter of the Soviet intervention dominating their thoughts. By coincidence or design, the West increasingly came to accept the proposition (learned in Iran) that dictators were preferable to unstable nationalistic governments embracing one failed ideology after another.

Many felt this lesson had been lost to history when Jimmy Carter came to office in the US in 1976 and was critical of the Shah for his record on human rights. Yergin states: “The Shah himself felt intense pressure on the human rights question from the United States, and ironically, even as the criticism mounted, he had determined to move on a course of political liberalization” (Yergin 1992, 676). Whether as a function of American neglect or his own short comings (including the cancer he battled throughout the seventies) the Shah was toppled by an amalgamation of interests but spearheaded by the religious firebrand, Ayatollah Khomeini.

British and American interests were imperiled as their closest Muslim ally and the most powerful country in the oil rich Gulf was now under the leadership of anti-Western and in particular, anti-American forces. Such sentiment existed largely because the Anglo-American alliance was blamed for putting the some times tyrannical Shah in power and keeping him there for over twenty five years. Thus, the second lesson emanating from Iran was that pressure on Middle Eastern friends to liberalize, can lead to highly negative

consequences. Therefore in spite of the freedom and democracy rhetoric directed at unfriendly sources, the US has been practically reluctant to support any forms of political liberalization in the Middle East, even since the fall of the Soviet Union. Friendly dictators (who serve US interests) are infinitely preferable to unstable and potentially uncooperative democracies.

c. The Post Cold War Era

For decades it was the existence of the Soviet threat to economic interests in the Middle East that ostensibly “prevented” the West from promoting democracy in the region. Yet in spite of the fall of the Soviet Union and the Eastern bloc in the 1990 time frame, the US dominated Western alliance has since shown little inclination to begin promoting democracy in the region, Denoeux:

“They also continued to fear that US efforts to promote political liberalization could create a backlash and damage US interests in the area. Furthermore, the United States support for authoritarian regimes had always had at least as much to do with Washington’s concern for oil supplies and regional stability as with fear of Soviet influence; as a result, the collapse of the Soviet Union did little to justify a change in US policy toward these regimes” (Denoeux 1996, 10).

Different examples illustrate this reluctance. Perhaps the best example of the blatant lack of support for “American democratic values” was in concert with the American led coalition for the liberation of Kuwait. While a somewhat sheepish Kuwaiti Royal Family made the obligatory promises about reforming that country’s political system in exchange for American help, all such utterances were quickly forgotten once the Iraqis were expelled. The US government did not press the issue in spite of its anti-tyranny criticism targeted Saddam Hussein. It would have been more than appropriate to force the democracy issue with Kuwait, yet the matter seemingly dissipated without a trace. Nonetheless, even if the Kuwaitis had been willing to liberalize, there can be no doubt that the Saudi’s would have been very uncomfortable with something even resembling a representative government on their border. Yet, new facts emerged after the liberation of

Kuwait, one of which is that the Kuwaiti parliament became more powerful and the ruling family had to recognize this fact for its own security and survival.

Algeria, with its close proximity to and affinity with France had moved agonizingly closer to liberal democracy for decades culminating with the call for unprecedented free elections in 1991. Realizing the West's worst fears however, the first round of voting forged the Islamic Salvation Front (FIS) into political prominence. The subsequent cancellation of the results, the second round of elections and the military coup that followed, brought something more akin to sighs of relief than indignation from the West. This in spite of the bloodshed reaped upon the Algerian people by the low-level civil war between the jilted factions and the army ever sense.

Washington did little to support Yemen's brave attempt to democratize in 1994. They, like Kuwait lying contiguous to the King Pin Saudi Arabia, could expect no support from the US as put by Denoeux: "Administration officials at times appeared concerned that Yemen's example might inspire others in the Arabian Peninsula to call for greater pluralism" (Denoeux, 1996, 21).

And finally it is worth mentioning that even in Egypt the second largest recipient of US aid, there is virtually no US government pressure on Egypt to enact political reforms. While there are dozens of NGOs theoretically working to this end, Husni Mubarak has been president since 1981, maintains control over a sham parliament dominated by his own party apparatus and every indication is, that he is grooming his son to succeed him.

As is apparent, as a function of America's interest in maintaining the status quo in the Middle East (i.e. cheap, abundant, reliable oil supplies), it is not an exaggeration to suggest that the US (and to a lesser extent Western Europe), more than a decade in the shadow of the Cold War, does not support Arab democracy in any meaningful way. Denoeux talks to the general sentiment among American administration officials. "In general, decision-makers have been haunted by the prospect of widespread domestic turmoil in an area that is of vital strategic and economic importance to the United States.

This apprehension explains their unwillingness to engage in policy initiatives, such as assistance to democratic forces, that might disrupt the region's precarious political balance, destabilize vital allies, and compromise access to oil supplies" (Denoeux, 1996, 4).

d. The Post September 11

The terror attacks of September 11, 2001 basically altered the US's perception of the Middle East – as well as its own policy approach towards the region. The immediate reaction of the US Administration was to demand unconditional support for its fight against terrorism. Accordingly those regimes which the US Administration considered non-cooperative were either militarily attacked (Afghanistan in 2001 and Iraq in 2003) or described as "rogue states" or members of the "axis of evil" (Syria and Iran). Thus, at first glance, the US support for authoritarian structures of the Middle East seemed simply to be sustained. In fact, international cooperation in counter-terrorism requires coalitions with ruling regimes, be they authoritarian or not. The Taliban regime was toppled in Afghanistan, yet no real democratic governance was founded. Saddam was overthrown in Iraq, yet turmoil persists in the country and the US seems trapped between its rhetoric of institutionalizing democratic governance and the existing sectarian and ethnic struggling factions. However, the US has perceived democracy as the best way to promote social change in Afghanistan and Iraq as opposed to a status quo policy apparent as threatening to the US at least in those two countries, and it failed. Fifteen out of the Eighteen 9/11 hijackers were Saudis, however, no real pressure towards democratic reforms were exerted on the Saudi regime.

Lebanon witnessed the "Cedars Revolution" after the assassination of Prime Minister Hariri and the Syrian regime is the primary suspect. The US blatantly accused authoritarian Syria of the Hariri and preceding assassinations, and described it as the main obstacle to the Lebanese factions reaching consensus over the formation of its government and the president's election. Ultimately, there is a clear protection for the Assad regime as it suits the interests of Israel be it authoritarian or not. Fürtig best describes the US stance: "US foreign policy towards the Middle East did not go beyond

mere paying lip-service to democratization....Western interest in democratizing the Middle East for the first time in history is egoistic rather than altruistic" (Fürtig 2007,11). Yet, observers realize that the Israeli approach is different from that of the US towards Syria.

2. Current Rational for the Lack of Support for Democracy by the West

While historically, especially in the context of the Cold war, the West has worked as Chomsky puts it "to deter democracy", even today they do not seem intent on changing their policy. There are at least four reasons for the US/West's current apprehension regarding the lack of support for democracy in the region. First, there is the general perception regarding the inability of these countries to embrace pluralistic rule as a function of the tenuous state of civil society in the Arab world. Second, the existence of an overwhelming current of anti-American sentiment amongst the masses, emanating primarily from the US' support for the perceived anti-Arab policies of Israel and America's partnerships with the "friendly" Arab dictators. Thirdly, an outgrowth of one and two is the fear that radical Islamists would come to power if free elections were held. And fourthly, the fact that America's closest ally in the region, Israel, does not see great benefit to them regarding Arab democracy.

a. Lack of Civil Society

The issue of civil society was covered at some length in the last chapter, but suffice it to say that civil society is a "Catch 22" issue for the Arabs. It expands to the extent that government policy allows for it to do so. Its current stunted nature in Arab society is therefore greatly attributable to the existence of authoritarian governments who prevent civil society from germinating. Institutions of public discourse it is feared, would threaten their grip on power. Ironically then, authoritarianism has mitigated the growth in civil society, yet it is this very lack of civil society that then inhibits the Arab's ability to be stable, democratic states. The West in turn then feels it is unwise to support movement toward democracy due to the lack of civil society not seemingly recognizing the "Catch 22" inherent in their policy. Civil society remains repressed and the Arabs stay forever

vulnerable to destabilizing forces, be it Soviet meddling during the Cold War era or Islamic radicalism today.

b. Anti American Sentiment

American policies in the Middle East, primarily since the 1967 Arab Israeli war, have engendered deep feelings of animosity amongst the Arab masses. It is a fear of an unleashing of this sentiment manifest in the election of anti-American leaders that is the second reason inhibiting the US/West from promoting democracy today in the Arab world. These feelings emanate from three primary sources. First, American unquestioning support for what is perceived as Israeli brutality and racism against Arabs in general and Palestinians in particular. Second, this sentiment is a function of American support for the many "friendly" regimes to the West who are seen as despotic and illegitimate by their own people. And thirdly, it is the perceived hypocrisy of American rhetoric regarding freedom, justice and democracy all the while supporting Israel and their Arab friends who are seen as making a mockery of such concepts. Notwithstanding, the occupation of Iraq led to the questioning of the US intentions in the region as described by Adnan Hayajneh:

"The failure to find dramatic evidence of Iraqi weapons of mass destruction has spurred widespread debate in the Middle East about the real purpose of the recent war, which most Arab commentators now see as a bid by the United States to consolidate its regional and global hegemony. U.S. threats against Iran and Syria play into this fear, increasing a general determination to resist. And the chaos that followed the fall of Baghdad, the escalating Iraqi anger at what is always described as an American occupation, and the seemingly ambivalent U.S. attitudes toward Iraqi democracy have reinforced deep preexisting skepticism about Washington's intentions" (Hayajneh 2004, 2).

i. Support for Israel

America's decades long support for Israeli practices is the most significant source of anti-American feelings in the Arab world. This support has gone through several phases reaching its zenith during the height of the Cold War and the fall of the Shah of Iran. A twenty or so year period where their behavior essentially went unchallenged even when it

was in stark opposition to purported US values. The incipient phase was short, starting in the aftermath of WWII and carrying through with the birth of the Zionist state in 1948. This period of support was based on what could be called the “sympathy/guilt syndrome”. In the harsh light of the Holocaust’s realities, American policy was to a great extent about the feelings of remorse for the millions of Jews killed at the hands of the Nazis. It did not hurt that this sentiment also facilitated Truman’s re-election chances in the theatre of domestic politics. The American public was more than sympathetic the notion of a Jewish state in the biblical “Promised Land”. The nascent “Israeli lobby” communicated their enthusiasm for Truman by throwing their considerable political weight behind him in the 1948 election.

Phase two began shortly thereafter with the advent of the Cold War culminating the overwhelming Israeli victory in the Six Day War of June 1967. While the French were their main backers up to that time, Israel had demonstrated on this and several other occasions a military capability that was more than impressive to both the US State Department and the Pentagon. They were increasingly seen by America as an ally not only able to deter Soviet expansionism but also able to blunt upstart Arab nationalists like Egypt’s Nasser, who it was felt could destabilize the region as commented on by Chomsky: “From the late 1950’s however, the US government increasingly came to accept the Israeli thesis that a powerful Israel is a ‘strategic asset’ for the United States, serving as a barrier against indigenous radical nationalist threats to American interests, which might gain support from the USSR” (Chomsky 1999, 20).

That almost half the Jewish population of Israel was in fact indigenous Middle Easterners also contributed to Israel’s status as a strategic asset. These “Sephardic Jews” were essentially ethnic Arabs, spoke Arabic and came from the very countries that presented nationalist concerns, Iraq, Syria and Egypt in particular. Having such a potential pool of talent for the purposes of espionage and subversion at their disposal was something that the West could not have but viewed as very attractive.

During the last fifty years, the US stood beside Israel in every conflict with the Palestinians and the Arabs. It has provided political support for Israel at the UN Security Council, the General Assembly, and other international organizations. Moreover, the US frequently uses its veto power to block any resolution at the UN Security Council that would condemn what Arabs see as Israel's excessive use of force against the Palestinians. However, this war and its lingering aftermath had profound implications for the level of anti-US/Western sentiment in the region as suggested by Dekmejian:

"The successive defeats by Israel, culminating in the June 1967 war, produced shock waves among Arabs and Muslims, engendering deep feelings of fear, insecurity, and anger. The manifest inability of Arab leaders to end Israeli occupation of Arab territory sapped their residual legitimacy and promoted widespread disillusionment, anguish and despair. Consequently, Arab feelings of inferiority generated under European rule were reinforced by the continued Arab military impotence against Israel" (Dekmejian, 1995, 29).

No price was too high it was felt, for such an effective policeman, including the blind eye turned to Israel's eventual acquisition of nuclear weapons. Chomsky: "...the phrase 'Israeli nuclear weapons' cannot be pronounced by any US official, because acknowledgment of their existence would raise the question why all US aid to Israel is not illegal under amendments to the Foreign Aid Act from the 1970's barring any country engaged in clandestine nuclear weapons development" (Chomsky 1992, 208).

Phase three of the Western support for Israel (1967–1990) came to be completely dominated by the US, as Israel quickly became the largest recipient of US aid and unwavering political backing. It was during this period that comprehensive American support reached its apex as the magnitude of the Israeli lobbying efforts converged with the genuine perception of Israel as strategic asset. Two events in this time frame further augmented this synergy between domestic politics and actual need, the Vietnam War and the fall of the Shah of Iran.

The American public's distaste for foreign adventurism in the wake of the Vietnam fiasco or "Vietnam Syndrome" as it came to be known, essentially prevented direct US

intervention in all but the most dire of circumstances. Thus from the mid 1970's, the theory went that Israel could act on behalf of the US in the Middle East (and elsewhere) while providing the American government with "plausible denial" as to their own involvement. Bill and Springborg: "Prior to the collapse of the Soviet Union, Israel was generally considered by U.S. administration officials to be vital to U.S. security interests in the region because it provided military assets that could be used against both the USSR and radical Arab nationalism" (Bill and Springborg 1994, 362).

The second event that enhanced Israel's status as an indispensable and reliable asset, was the fall of the US' main policeman in the Gulf, the Shah of Iran in 1979. The disintegration of Iran demonstrated how a firm ally could be turned into a belligerent, literally overnight. Israel's perceived significance as the last bastion of America's defense infrastructure for the region was now without precedent, Chomsky comments: "In the 1970's, U.S. analysts argued that Israel and Iran under the Shah served to protect U.S. control over the oil-exporting regions of the Gulf. After the fall of the Shah, Israel's role as a Middle East Sparta in the service of American power has evoked increasing American support" (Chomsky 1999, 21).

Israel's support from the US was not only economic, military and political but was at levels unmatched in the annals of modern history. Israel has consistently received at least one fourth of all US international aid since 1967 and in total has received more aid than was given to all of Europe under the Marshall Plan, in excess of \$100B 1997 dollars. They were, as the argument went, performing an essential function for the West, primarily the US. This purported function included:

- Blunting the aspirations of Arab nationalists like Nasser, Saddam or Islamic threats like Khomeini.
- Using the threat of force to keep any revolutionary regimes from threatening "friendly" countries; read -- those that sell the West cheap oil.
- Providing a credible military threat to Soviet aspirations

The current phase, four (1990 – today), has now existed for over a decade and started with the end of the Cold War. There are still remnants of the guilt/sympathy syndrome and their perceived value as “strategic asset” yet support for Israel today is predominantly a function of domestic political considerations. This is so because not only is the Soviet threat gone, but in the aftermath of the Gulf War the US/West was able to establish a direct presence in the oil rich Persian/Arabian Gulf. Thus with the US/West not having to rely on surrogates to the extent it once did, Israel it could be argued, had now become a strategic liability. Their policies of occupation and conflict with the Palestinians national aspirations, while once seen as a necessary evil by the US, may now be viewed as contributing to radicalism and a generally destabilizing force in the countries that America calls friends. Having said this however, American posture vis-à-vis Israeli practices on the ground have changed little. This is a tribute to the extent to which domestic politics can influence foreign policy. Pro-Israel political forces have simply garnered so much aptitude and momentum over the past five decades that virtually no politician can get elected or stay elected unless they pledge and demonstrate unconditional support for Israel, irrespective of its impact on American interests. [See Ball 1992]

After September 11, it became evident to the US that Israel is a strategic deterring force to radical Islamic groups threatening American interests in the region. In an interview a month after the 9/11 attacks with Al-Jazeera reporter Taysir Alluni, Ossama Ben Laden declares:

“And the United States has involved itself and its people again and again for more than 53 years, and recognized and supported Israel, and dispatched a general air supply line in 1393 AH (1973) during the days of Nixon, from America to Tel Aviv, with weapons, aid, and men, which affected the outcome of the battle, so how could we not fight it (America)?” (Williams 2007, 12).

While Iran declared it had begun small-scale enrichment thus developing its nuclear program, it became necessary for the US to consolidate its relation with a balancing nuclear force, Israel.

While American support for Israel is today overwhelmingly a function of the balance of power in the region, it was the perceived threat to US oil interests in the Middle East that provided the initial impetus for this support so masterfully capitalized upon by Israeli supporters in the US. Whatever the justification for the support, it has contributed mightily to anti-American feelings, and these feelings in turn are seen as a reason that the US cannot support democracy in the Arab world.

ii. Support for Repressive Regimes

The second source of anti-American sentiment in the Arab world stems from the perception amongst the masses that the US supports their own repressive governments as long as these governments continue to serve Western oil related interests. In addition to the distress of living in police states, these feelings of resentment are magnified as a function of the failed nature of these regimes based on virtually any standard of measurement; the lack of economic or social development, political impotence in regional affairs and military vulnerability. Abdallah has argued: “When the Average citizen tries to reconcile his desire for domestic freedom, his feelings of frustration at home, American support for his government, and the increasing presence of Western culture he is caught in the middle” (Abdallah 2003, 8).

Be it Saudi Arabia, Egypt, Jordan, Kuwait, Algeria, even Iraq as Chomsky comments: “...prior to Hussein’s attack on Kuwait the Bush administration and its predecessors treated this murderous thug as an amiable friend, yet encouraging trade with his regime and credits to enable it to purchase US goods” (Chomsky 1992, 194). Irrespective of their record on human rights, lack of representative governance or the theft of their national treasuries, the US is seen as abetting these regimes in their abuses of power (much in the way the Iranians saw it as it related to the Shah). The general perception being that the US is not concerned with what the rulers do within the confines of their own borders as long as they respect internationally accepted norms of behavior (outside those borders) and do not show undue hostility to American interests.

Depending on the circumstances therefore, the US would at best ignore their transgressions or at worst, support them outright. The list of abuses and even atrocities carried out by America's "friends" are the subject of innumerable articles and books but the issue here is not the repression itself, rather the perceived US/Western culpability in it. (It can be argued that Arab leaders have killed many more of their own people than has Israel in four wars.) This sentiment was evident when Saddam invaded Kuwait, as many in the Arab world were exultant over the ouster of what was seen as an American puppet regime. Chomsky: "... and this is why there is such cheering in the streets for Saddam Hussein, seen to be defending the interests of the Arab masses against the ruling clique that used the oil wealth of the Arab nations to enrich themselves and the Western world" (Chomsky 1992, 204). Yet, the Arab world was split over the invasion of Kuwait. Saddam Hussein was perceived as a threat to Western interests, though support for Saddam during the Iraq-Iran war was not to enable Iran achieve victory. Saddam's invasion of Kuwait hurt both Arab and US interests and shattered "the myth of Arab security". However, the anti US attitude by the Arabs was always there.

The preeminence of Saudi Arabia as the singular most important source of fossil fuels in the world has dominated American treatment of the rulers of the Middle East. Going back to the end of WWII, keeping the Saudi Royal family happy (and secure) became an ever-increasing priority. Yergin describes American sentiment to this effect: "Nothing should be done to jeopardize the Saudi concession. 'The challenge', said Howard Page, Jersey's [Exxon] director responsible for the Middle East, was to keep the Saudis sufficiently happy to maintain Aramco's position 'because this was the most important concession in the entire world and we didn't want to take any chances losing it' (Yergin 1992, 533). If authoritarianism was to be the "rule" in Saudi Arabia, then working to undermine it elsewhere in the region, would be counter intuitive.

The "hands-off" policy towards the Saudi Royal family aside, US support for authoritarian governments in the region also has to do with the fact that the dictators, for the most part, have performed well in serving American oil related interests. The most prominent of these governments was Iran under the Shah, but also included the likes of

Sadat and Mubarak in Egypt, King Abdallah II of Jordan, Saddam Hussein in Iraq (prior to the second Gulf War) and of course the Saudi and Kuwaiti Royal families. No opposition is generally permitted and when this rule is ignored such dissidence is quashed in the name of fighting terrorism. Accordingly, stamping out “terrorism” has been the number one priority in these countries as well as Algeria and even Syria. The process of doing so however has had a deleteriously impact on these societies. While the main threat to these regimes, radical Islamists, have been forced underground, the repressive measures have the effect of silencing all opposition, radical or otherwise. The regimes taking a page out of Israel’s book, simply brand all forms of resistance to their policies as terrorist inspired or Islamic fundamentalism and can then count on the West to look the other way with regard to the means and the extent of silencing this dissent. Policies that do not prompt good will toward these regimes or their US/Western backers.

iii. Western Hypocrisy

As a function of the many ills that plague Arab society then, a traumatized Arab citizen looks on with bewilderment at American policy for the region. A country that purports to stand for “liberty and justice for all”, yet seemingly ignores such principles in their acquiescence and support of Israeli actions against “uncooperative” Arabs. The US supports authoritarian regimes who are considered America’s best agents; “their governments sell oil at prices said to be determined mainly by America, open their countries for US military bases, facilitate American control and domination over the Arab World’s economic resources (including oil), and convert the Arab world into a huge consumer market for US products. In addition, Arab governments are purported to make unnecessary large arms deals worth billions of dollars, which allegedly give them a capacity to suppress the people rather than use the money for socio-economic development” (Abdallah 2003, 9). To add insult to injury, America is seen as embracing authoritarian regimes (including their own) if they are friendly to the West yet decry the excesses of others dictators who are not in the Western camp. Accordingly, the selectively employed American rhetoric about freedom and democracy rings very hollow to people often living miserable existences because of their lack of such liberties.

Hammoud asserts that “Arab commentators often suggest that the United States has little interest in the emergence of systems as democratic as those in Europe or the United States, since that would risk bringing anti-American and anti-Israeli forces to power” (Hammoud 2003, 5). The hypocrisy of American rhetoric only adds fuel to the anti-American feelings in the region.

Therefore deeply rooted feelings of animosity, inherent in the average Arab citizen and directed at the West in general and the US in particular is the second of four reasons the US/West is now reluctant to promote democracy in the Arab world summed up by Denoeux as follows: “...both Republican and Democratic administrations have been prompt to realize that, from Washington’s perspective, authoritarian leaders actually are more likely to accommodate American interests than governments, which if they were accountable to public opinion, would inevitably be influenced by strong anti-American feelings that exist in the region as discussed above” (Denoeux 1996, 4).

c. The Islamist Threat

The third reason American is reluctant to support democracy in the Arab world is related to the anti-American sentiment outlined above. It is the fear that not only would freely elected governments be anti-American but they would very likely be Islamic fundamentalists to one degree or another. The stifling of political opposition in the Arab world has left the anti-American Islamists as the most viable alternative to the existing, discredited regimes. As the most organized opposition, free election in most Arab countries today would undoubtedly have Islamists garnering a large percentage of the vote. This is not necessarily because people desire a Shari’a based Islamic state but because they want drastic change and the Islamists appear to be the most credible and least corruptible catalyst for this change. America and the West fear that the events that transpired in Iran during the 1979 revolution, the electoral victory of Hamas and Hizbollah in the Occupied Territories and Lebanon respectively are indicative of what could also occur on the Arab side of the Gulf. Not only would the Islamists be anti-American but they could also end up being anti-democratic. The fear being that the

Islamists would use the election to come to power and then revert to some form of authoritarianism, the proverbial, “one person, one vote, one time scenario”.

As in the case of civil society, it can also be argued that Islamic militancy is an outgrowth of the American supported authoritarian nature of the Arab governments. American support for Iraq in their war with Iran (1980-1988) reflected America’s obsessive fear of Islamic fundamentalism, and its belief that relying on dictators even tyrants such as Saddam, was appropriate to prevent this revolution from spreading to the Arab world.

Thus, even when American policy-makers felt qualms about supporting authoritarian monarchies and turning a blind eye to the dismal human rights record of dictatorial regimes, their reservations were soon overcome by the realization that it was far easier for Washington to deal with an Arab world dominated by kings, emirs, and dictators, than with a region made unmanageable by the unleashing of religious fervor, nationalist passions, anti-Israeli zeal, and long-accumulated social, political, and economic frustrations (Denoeux 1996, 9).

Even today the US is still fearful of democracy in the Middle East and not only provides it little guidance or support but is effectively an enabler of authoritarianism in the region. America has long thrown its support behind Israel and the various repressive Arab dictators, both contributing to anti-American animosities. This fear was born out based on the experience of the Iranian revolution and elections in Algeria in 1991. The vicious cycle is then complete as it is these feelings that then become the justification inhibiting the US from supporting reforms, which in turn only garners more resentment; a cycle that has continued to spiral downward for decades. In this sense, Amr Hamzawy comments: “In washing its hands of pressuring regimes to open up democratically and essentially isolating the only domestic actors capable of mobilizing popular pressure - namely Islamist movements - the US leaves authoritarian regimes with no incentives to embrace reform” (Hamzawy 2006, 2).

d. Israel does not Want Arab Democracy

The fourth reason that there is little support for Arab democracy by the US/West is that Israel does not see a significant benefit to them. This is relevant because American

Middle Eastern policy is highly subject to Israeli concurrence for several reasons. One, they believe the Israelis are experts on the issues of the region; two, they have served well in their capacity as a mercenary state and most importantly; three, domestic political consideration dictate that American politicians serve Israeli interests. As such the American lack of support for democracy stems in part from the fact that Israel does not welcome the prospect of liberalization in the Arab world.

The main reason why Israel does not welcome Arab democracy is that while the prospect of anti-American governments getting elected is likely, there is virtually no doubt that accountable governance in the Arab world would be adamantly anti-Israeli. This is especially so while a peace treaty remains elusive in the context of the occupation of Arab land and the on-going abuse of the Palestinians. Freely elected representatives would reflect the general disdain the masses feel towards Israel. After September 11, the US abiding by the demands for solving the Arab-Israeli problem and promoting democracy in the Middle East, witnessed the electoral victory of Hamas in the Occupied Territories, which ultimately irritated Israel and directed the Palestinian-Israeli negotiations to an impasse. Israel rejected the idea of replacing the Syrian authoritarian regime as it fears an Islamist government might be elected and Israel finds Assad (being confronted by the West and most of the Arab rulers) the most suitable partner to negotiate concessions over the Golan Heights at this point in time.

Another reason why Israel would not welcome political and economic liberalization is that it would enable the Arabs to better compete with Israel at all levels. Elected governments would in theory better serve the collective well-being, which would contribute to greater political, economic and military unity while exporting more viable private sectors. Such measures would enable the Arabs to compete with Israel on more equal footing. Thus for the reasons stated above it can be argued that Israel is in no hurry to see democracy come to the region.

B. Via Socio-economic Conditions

The lack of real economic development in the Arab world has reinforced the tribal nature of Arab society further contributing to the anemic state of civil society. This section will explore how the lack of socioeconomic progress in Arab society, attributed to the rentier nature of the economies, and has impacted the political environment. Evaluated will be one, the degree of economic dependency and associated political vulnerability that Arab states have on the US/West and two, how miserable socioeconomic conditions have provided the impetus for liberalization, yet reforms have proven to be illusive in all but a few cases.

1. Dependency

Dependency is a situation in which one economy is conditioned by the development and expansion of another. Russet, Starr and Kinsella observe that “less-developed countries dependent on the world market face great obstacles in developing advanced, diversified economies” (Russet, Starr and Kinsella 2000, 413). Of course in the modern world of globalization, every economy is to a certain degree dependent on many others. This then becomes a discussion about relative dependence and how this impacts a nation’s ability to maneuver politically. Nevertheless, the above mentioned scholars conclude:

“the dependency theory shows us that the achievement of equitable economic and political development is not merely a matter of promoting foreign investment in LDCs. A recipe for trouble is the combination of economic penetration and military dependency. Together, they tend to magnify economic inequalities, and at the same time give the state more power to repress dissent. The ultimate result may well be violent rebellion, with often devastating effects on human development” (Russet, Starr and Kinsella 2000, 434).

Something that is hard to quantify but one can draw their own conclusions regarding the Arab worlds’ dependence on the industrialized world and the West in particular. At a rudimentary level of analysis it would be accurate to suggest that if it were not for imports, especially anything having to do with advanced technology, most of the countries in the Arab world would cease to function almost instantaneously. This next

section will focus both on what is known as “primary economic dependency”, oil exporters need for imports, and on what can be called “secondary dependency”, where non-oil exporters like Lebanon, Jordan, Yemen, Morocco, Egypt and Syria become dependent on the oil exporters for petrodollars for their imports.

a. Economic Considerations

In an economic sense the Arab states demonstrate an overwhelming dependency on the industrialized world, fed and exacerbated by oil rents. This dependency on outsiders began in earnest during the inter-war mandate period in which the British and French exerted full economic and political control over the region. The exploration for oil, which spurred huge investments completed and deepened this dependency as economic linkages were established with the industrialized world rather than between the Arab states themselves. Alnasrawi [1991, 106] discusses how the rise in oil revenues resulting from the large increases in price after the 1973 Arab-Israeli war had the effect of deepening this dependency on the West along several distinct lines.

First, oil came to predominate as means of economic viability at the expense of other sectors of their economies (Dutch Disease), including agriculture and industrial output of even the most rudimentary kind. With little local production virtually all items of a technological nature had to be imported, effectively an exchange of petrodollars for the instruments of modern living. The economies became slaves to the price of oil. The higher the price of a barrel of oil, the more imports of goods and services they could afford. Bill and Springborg comment: “By the early 1980’s some two-thirds of imports were industrial goods, indicating that the Middle East is overwhelmingly a consumer rather than a producer of new technologies. This tendency was exacerbated by the oil boom” (Bill and Springborg 1994, 421).

Yet even prior to the oil boom levels of dependency, the oil exporters were fully addicted to imports to survive. The best example of which was the 1973 Arab-Israeli War, in which the oil exporters instituted a “boycott” against the US/West in support of Pan Arab

political goals vis-à-vis the US backed Israeli occupation of Arab land. Even under these, the most favorable conditions to restrict trade, the Saudi led exporters were not able or willing to sustain their oil boycott for much more than a month. Alnasrawi discusses this pre-oil boom level of dependency:

“The failure of the Arab oil weapon was inevitable, given the nature of the dependency of individual economies on the oil sector and the broader pattern of security, political, economic, and cultural dependence of the individual countries especially on the United States. The multiple dependency linkages in virtually every facet of interaction between the Arab countries and the United States mitigated any genuinely independent action by Arab governments. Arab governments were not only incapable of acting against United States interests, but they were unwilling to do so, given the long history of close alliance between Arab ruling elites on the one hand and the United States government on the other” (Alnasrawi 1991, 109). He goes on to argue that 1973 represented an era in which the oil exporters were much less dependent on the West than they are today.

The second level of dependency stems from the influx of millions of Arab workers into the oil exporting states, which entailed the transfer of billions of dollars back to the labor exporting countries. These remittances created a derivative or secondary dependence on oil related transfers to the non-oil states. They became dependent on the oil exporters to provide work for their citizens, the associated remittances themselves and on the industrialized nations for the imports that were purchased with these remittances. However, this dependency made the labor exporting countries highly vulnerable to restrictions in employment levels by the host country. One excellent example of which occurred in the aftermath of the Iraqi invasion of Kuwait. The Saudis not liking the response of the Yemeni government to Iraqi actions, expelled half a million Yemeni workers from the Kingdom. Being one of the poorest of the poor, the Yemeni economy was incapable of absorbing these workers. Yemen and the other relatively poor Arab countries became even less well off having to borrow to replace the remittances. (After the war, the Kuwaitis summarily expelled 400,000 Palestinian.)

A third dimension of dependency has to do with the investment of petrodollars in Western financial markets. Such a practice put these funds at the mercy of the economic vitality of these countries and of course keeps these funds out of the local economies. If

for example inflation was high, as it was in the late 1970's in the US, the value of these investments could and did decline precipitously. In addition these assets are vulnerable to the political whims of the Western government who can freeze them in the event a state is deemed to be behaving improperly, (e.g. Iran, Libya and Iraq). It thus limits the political and/or military options of the various states. Alnasrawi summarizes: "It should be clear from this outline that far from attaining its political objectives or even enhancing political and economic independence, the oil price revolution seems to have increased the links between oil-exporting countries and the industrialized countries with the consequent rise in their dependency on the West (Alnasrawi 1991, 107).

Economic dependency of course translates into political vulnerability, which in turn decreases a state's influence and ability to deal with others on equal footing. Thus oil's contribution to the "hydrocarbon centric society" has created a state of political impotence vis-à-vis the West. The Arab regimes, especially the oil exporters of the Gulf, are therefore extremely limited in their ability to act independently of US/Western wishes, thus establishing an unequal partnership. The West has been able to influence by the mere presence of US military in Iraq, Afghanistan, and the Gulf --- creating security dependency of the Gulf States on the US.

b. Security Considerations

Arab dependency on the West extends to the security realm as well but it is consigned almost exclusively to the six GCC states and Egypt. This issue was greatly magnified as a function of the second Gulf war in which American and other Western forces came to defend Kuwait and ended up establishing a substantial presence in the region. While ostensibly these forces are to protect the GCC states from Iraq and Iran they have had the effect of terminating what little inter-Arab cooperation or political independence that may have existed prior to the war. Graham and Tessler: "The current American near-monopoly of both the security system and bilateral security arrangements virtually suspends 'normal geopolitics' in the Gulf; worse yet, it encourages local actors to avoid

dealing with one another on security matters, especially those that touch the stability of ruling families” (Graham and Tessler, 1997, 51).

The actual extent to which these regimes require protection from external sources is certainly subject to debate, nonetheless these societies are paying a heavy price for this protection. As many would argue, the US exploits their position as guardians of the Gulf regimes by asking these countries to subsidize the US arms manufacturing industry through the purchase of advanced weaponry that do not appear to be for the purpose of promoting self reliance. (The Saudis had spent in the vicinity of \$100B on defense leading up to Iraq’s invasion of Kuwait yet were seemingly impotent in the face of that aggression.) This practice extends to the late 1970’s when sophisticated American spy planes, the AWACS, were first sold to Saudi Arabia.

Perhaps it was a war like the one with Iraq that the Americans envisioned when selling the tens of billions of dollars of weapons to the Saudis and other Gulf countries. Shayeji has his own perspective on the situation six years after the American presence in the Gulf became “semi-permanent”.

“From the Gulf perspective, the American rationale, for this intense security relationship is to force the Gulf governments to spend enormous amounts of money on American weapons. According to Dr. al-Rubi of Kuwait, over \$82 billion has been spent on security by the Gulf states since the 1991 war. “Where are we going?” he asked. “If we had only spent a part of that in infrastructure, highways, education, development, we would have better relations among GCC states... With domestic economic problems like unemployment, the lifting of state subsidies on basic goods and services, and budget deficits dominating the political agendas of these states, citizens now see every dirham or dinar spent on arms as coming at the expense of their domestic well-being. Kuwaiti economic expert Jasim al-Sadun stated that the money the GCC spends on one soldier or defense job (an average of \$60,000 per year) could create five civilian jobs. Gulf citizens know that their governments have to create 825,000 jobs between 1995 and 2000 in order to employ their new graduates, the vanguard of the 42 percent of the population that is under 15 years of age” [Al-Shayeji, 1998, 5].

Regional instability has induced Arab states to seek military strength especially Gulf monarchies. There is worry about Iran’s nuclear capabilities and Gulf leaders fear that,

unconstrained by a powerful Iraq, Iran is pursuing regional hegemony. Therefore, Gulf monarchies purchase military build-up to counterweight that of Iran and this is done via the US/West.

It appears that the US is not only calling the shots politically in the Gulf but also having the GCC states pay a heavy price for giving them this privilege. And it is worth reiterating that the American presence is clearly not for the purpose of guarding “American values” as is often used as justification for such interventions. Williams concludes:

“...Saudi Arabia came to depend upon the United States for its very own security. The intimate links of interdependence forged between the United States, Egypt, Saudi Arabia, and many other Arab countries would work to provide the context for 9/11 and the War on Terror. This newfound interdependence and close relations between the monarchs and dictators of the region and the U.S. would foment resentment in two ways: 1) The United States would subsequently be accused as supporting the authoritarian systems of government in the Arab Middle East, without whose support would have been toppled by populist government, and 2) The regimes of the Arab Middle East are weak on issues such as the price of oil and Palestine because the regimes are mere puppets of America”(Williams 2007, 10).

The authoritarian regimes of the Gulf are now prisoners to American “protection”. It is ironic that the authoritarian and often despotic regimes of the Gulf and elsewhere are so dependent for their survival on a country which has been a beacon of freedom and democracy for the breadth of 20th Century.

2. Attempts at Liberalization

Economic liberalization in the Arab world is inversely proportional to the level of oil rents available to the regimes on a per capita basis. It is no coincidence then that the largest country, Egypt is at the vanguard of such reforms. “The negative correlation between oil wealth and the rate of liberalization is further evidenced by the economic and political reforms of such countries as Turkey, Egypt, Morocco, Tunisia and Israel” (Bill and Springborg 1994, 438).

The oil exporters have only entertained the need to liberalize their economies when the price of oil had gone so low as to force them to think of new ways to raise revenues and/or reduce spending. Each time (low) prices provided the impetus to initiate movement in that direction however, threats to the regimes stability had them backsliding, reverting to borrowing to buy time for prices to rebound as was evidenced after the Iraq conflict. “With the upturn in prices and demand following the second Gulf war, those states rushed to abandon policies of austerity and resume the previous pattern of generous allocations” (Bill and Springborg 1994, 432).

Generally the term economic reform or liberalization entails some combination of currency devaluation to stimulate exports, reduction of subsidies on consumer goods, more effective taxation systems, privatizations of national industries, reducing spending on defense and government employment, expanding the role of capital markets to provide funds for investment and the lifting of restrictions on markets for goods and services. Such reforms have advanced slowly in the non-oil states but have made virtually no progress in the oil exporters. There are at least four reasons why most reforms end up being scrapped.

The first has to do with the well being of regime’s cronies, as transparency and accountability threatened these economic power elites who support the rulers. Challenging unwarranted government contracts, concessions and subsidies being funneled to these supporters at the expense of the masses is high on the list of necessary changes to be made. Doing so in the spirit of the general well being of the state however does not resonate well with the economic elites as Luciani attests:

“...the least that can be said is that in the Arab experience, authoritarian governments have displayed no such farsightedness and attachment to the common good of the people. Quite to the contrary, they have displayed an extraordinary lack of vision, dragging their feet in order to avoid overdue policy changes that negatively affected the immediate interest of their supporters. They are, almost without exception, utterly discredited” (Luciani 1995, 224).

The second reason for the failure of reforms is that reform often entails austerity, especially in light of the amount of debt now on the balance sheets of the Arab states. The two most obvious targets for cut backs in spending are defense related procurements and the level of government spending on employment. Both of these however have proven to be very difficult to enact. Depriving the military of their troops and weapon systems does not resonate with the generals who, as it would happen, are keeping the regimes in power. In addition, significantly cutting back on government jobs would have the effect of putting most of these civil servants out of work, thus creating a potential lightning rod of discontent.

A third reason that reforms have historically gone nowhere is due to their effect on the political environment. As discussed in Chapter III, putting demands on the population (e.g. taxes, austerity, reduction of services, etc.) entails some concession of political power as Bill and Springborg suggest: "Virtually without exception, efforts to undo the economic legacy of governmental expansion into the economy over preceding decades and to renege on at least some part of the 'social contract' have been accompanied, in at least their early stages, with demands for political freedoms" (Bill and Springborg 1994, 441).

Power sharing and political freedoms are of no interest to these regimes as they threaten their very existence. Bill and Springborg comment further: "In all cases, however, when these political liberalizations have led to the emergence of opposition movements or parties that have challenged the government's authority, they have been vigorously suppressed, and the liberalizations themselves have been shelved" (Bill and Springborg 1994, 432). Ultimately, political change comes out of regime necessity rather than choice.

Finally, reason number four has to do with the implications of economic reform, mainly the possible emergence of a viable middle class or new group of power elites, not connected to the regimes. While this is obviously the desired consequence of liberalization in the classic sense, it is not so in the context of oil based authoritarianism.

New economic elites can challenge the regime in a variety of ways, a highly undesirable scenario for the rulers as argued by Bill and Springborg.

“Political systems will be profoundly affected by the course of economic liberalizations. Authoritarian government in the Middle East, as elsewhere, must have control over the bulk of economic resources to sustain itself. Otherwise it will be challenged by those who do. If economic growth is rapid and private sectors of national economies prosper, resources beyond the control of the state will be available to reinforce political liberalization. The state’s retreat from the economy would be paralleled by the expansion of civil society” (Bill and Springborg 1994, 450).

Economic reforms inevitably lead to political liberalization, (which was the experience of most of the Latin American countries in the 1970’s and 1980’s) something anathema to the oil exporters in particular. Therefore it is safe to say, that until the Arab regimes are willing to cede some degree of political power, and certain economic reforms are an effort in futility. Realistically then, all indications are that it will take a prolonged economic crises before the rulers are so willing.

Chapter Summary

Chapter IV has attempted to provide evidence that Western meddling, as a function of their interest in protecting their hegemony over Arab oil, has reinforced the authoritarian nature of the regimes in the Arab world. The US/West has not supported democratic initiatives in any meaningful way for four primary reasons; 1) the Arab states’ lack of civil society necessary to sustain pluralistic government; 2) the strong anti-American feelings that exist among the masses would usher in anti-American governments; 3) the fear that radical Islamists would prevail in the event free elections were held and 4) America’s ally Israel does not benefit from political liberalization in the region. Simply stated, as it relates to America’s strategic interests, they prefer to deal with the perceived stability of authoritarian regimes versus the potential repercussions that political liberalization might portend.

Also discussed, in Section B was how the socioeconomic condition that prevailed in the Arab world has impacted their global political status as a function of their economic and military dependency on the US/West. This heavy level of dependency in turn makes these regimes highly vulnerable to US/Western political demands. Finally, attempts at economic liberalization were discussed. The conclusion being that success in this regard is greatly determined by how little oil a country has on a per capita basis with Egypt, Morocco and Tunisia making strides while the Gulf regimes showing virtually no progress. The primary reason being that economic liberalization eventually entails power sharing which these regimes have shown no sign of embracing.

CHAPTER V

OIL AND ITS INDIRECT IMPACT ON THE SOCIO-ECONOMIC CONDITION

The intent of this chapter is to A); demonstrate how the state of political leadership in the Arab world has exacerbated the already deleterious effect that oil has had on socioeconomic conditions. And B): explore how the West's obsession with Middle East oil has further negatively impacted socioeconomic conditions in the Arab world.

A. Via the Political Landscape

This section will explore how the repressive, authoritarian nature of Arab regimes, as established in Chapter III as having been facilitated by oil rents, has impacted the already highly fragile socioeconomic conditions discussed in Chapter II, also made so by the existence of oil based economies. This chapter explores how self-serving policies of the ruling elites have had highly negative consequences, an “exacerbation effect” or more plainly stated, making a bad situation, worse. The manifestations of these policies will be explored at three descending levels of impact utilizing medical metaphors. First, what is called “massive trauma” due to the direct and overwhelming intervention these policy decisions have had on the lives of people in Arab societies. The second level is called “malignancy”, using the cancer analogy of how a killer can work silently with only an occasional symptom arising. And thirdly, the least intrusive of this set of curses, “malnutrition”, how ill conceived policy decisions have long term, subtle effects on society but ultimately contribute to its poor health. The primary supposition being that corrupt, non-accountable leadership, made so to a great extent from oil related rents, (and indirectly supported by the West for that oil) has in turn made policy decisions in their own self interest with little concern for the impact these policies have had on their own societies.

1. Massive Trauma

Since independence, the Arab world has been plagued by wars, civil unrest, terrorism, and sanctions which have exacted a severe humanitarian toll. While certain instances warranted military responses, much of the death, destruction and misery could have been avoided were it not for the use of warfare as a tool to manipulate the political climate at home. A generally discontent and some times hostile climate made so by the illegitimate nature of virtually all Arab regimes.

a. Political Instability and Interstate Conflict

There is a saying in the realm of political theory that democracies rarely if ever make war on each other. Implicit in this theory is that the opposite is also true, that authoritarian regimes, unaccountable to their people, are more inclined to use war as a tool to mitigate domestic discontent. Due to this and other more legitimate explanations, the Arab world has found itself to be involved in innumerable conflicts in the post-WWII era highlighted by the on-going Arab-Israeli conflict. Dealing with an intransigent Israel in the context of Palestinian rights and the return of occupied Arab land may well represent the ultimate expression for the legitimate use of warfare as a means of seeking justice. Having said this however, there have been many other less valid reasons for going to war in the Arab context; most having to do with illegitimate leaders maneuvering to stay in power. Both Gulf wars initiated by Saddam Hussein were clear examples of his desire to divert attention from his crumbling domestic situation.

The eight-year Iran conflict cost the lives of hundreds of thousands soldiers, not to mention the disabled and severely wounded. The Kuwait invasion was another fiasco initiated by Saddam as suggested by Denoeux: "His invasion of Kuwait and his willingness to sacrifice the lives of at least 100,000 of his own people in a senseless war, and his decision to set Kuwait's oil fields on fire highlighted the scope of human losses, environmental destruction, financial costs, and regional disruptions (including the millions of people displaced during and after the conflict) to which despotic rule can lead" (Denoeux 1993, 28). Illegitimate or otherwise there has been countless examples of

inter-state conflicts in the Arab region, contributing to death, destruction and misery on a massive scale, the most notable of these conflicts include: The Iran-Iraq war, the invasion by Saddam of Kuwait, the dispute between Iran and the UAE over Abu Musa and Greater and Lesser Tunb, the dispute between Qatar and Saudi Arabia over the border post of Khafus, and the conflict between Saudi Arabia and the UAE when in 1998, the Saudis began pumping oil from the vast Shaybah oil field, which straddles their undefined border provoking protests from the UAE and a demand to share in the production of the field, and many other conflicts. Klare asserts that “the risk of internal conflict over resources is further heightened by the growing divide between the rich and the poor in many developing countries ... As supplies contract and the price of many materials rises, the poor will find themselves in an increasingly desperate situation-and thus more inclined to heed exhortations of demagogues, fundamentalists, and extremists who promise to relieve the suffering through revolt or ethnic partition” (Klare 2001, 24).

Inter-Arab conflict has wreaked devastation on the Middle East yet homegrown repression has added insult to injury.

b. State Sponsored Violence and Repression

When interstate conflict is not sufficient to deflate domestic opposition then domestic intimidation and coercion is often employed to ensure that discontent does not reach unmanageable levels. As is the nature of authoritarian regimes, the mere threat of force is normally effective at keeping the masses controlled as people go about their daily lives fearing to speak out against what they know to be ineffective and corrupt leadership. Yet there are times when actual civil unrest is sufficient that the coercive apparatus of state is brought to bear, with the end result providing an additional intrusive impact upon the lives of the ordinary citizen. The examples are numerous with a few cited here.

In Syria, the subversive activity of the Muslim Brotherhood directed at the minority Alawi dominated government of Hafez al-Assad became so disruptive in the 1970's and early 1980's; car bombs, kidnappings, assassinations that the Assad regime took decisive action. In the city of Hama, the stronghold of the Brotherhood, a showdown occurred in

1982. Government forces besieged the heavily armed city for three weeks at which time almost a third of the inner city was destroyed with an estimated loss of life at between 5,000-10,000 (www.wikipedia.com). Most think this number to be very conservative.

In Algeria, an estimated 80,000 people (Wikipedia) have died in fighting between the military and the armed wing of the Islamic Salvation Front since the military suspended free elections in 1991. The vast majority of those killed have been unsuspecting civilians.

In Iraq, Saddam has used poison gas to eradicate hundreds of thousands of his own Kurdish population when they tried to rise against him during his war with Iran.

In Egypt, certain Islamic militant cells have historically targeted tourists to discredit and facilitate the downfall of the Mubarak government. With a quasi state of marshal law in affect since 1981, mass arrests, military trials and scores of death sentences have been used to ostensibly eradicate the militants.

These are of course just few of the most dramatic manifestations of the anxiety and despair reaped upon the Arab masses as a function of living in police states.

If there is a misery index, the Arab world would rank very near the top. Unaccountable leadership, made so by the rentier nature of Arab society, is at the heart of the issue of repressive governance.

While wars and state sponsored coercion have been the most manifest “curses” on Arab society, repression has had other, more subtle implications.

2. Malignancy

While much of the Arab citizenry has been cowed by the police state into docility, its repressive nature also brings out the base human response to what many feel as an untenable existence. This response is often manifesting in the psychology of “fight or flight”. Today the fight aspect is most evident under the general heading of “Islamic militancy” and the flight is simply a matter of those with the means to do so, leaving the region.

a. Radicalism/Fundamentalism

Chapter II made reference to religious extremism in the context of the miserable socioeconomic conditions that exist in many parts of the Arab world. It also has roots in the repressive nature of the Arab political systems. Weiffen explains that “muslims rejecting the Western way of life resort to radical Islamic conceptions in order to define their culture and reaffirm their identity. Activists of that vein regard traditional monarchs as decadent and reproach them to their collaboration with the West” (Weiffen 2004, 15). Conventional opposition to the ruling elites, in the Western sense of the term is not permitted to any meaningful degree in Arab societies, as overt expressions of discontent are relatively easy for the regimes to silence. As a result, government sponsored repression has radicalized the opposition often manifest in the most militant of groups, usually working toward the downfall of the regime under the legitimizing guise of Islam. Osama Bin Laden has used Islam in his war against the ‘Crusaders’ (the West) and the Saudi Royal family, and has called upon the *Umma* to join *Jihad* against them. Since “legitimate” Islam is the one social niche that governments are reluctant to tamper with, it makes covert organization easier under the pretext of religious study; discontent flows to the only artery left open, militant groups crusading in the name of God. Thus the citizenry, often find themselves supporting fundamentalist Islamic ideologues because they are often seen as the only potential catalyst for change from what they perceive as an illegitimate, ineffective and corrupt government, Khashan comments:

“Recent years have witnessed a dramatic surge in the influence of Islamist groups in many Arab countries. Political Islam as been transformed into a vehicle of organized protest against inept, secularly structured but functionally ill-adjusted political systems, although there is meager evidence to link the surge of militant Islam to enhanced faith. Current militant trends are largely a translation of the frustration felt by the masses in connection with the regimes’ failure to achieve political development, solve the riddle of political identity, and bring about balanced economic prosperity” (Khashan 2000, 125).

Not to lose out on a public relation opportunity, the regimes have used their self-created threat of Islamic militancy as an excuse to provide both their own people and their Western supporters, for their inability to liberalize the political system. Terrorists and

fundamentalists would come to power as the argument goes. (Due to several factors discussed, such an argument has merit.) As has been alluded to, the West is by all indications comfortable with this “no-liberalize” policy.

b. Emigration

Repression and failed economic policies have made life in the Arab world highly undesirable for all but those top few percent of the population somehow connected to the ruling elites. As a result, many of the best and brightest have left their countries of origin flocking to societies in the West that offer them genuine opportunity and political freedoms. Originally this “brain drain” was consigned to the Christian Arabs due to their religious affinity with the West, but over the past several decades it has increasingly taken on a Muslim complexion. The exodus of the intellectuals, the trained professionals, the well to do and all those so motivated to make a better life for themselves, has had extremely negative implications for the make-up of Arab society.

- Resources to train skilled professionals, already in scarce supply, are squandered when these “marketable” professionals exit the region.
- There is little in the way of non-militant opposition, so even if there were changes, from a political liberalization perspective, things may end up being as bad or worse if extremist elements come to power, as one could argue was the case in Iran.
- Finding competent, non-corrupt individuals to work for the betterment of society is more difficult, be it in the government or the private sector.
- As the relatively well off middle class are often the most anxious to leave, they take their wealth with them, not investing in the local economies.

3. Malnutrition

A third level of illness in Arab society, brought on by self-serving authoritarian politics is the least toxic but nonetheless has had long-term deleterious effects on socioeconomic conditions. This “malnutrition” is related to fiscal issues of wasteful spending, ill advised borrowing and, in combination with the unstable political situation, contributing to an unattractive investment climate.

a. Diversion of Scarce Resources

Arms’ spending, while ostensibly for the purposes of defending the citizenry is primarily a means of co-opting the military leadership and providing them the means to put down internal threats to the regimes. In either case, an enormous amount of money is spent by Arab regimes, far beyond what would be considered normal for developing countries and as such, diverted from social services and infrastructure projects. This spending has historically been rationalized as a necessary evil based on the Arab worlds on-going struggle against Israel, their fellow Arab, Saddam Hussein’s Iraq and most recently Iran. Yet this diversion of resources (mostly rents) has been one of the fundamental reasons for the failure of development in the Arab world.

According to Long and Koch: “In the Gulf, the United States has won the lion’s share of new orders (arms) since the 1991 Gulf War, though 1995 saw France outstrip the USA in sales to the developing world, including the Gulf, with orders worth \$11.4 billion compared to \$6.1 billion for the USA (Long and Koch 1997, 80). It is worth noting that while spending on all of the above in the name of defending their citizens from external enemies, actual history shows very little such use. This is especially so in light of the fact that with the full military and political backing of the United States, Israel cannot be defeated by military means and Iran has never attacked an Arab state except in the context of defending itself in its war with Iraq.

While one benefit of defense spending is the employment and training of male youths, the primary purpose is simply to keep the corrupt ruling elites in power. Happy Generals

in the army and secret police, in possession of military might and other “security apparatus”, employ the threat or actual use of these tools of repression, against their own, often times disgruntled citizens. Waterbury comments:

“The issue of governance is directly related to arms levels and arms supplies. With the very partial exceptions of Turkey, Israel, and Egypt, large military establishments and nondemocratic rule go hand in hand. The military and police establishments, which in countries like Syria and Iraq provide careers for hundreds of thousands of people, keep unelected governments in power. At the same time they must be kept happy by a constant flow of new gadgetry. We posit that governments that spend over 10% of their GDP on “defense” will have a hard time initiating no less sustaining, democracy” (Waterbury 1991, 12).

Inordinate levels of “defense spending” is an inherently wasteful use of state revenues, rents or otherwise. It is a symptom of how oil-enabled, corrupt Arab regimes have diverted scarce resources from society to pay for regime maintenance, Richards: ” In short, the revival of economic growth in the Arab world requires the end of the regional arms race; and the end of the regional arms race necessitates ending unaccountable authoritarian rule ” (Richards 1995, 754).

b. Debt Financing

As has been suggested, as a function of their illegitimate nature, Arab governments have very limited means at their disposal to raise revenues via taxes. And even if they were so able, the feeble nature of these economies is such that there would be little to tax. This however was not an issue as long as the various rents were there to sustain the economies and placate the masses. When, beginning in the early 1980’s the price of oil began to drop, impacting the availability of cooptation funds and imperiling the regimes; Bill and Springborg:

“...The petrodollars that flowed into the Middle East between 1974 and 1981 did not facilitate the development of national or regional political institutions capable of effectively managing the processes of political and economic development and integration. Governments simply opened the taps so that a deluge of consumer goods and services flowed out to their populations that were for the most part

excluded from playing any significant role in national decision making. The strategy of the “social contract” depended on a continual accumulation of rents in government accounts. This income began to drop rapidly from 1982 as oil prices sagged and the share of Middle Eastern oil in world trade also fell. The first response by most governments was to borrow more money in the hope that the petrodollar bonanza would somehow return before the debts fell due” (Bill and Springborg 1994, 422).

The revenue for food subsidies, consumer imports, government jobs, weapons and general cooptation became in short supply. In order to maintain their political viability (i.e. stay in power), the regimes had to raise as much money as possible to pay for “regime maintenance” activities. The existence of oil as collateral enabled the oil exporting governments in particular to borrow more than they would otherwise be able to do, getting themselves into ever deeper debt. Yergin: “ The world oil crisis was now giving way to the international debt crises and many of the world-class international debtors would turn out to be oil nations, which had borrowed heavily on the premise that there would always be a market for their oil, and at a high price” (Yergin 1992, 732). In this same time frame Alnasrawi quantifies the level of debt from ten years ago: “External debt is massive, making service of this debt a significant drain on the energies of the region. The external debt of the Arab economies, which amounted to \$15 billion in 1975, rose to \$49 billion in 1980 and reached \$181 billion in 1988. As a measure of Third World debt Arab external debt increased from 8 percent in 1975 to 15 percent in 1988” (Alnasrawi 1991, 175).

The debt has continued to rise especially in Iraq as a function of its two wars. (The second Gulf war also had the effect of dropping significantly what Egypt and Syria owed, as was part of their pay-off for being part of the “coalition”.) The oil exporters have an obviously higher per capita level of debt with the United Arab Emirates coming in at a whopping \$19,500 per person.

Government spending in the Gulf countries continues to exceed revenues when oil prices drop. While borrowing was a relatively easy task for the oil exporters the non-oil exporters fell into the same trap for essentially the same reasons. They however do not

have tens of billions of barrels of oil in the ground to pay the future interest on such debt; Bill and Springborg comment: “Low and middle-income MENA countries have a higher total external debt as a percentage of GNP (52.6 percent in 1990) than any other region in the world with the exception of Sub-Saharan Africa” (Bill and Springborg 1994, 425).

c. Unattractive Investment Climate and Capital Flight

In light of the political instability, repression, civil unrest and the seemingly endless wave of regional conflicts, Arab states have had a difficult time attracting investment in all areas of development save oil extraction. Not only are foreigners unwilling to invest but the local citizenry would rather keep their savings away from the purview of the government contributing to the flight of capital from the various states.

Even members of the ruling cliques are reluctant to keep their money “in-country” as they, like the rest of the local citizenry, fear their savings could be expropriated either directly by the state or via the pursuit of macroeconomics policies that lead to inflation or other means that contribute to the devaluation of the currency. Therefore, to the extent possible, the people with the means to do so keep their money in offshore accounts and those without such opportunities endeavor to exchange their home currency for “hard” currencies as a means to ensure it maintains its purchasing power. Richards suggests:

“...savers and investors (with good reason) fear and distrust national governments. Specifically, they fear that their savings will be expropriated either directly by state decree, or by stealth via rampant inflation and overvalued exchange rates. Unsurprisingly, they hold their savings off-shore or in highly liquid form. Only if genuine political reform creates secure private property rights and an independent judicial system to enforce those rights will the savings of Middle easterners be placed inside their own countries, and, still more difficult to induce, in the kind of illiquid, fixed capital investment (like factories) which the region needs to produce the goods to sell abroad to buy food and to create jobs” (Richards 1995, 72).

Inept and unaccountable governance has led to varying levels of maladies on the Arab socioeconomic condition, ranging from the massive destruction of countless wars to the

more subtle illnesses related to fiscal policies that lead to macroeconomic imbalances. The net result is death and destruction on a massive scale and an associated investment climate devoid of rational economic prospects. The Arab masses then have to live with violence and intimidation pervading their everyday lives while finding no relief in the economic sphere. Save for the governments themselves, few are interested in investing in countries where even the most meager political and macroeconomic requisites for economic development do not exist.

B. Via Western meddling

Western meddling has had a dramatic impact on the make-up of Arab society, much of which was covered in Chapter I. This section will explore two of the most significant aspects of Western meddling and its impact on the socioeconomic condition; 1) how it has contributed to Arab antipathy against the very values they need to embrace and; 2) how Western meddling has contributed to death, destruction and misery.

1. Antipathy of Values

The Western ideal of democracy, the promise of “life, liberty and the pursuit of happiness” holds a tremendously romantic attraction to the Arab masses that enjoy few such personal freedoms. Yet it is the selective application of these values especially in the context of US/West policy vis-à-vis the Arab-Israeli conflict that contributes to such dissonance in the public’s mindset.

The seeming incongruence of American support for what is perceived as Israeli aggression is difficult to reconcile in the Arab psyche. The “values” that emanate from the West seemingly apply only if you are “of the West” or at least Judeo-Christian. Rhetoric aside, the US/West is generally perceived as duplicitous, hypocritical and untrustworthy and their so-called “values” are often dismissed accordingly. Such incongruity has contributed mightily to the return to the egalitarian virtues of Islam as the seemingly only remaining medium of authentic identity.

Thus the conflicting nature of Western rhetoric has created a backlash against the perceived duplicity inherent in so-called Western values. As a result many Arabs have turned against the genuine values that the West has so often made a mockery of in the Middle East; pluralism, free market economies, equal justice under the law and the sanctity of human life. Embracing such principles may be the only salvation for Arab society but the cynical manner in which they have been employed by the US/West, deters progress in this regard, as Khashan states”...the Arabs must realize that denial of the West will not get them very far on the road toward modernity. Contact with the West may have been venomous to the Arabs, but many Western modernizational values provide the necessary antidote for their regeneration” (Khashan 2000, 141).

2. Death, Destruction and Misery

Much has been said regarding the factors contributing to death, destruction and misery as suffered by the Arabs. While US/Western culpability in the miserable socioeconomic conditions that exist in many parts of the Arab world has been discussed, two areas in particular warrant further elaboration; Palestinian dispossession at the hands of Israel, the sanctions and war on Iraq. (Israeli actions are included as part of Western meddling because of their Western creation but more importantly as a function of their unequivocal support as the mercenary state of the US/West.)

a. Palestinian Dispossession

No single event in modern Middle East history impacted the psyche of the Arab peoples in general and the Palestinians in particular like the loss of the former Ottoman province and British mandate territory of Palestine in 1948. The military victory of the Jewish/Zionist forces, left 800,000 indigenous inhabitants dispossessed from the newly created state of Israel. These “refugees”, as they were originally referred to in U.N. parlance, went on to play a significant role in the politics of the various Middle Eastern concerns. While United Nations Security Council Resolution 194, called for the repatriation of, or compensation to, the displaced, over half a century later Israel has

never seen fit to fulfill its implementation. (Nor has it been pressured to do so from its Western benefactors.)

As a consequence of the *Nakba* (catastrophe), many of the Palestinian refugees fled to the remaining 22% of Palestine not taken by newly created state of Israel, the West Bank and Gaza Strip. Others took refuge in the neighboring states of Lebanon, Syria and Jordan thinking their return was to be immanent; it was not. In the 1967 “Six Day War” Israel, took possession of the remaining 22% of Palestine and the so-called “Occupied Territories” were born. Therefore, today, over two million Palestinians reside in the Occupied Territories. They live under Israeli military administration similar in nature to the former apartheid policies in South Africa, with essentially no political, social or economic rights and have little control of their daily lives. Edward Said, noted author and Palestinian refugee himself, describes life “on the ground” circa 1992 for the Palestinians.

All Palestinians are assessed extremely high and even punitive taxes, yet no one knows how that money is spent since there is no published Israeli budget for the West Bank and Gaza. No Palestinians are elected to office, none allowed to vote (as Israeli Palestinians can) for Israelis either. Anyone can be picked up, jailed, and tried, or not-just because an Israeli official or military person says so. There are now about a thousand laws passed by the Israelis all of them regulating Palestinians in such a way as to prevent development, building, water, travel, electricity, journalism, political organization (Said 1994, 190).

While over 400 villages from pre-1948 Palestine have been eradicated, Said estimates that as of 1994, 50% of the West Bank and Gaza has also been expropriated and illegally settled by Israel (Said 1994, 190). In addition some 17,000 Palestinian houses have been demolished on the West Bank alone (Said 1994, 37). With respect to Gaza, Said writes:

“...the Jabalya Camp, which has the highest population density in the world, and houses over 65,000 refugees, displaced from as far north as Acre. You enter the Gaza Strip through what in fact is a large gate, which is locked at night, and gives the place the appearance of an enormous concentration camp..... Jabalya Camp is the most appalling place I have ever seen. The numerous children that crowd its unpaved, potholed, chaotic little streets have a sparkle in their eyes that is

totally at odds with the expression of sadness and unending suffering frozen on adult faces. There is no sewage system, the stench tears at your gut, and everywhere you look you see masses of people falling all over each other, poorly dressed, glumly making their way from one seemingly hopeless task to the other. The statistics are nightmarish: the worst infant mortality rates, the worst unemployment, the lowest per capita income, the most days of curfew, the least medical services and on an on" (Said 1994, 194).

In the more than half a century since the *Nakba*, the condition of the Palestinian refugees has remained miserable both inside the Occupied Territories and in the refugee camps that dot surrounding Arab states (the two million or so who live in the Diaspora being the possible exceptions). The existence of these refugees has in turn impacted the neighboring states as the Palestinian "resistance" has attempted to use both Jordan and Lebanon as base camps to launch incursions into their former homeland. In both instances it contributed to civil war, Jordan's (1970) short but savage and in Lebanon, a fifteen-year protracted blood bath. The West's "strategic asset" to keep Middle Eastern oil out of the hands of the Soviet Union and radical Arabs has both directly and indirectly exacted a heavy toll for their services.

b. Sanctions and War on Iraq

Next to Palestinian dispossession, the Western sponsored sanctions imposed on Iraq have arguably had the most devastating impact on the socioeconomic fabric in the modern history of the Arabs. Phyllis Bennis describes the conditions:

"From 1990 until today, the most comprehensive and tightly enforced economic sanctions in history have been the cornerstone of US Iraqi policy. For Iraqis this has meant a decade of death--500,000 children under five would be alive today if the economic sanctions did not exist, according to UNICEF. The devastation wrought by the US and its militarily spurious "coalition" has yet to be repaired. Iraq's oil infrastructure is severely eroded; rusted water and sewage treatment plants lie inert for lack of spare parts; schools and universities wither; and a new generation of Iraqis is growing up knowing nothing but war, sanctions, deprivation and a hatred of Western governments. The Iraqi regime remains in power, and for most Iraqis, its continuing political depredations have long been overtaken in significance by the physical and human devastation caused by US-led economic sanctions" (Bennis 2000).

The sanctions have had the effect of ending the ascendance of Iraq to what could arguably have been the most powerful economic and military force in the Arab world within a decade, instead, "...U.S. policy of containing Iraq meant that Iraq would languish indefinitely under severe U.N. sanctions, which have caused the deaths of hundreds of thousands of civilians and devastated its potentially promising economy, previously described as a Middle Eastern tiger in the making"(Khashan 2000, 110). In 2003, the US-led coalition invades Iraq, puts Saddam on trial and then sentences him to death, partly under the pretext of having Weapons of Mass Destruction. In the led-up to the invasion, the US and UK emphasized the argument that Saddam Hussein was developing "Weapons of Mass Destruction" and thus presented an imminent threat to his neighbors, to the US, and to the world community. UN Security Council Resolution 1441 strengthened the mandate of the NU Monitoring and Verification Commission (UNMOVIC) and the International Atomic Energy Agency (IAEA), giving them authority to go anywhere, at any time and talk to anyone in order to verify Iraq's disarmament. Throughout late 2001, 2002, and early 2003, the Bush administration worked to build a case for invading Iraq. Shortly after the invasion, several intelligence agencies largely discredited evidence related to Iraqi weapons and, as well as links to Al Qaeda, and at this point the Bush and Blair Administrations began to shift to secondary rationales for the war, such as the Hussein government's human rights record and promoting democracy in Iraq. Not a day passes without hearing news about explosions and massive killings in Iraq. The reasons for the imposition of sanctions and the pretext for them to invade Iraq will be discussed at further length in the next chapter but suffice to say that Saddam's threat to impair US/Western hegemony over Arab oil, has had devastating consequences for the Iraqi people.

Hammoud contends that "the invasion and occupation of Iraq captured the imagination of millions as a sign of the disregard with which the United States viewed Arabs and Muslims, their culture, their history and their passions" (Hammoud 2003, 114).

Osama bin Laden, in his statements leading up to the invasion of Iraq and during the occupation of Iraq, is attempting to demonstrate to the Muslim community that the

invasion substantiates what he has been saying since at least 1996—that the Americans are trying to control the world through control of oil in Muslim lands.

“By propounding the plunder of Muslim oil and the domination of Iraq, bin Laden unsheathes the most powerful weaponization of oil against the Americans” (Williams 2007, 18).

Chapter Summary

Chapter V has attempted to elucidate how the authoritarian nature of the various Arab political systems, made so to a great extent by oil related rents, has contributed to a further deterioration of the socioeconomic condition. Inept governments whose primary concern is staying in power have led their peoples into countless conflicts abroad often with spurious motives. In addition to the massive trauma associated with wars, domestic repression has added to the death and destruction while contributing to religious extremism and emigration of the best and brightest. Ill-conceived fiscal policies, with the primary objective being regime maintenance, in concert with all of the above, has led to the flight of capital out of the region, exacerbating the economic and social woes.

Also discussed in Section B, was how Western meddling has negatively impacted the socioeconomic condition that prevails in the Arab world. Meddling that would be greatly mitigated were it not for their interest in maintaining control of Arab oil supplies. The highly selective and hypocritical application of US/Western “values” has contributed to a backlash against these values, further separating the Arabs from the means to the redemption of their societies while bolstering the positions of the extremists. Finally, US/Western culpability was discussed as it related to the two most significant events impacting the socioeconomic fabric of Arab society, the dispossession of the Palestinians and the sanctions and invasion of Iraq.

CHAPTER VI

OIL AND ITS INDIRECT IMPACT ON THE DEGREE OF WESTERN MEDDLING

The intent of this final chapter is to focus on how the delicate political landscape of the Arab world has influenced the degree of Western meddling. How, in order to maintain hegemony over their strategic oil related interests, they have participated with varying levels of involvement to ensure threats to those interests were kept to a minimum.

A. Via The Political Landscape

Ever since the discovery of petroleum in the early part of the 20th Century, the West has kept its eye on the political on-goings in the Middle East. As the significance of oil grew to the West, the perceived threats to its disposition magnified that scrutiny. First it was the Germans in WWI and WWII and then escalating further, the Cold War had the Soviet Union as potential coveters of the West's prize. While Western policy has certainly evolved over these many decades, they have had what is referred to in this chapter as four degrees of involvement in the political machinations of the region. All designed to ensure that the oil resources stay within their control, indirectly or otherwise.

The first degree of political involvement has been the behind-the-scenes maneuvering to make sure that indigenous national movements did not put in peril the flow of oil. Supporting or ignoring the repressive measures of the local regimes was the key to implement in this strategy. The second degree had to do with the use of surrogates in close proximity to the region, who could be employed as necessary to keep things in Western hands. Israel was of course the main "policeman" in this regard but also included Turkey and pre-revolutionary Iran. The third degree of involvement was what

occurred when things had the potential to get out of control, where the West saw a strategic need for direct intervention against regimes that were not “cooperating”. The final degree of involvement, perhaps an offshoot of number three, has to do with the establishment of a direct presence in the region as what has occurred since the last Gulf war. In all circumstances, the objectives of Western meddling had little if anything to do with the well being of the citizens of the states in the region. The degrees of this meddling and its impact on Arab society will be the subject of what follows.

1. The Suppression of Nationalist Forces

Next to the perceived Soviet threat, the West has always feared that domestic insurgents with an anti-American bent might seize power in the oil exporting countries; similar to what occurred in Egypt, Syria, Iraq, Libya and then Iran. In this sense, Hammoud comments that “the military leadership gave up on the grand scheme for regional leadership because the Western powers, namely the United States, Britain and France, had done their utmost to destroy Arab nationalism. They were aided by those in the Arab world (he meant Saudi Arabia) who never believed the project would or should work” (Hammoud 2003, 147).

While the spread of Communism was never a viable prospect in the Muslim world, various Arab nationalist movements were. It has been the suppression of these forces that has been one of the two overriding objectives of Western strategy for the Arab world (keeping the Soviets out being the other), Chomsky: “...it has always been a guiding policy that Middle East oil should be under the control of the United States, its allies and clients, and its oil corporations, and that independent ‘radical nationalist’ influences are not to be tolerated” (Chomsky 1992, 179).

Historically the US/West has used their support for repressive regimes to ensure that homegrown insurgencies are nipped in the bud. Starting with the insertion of leaders that were well suited to serve Britain and France’s interests in the post WWI era, to the support for authoritarian regimes today, the West has materially supported those who would secure their interests while putting little pressure on these “friends” to liberalize or

embrace “Western values”. The US/West has in fact been quite content to look the other way even when human rights violations ran rampant to combat these nationalist forces, be they militant Islamists or peace loving intellectuals.

In so doing, the West has greatly inhibited the evolution of democracy and civil society in the Arab world. The prevalence of authoritarian regimes and the lack of unity in Arab ranks may have served Western interests but has been extremely debilitating to Arab society. While volumes have been written about the seemingly inherent nature of authoritarianism in Arab politics, seldom is Western culpability touched upon. What has arisen in place of civil society is one marked by sectarianism, parochialism, religious fundamentalism or just a general complacency of the populace. What was once a region where Nasser could inspire the Arab regimes and masses toward a common goal has degraded to a group of illegitimate governments whose primary concern is their own survival.

While Western policy has largely been successful as it relates to the suppression of nationalist forces coming to power in the oil rich Gulf, they have in the process metaphorically painted themselves into a corner. The more they have opposed “legitimate” nationalist forces, in lieu of their repressive friends, the more these forces have taken on a militant, anti-American, even anti-democratic complexion. Therefore today, US/Western policy makers face the uncomfortable reality that were they to “allow” Arab countries to liberalize, it would provide an entrée for nationalist forces who would more than likely be Islamic in nature, and almost certainly anti-Western in sentiment. The commonly excepted belief being that free elections would in the best case result in something similar to Iran and worst case could degrade into something resembling Afghanistan. Neither prospect is something the US/West would like to entertain.

2. Neighborhood Policemen

The second line of defense against perceived threats, be they emanating from the Soviet Union or nationalist forces, was to employ the use of surrogates to act as policemen in the

region. The support of non-Arab states like Israel, Iran and Turkey was enlisted in return for various forms of American assistance, economic, military and political. This policy often had the effect of driving the Arabs into the hands of the Soviet Union, Egypt, Syria, Iraq and Libya in particular, yet managed to prove effective at keeping the Soviet influence to minimum and nationalist forces in check. (The atheistic nature of Soviet communism probably had at least as much to do with this.)

The US recognized that short of a military presence in the region, it needed reliable partners who could act in US interests in the event anything might occur that may have the potential to be destabilizing. The so-called "Nixon Doctrine" was an attempt to put such a contingent in place that went beyond a perceived dependence on Israel alone. Where Israel's responsibilities lay primarily in the Mediterranean, the Shah of Iran was to be the local US law enforcement in the Persian/Arabian Gulf. Chomsky: "The Nixon Doctrine had established Iran under the Shah and Israel as the "cops on the beat" in the region, in the words of Defense Secretary Melvin Laird, ensuring no "radical nationalists" would pose a danger to the region" (Chomsky 1992, 55).

In the aftermath of the 1967 Arab-Israeli war, Iran became an even more attractive option as the Gulf policeman due to its proximity, the fact that they were a non-belligerent of the Arabs, and the fact that they were Muslim, albeit, Shi'a and non-Arab. Even Jimmy Carter who came into office determined to inject some "integrity" into American foreign policy eventually came to see how crucial the some-times tyrannical Shah was as an ally, Yergin: "Iran was a fulcrum country, essential to stability in the region. It was a critical element in counterbalancing Soviet power and ambitions in the area, as well as those of radical and anti-Western forces" (Yergin 1990, 672). The Shah was to work in concert with his junior partner the Saudi's, to patrol the Gulf and keep the smaller emirates out of the clutches of revolutionary forces, Yergin continues:

"At the beginning of the 1970's, Nixon and Kissinger had established a "blank check" policy, giving the Shah a free hand to buy as many American weapons systems as he wanted, even the most technologically advanced, so long as they were not nuclear. The policy was part of the "twin pillars strategy", established

for regional security in the wake of the British withdrawal from the Gulf. Iran and Saudi Arabia were together to be the pillars but of the two, Iran was clearly, as one American official put it, the “Big Pillar” and by the mid 1970’s, Iran was responsible for fully half of total American arms sales abroad” (Yergin 1992, 644).

Therefore, the fall of the Shah in 1979 was initially seen a severe blow to US interests. Not only had the Big Pillar now crumbled but the revolutionary regime under the leadership of Ayatollah Khomeini was outright hostile to American interests. This did not however, prove to be an opportunity for the Soviet Union to exploit Iran’s hatred of the West. The Iranians, like the Arab states, had little if any interest in communism except for when it was in their interest to receive their aid or to play the “Soviet card” to enhance their negotiating position on a given issue.

Nonetheless, Iran was now in the hostile camp and the US was eager to re-establish diplomatic ties with the Ba’thist nationalist state of Iraq and embrace its leader Saddam Hussein as a friend, not only to replace Iran as the local policeman, but also act as a counter to this same Iran. To this end the West directly and indirectly (via Egypt and Saudi Arabia for example) poured various forms of aid into Iraq in support of its war with Iran, which began shortly after the fall of the Shah. Were it not for this support, which included the protection of Iraqi shipping out of the Gulf, Iraq would have suffered a humiliating defeat creating an extremely challenging and dangerous position for the Western alliance.

In order to further reinforce the ring of police nations (surrounding the oil fields) willing to intervene as appropriate, the US shored-up bilateral arrangements with Turkey and Egypt, now that thanks to Sadat and the Camp David accord, Egypt was solidly in the US sphere of influence. Saudi Arabia in spite of its tens of billions of dollars in arms purchases was still the primary country being “policed”, which also included Kuwait and the other oil sheikdoms of the Gulf. While the Iranian revolution initially looked like a catastrophe for Western interests, sentiment began to change as the US drew closer to Iraq, when they, as if on queue, spent eight years at war significantly reducing Iran’s capacity to incite revolution and generally intimidate America’s friends. With the

subsequent dissolution of the Soviet Union, things could not have looked brighter for the security of Western oil interests in 1990.

3. Stands Against Uncooperative Regimes

When the West's friends and policemen have not been able to effectively perform their function of maintaining stability to facilitate the free flow of oil, it became necessary for direct Western intervention into the region. Probably the first significant manifestation of this intervention occurred in 1956 when Abdel Nasser of Egypt, in defiance of the British and French, nationalized the Suez Canal. The Canal was the route by which swelling volumes of Persian/Arabian Gulf oil was getting to Europe, cutting the distance in half versus going around the Cape of Good Hope in Africa. By 1955 oil accounted for two thirds of the canal's traffic. Not only was this a vital passage for the energy needs of the Europeans but the earnings from the canal were going primarily to the European shareholders, the British government being the largest. Therefore when the president of Egypt seized control of the canal, it appeared to the British and French that their vital interests were in severe jeopardy. The subsequent invasion and seizure of the canal by British, French and Israeli forces eventually backfired by bolstering Nasser's power in the region, but the incident demonstrated the extent to which the West was willing to go to protect their oil interests.

So important had the oil resources of the Middle East come to the West that the coup against Britain's installed monarchy in Iraq in 1958, set off a near panic amongst the Western alliance, Chomsky comments: "In November 1958, the National Security council recommended that the US 'be prepared to use force, but only as a last resort, either alone or in support of the United Kingdom,' to insure access to Arab oil. The national Security Council also advised that Israel might provide a barrier to Arab nationalism, laying the basis for one element of the system of control over the Middle East" (Chomsky 1992, 184).

Up until the initiation of the Iran-Iraq war in 1980, direct intervention was very limited as the local policemen, Israel in particular, were effective at blunting the aspirations of most

Arab nationalist movements. The 1967 Arab-Israeli war proved instrumental in taking the wind out of Nasser's sail in Egypt and effectively killing the pan-Arab nationalist movement while the Israeli invasion of Lebanon in 1982 served to eradicate the troublesome PLO as a military force. Israel with the full financial, military and political backing of the US proved quite capable in their capacity as the US' mercenary state. Would-be Arab nationalists were kept disorganized, demoralized and "in their place".

During the (1980-1988) Iran-Iraq Gulf war the US was not a combatant but did come to have a significant naval presence in the Gulf to protect Arab shipping (i.e. oil tankers), including Iraq's, from Iranian attack. In this role however, the US destroyer Vincennes in 1988 apparently mistook an Iranian passenger airplane for a hostile aircraft and shot it out of the sky, killing all 290 passengers. It was yet another sign to Tehran that the continuation of the war, which might provoke direct US intervention to protect their Arab oil interests, was futile. Shortly thereafter they signed a peace agreement with Iraq, which essentially returned eight years of devastation, to the original status quo.

It was not long however, before the US/West was to be provided sufficient grounds to intervene directly into the affairs of the region. Saddam, upon his 1990 invasion of Kuwait, not only destroyed his chances to replace the Shah as one of the US' regional policeman but created what was arguably the greatest single threat to US/Western oil interests ever, Yergin:

"A greater Iraq which had succeeded in absorbing Kuwait, would be well on its way to turning itself into a formidable nuclear weapons state. This was the real significance of the "oil factor," the way that oil would be translated into money and power: political, economic—and military. Saddam Hussein knew what it would mean to acquire an additional 10 percent of world oil reserves, especially as not much in the way of population came with them. If he kept a grip on Kuwait, Iraq would be the planet's dominant oil power, and the other petroleum exporters would bend to his diktats, just as they had begun to do in 1990, before the invasion. ...In short, oil was fundamental to the crisis, not "cheap oil" but rather oil as a critical element in the global balance of power, as it had been ever since the First World War. Such is one of the great lessons of the twentieth century" (Yergin 1992, 774).

The one-time American ally, who conveniently fulfilled Western objectives by deflating the radical Islamic forces in Iran, was now public enemy number one, replacing both Iran and the former Soviet Union. Within months, the US orchestrated the formation of the greatest Western military force since Vietnam, with a token compliment of Arab forces thrown in to provide a pretext of legitimacy. Saddam saw his army summarily destroyed in a one hundred hour land war against the American led “coalition forces”. Not only had the greatest threat to US/Western hegemony been removed but what little remained of Pan-Arab cohesion was torn apart, Khashan: “The war waged by the United States and its make-believe coalition against Iraq, ostensibly to liberate Kuwait, has destroyed the last vestiges of Arab solidarity, rendering Arab states totally ineffectual in Middle East politics” (Khashan 2000,109).

While the war was allegedly waged to enforce U.N. Security Council resolutions and liberate Kuwait, ulterior US/Western motives were clear according to Khashan: “The Americans were very slow to admit that their strategic objectives in the Gulf entailed the destruction of the Iraqi military machine and the strangulation of its regionally ambitious leadership, who violated the tenets of the Western-created Middle East state system” (Khashan 2000, 109). Chomsky quoting excerpts from Egypt’s leading daily *Al-Ahram* writes: “American rhetoric about ‘the savage beast’ was merely a cover for the true goals: to cut Iraq down to size and establish US hegemony in the region” (Chomsky 1992, 417).

Though devastated in the second Gulf war, Iraq was still seen by the US/West and their policemen friends (Egypt, Israel, Turkey and Saudi Arabia), as having the potential to destabilize the region for years to come. Iraq, goes the argument, represents a unique combination in the Arab world of significant human resources, economic and military potential, oil reserves second only to Saudi Arabia and now, like Iran before them consumed with anti-Western zeal. So similar in fact was their profile to Iran that the policy of “dual containment” arose out of the Kuwait affair. A set of sanctions and trade restriction that would apply to both these one-time combatants until it was determined they could act as responsible members of the international community (i.e. serve Western

interests). With respect to Iraq, this containment policy went so far as to imply that the sanctions would remain in effect until Saddam was deposed.

Whether leaving Saddam in power, in hopes that he would be overthrown by his own people was actually the Western “plan” may never be known, but there can be little doubt that there were innumerable benefits to be realized by keeping Saddam around. Perhaps foremost amongst these benefits is that having “the beast” on their doorstep provided cover for the Saudi’s and other GCC states to defend the presence of US/Western troops on their soil. That these largely discredited regimes may well fear internal unrest as much or more than the dreaded Saddam, makes the dual role played by the Western troops all the more convenient for the ruling elites. While the “threat” from Saddam is given to the public as the reason for the Western military presence, it is perhaps their anxiety regarding revolution that is their primary concern. The US/West is more than happy to use this same “threat” to legitimize their stay in the region enabling them to watch out for their interests directly, a strategic position desired since the days of the Eisenhower administration. The inherent advantages in having this arrangement include keeping potential adversaries at bay, keeping their “friends” in power and creating additional levels of dependency on the US/West as Al-Shayehji comments: “The suspicion underlying Hamad’s [Saudi political commentator Dr. Turki al-Hamad] remarks, that the United States deliberately left Saddam in power in order to make the Gulf states dependent upon the U.S. protection, is widespread” (Al-Shayehji 1997, 5).

Having Saddam in power, posing his real or imagined threat also has provided the pretext to impose and maintain crippling sanctions against the Iraqi state. These sanctions have had the effect of devastating Iraq economically (and socially), and mitigating their military potential as a catalyst for any anti-Western movements in the region. Without Saddam around to provide justification for the sanctions the Middle East’s “tiger”, just might begin to recover with many scores to settle.

Keeping Saddam around for all the reasons stated so far may not only be advantageous for the US/West and their Gulf friends but also for the regional allies who have served so

faithfully in their capacity as regional policemen. In spite of his alleged efforts toward creating weapons of mass destruction and the antagonism inherent in Saddam's rhetoric, the regional policemen were better off in many ways by having him in power. Why specifically might these friends prefer a Saddam led, wounded Iraq? Let's start with Turkey.

- Without Saddam to maintain a firm grip on his nation, there holds the prospect of a disintegration of Iraqi society. Amongst other things this could portend that the predominantly Kurdish northern regions might demand some sort of autonomy. This, it is feared by Turkey may inspire their own Kurdish population to join the Iraqis or want something similar of their own.
- Also related to the Kurdish question, Turkey has used the weakened nature of the Iraqi military to mount cross border raids into Iraq proper in their attempt to crush their own Kurdish nationalist movement. (The West is rather silent on many of these activities, which often exceed the limits of international law. Turkey's role as regional policeman and proximity to and affinity with the Turkic people of Central Asia, a region with bountiful oil and gas supplies, may also have something to do with this.)
- Turkey's damn building on the Euphrates river, which restricts the flow of water to Iraq (and a lesser extent Syria), can occur unchallenged by a militarily and politically weak Iraq.

Israel may prefer a Saddam led, weak Iraq because:

- One of their two most formidable military threats (the other being Iran) is inhibited from acquiring arms, including weapons of mass destruction.
- Israel is also fearful of the disintegration scenario, which could see Iraqi Shiites form some confederation with the Israel's other mortal enemy, Iran.
- A completely vilified Saddam enables Israel (and everybody else) to take liberties with Iraq without fear of repercussions in the court of public opinion. How could any indignities inflicted on a Saddam led Iraq, be anything but good?

- Having Saddam around supposedly threatening Western interests provides Israel with what little *raison d'être* they still have for the enormous levels of aid and support they receive from the US.

Even the Mubarak regime in Egypt may prefer a Saddam led, sanctions-imposed Iraq. The would-be challenger to the Egyptian position as leader of the Arab world is now unable to assert such a claim and Egypt remains one of the two most important Arab friends to the West. This importance is leveraged to ensure the continued level of massive American aid and to make sure that Western governments keep quiet about their human rights abuses and level of political repression.

Saudi Arabia and the GCC states also fear that a disintegration of Iraq might hold the prospect of the Shiites in the south forming their own state or worse yet, forming some sort of federation with Shi'a Iran, thus posing an incalculable threat to the Royal families who are disparaged as illegitimate by the mullahs in Iran. In a similar vein, the Shi'a minority in Saudi Arabia may be tempted to rebel against the Sunni Royal family who has not always treated them as first class citizens. Interestingly even the once vilified Iran benefits as their main rival to the position of Gulf power broker is kept at bay. And on top of everything else, all the oil exporters realize the extra benefit of keeping the full magnitude of Iraqi crude off the market, which can only contribute to a dampening of oil prices.

Thus the theory that "letting" Saddam stay in power, as an intentional policy of the US/West, can be seen as being plausible as virtually all the political entities that the US/West cares about benefit in some material way from having this man around to "threaten" his neighbors. This however, is not so for the citizens of Saudi Arabia and some of the other GCC states who now have the existence of Western troops helping facilitate the imposition of authoritarian rule, nor for the 20 million or so Iraqi people, the vast majority of whom, have had their lives devastated by the sanctions and Saddam's tyrannical rule.

September 11 induced the US into shifting its whole policy strategy; containment is not feasible anymore, the international set up is reshuffled, what is needed is “preemptive” action. The US launches its war against terrorism and calls upon states to join in: “you are either with us or against us”, ultimately “rogue states” (Syria, Iraq, and Iran) must be dealt with differently. At a time in which Iran declares its nuclear development, Iraq is no longer a policeman in the region, and being devastated by sanctions it cannot counterbalance Iran’s power. Iraq is accused of possessing WMD and does not cooperate with UNMOVIC, thus the US invades Iraq in 2003. Up to this point in time, the US is unable to set an exact agenda for its withdrawal from Iraq in turmoil, and Weapons of Mass Destruction have not been found.

4. US Presence in the Region

As has been discussed, the West has always been interested in advancing its control over the oil resources in the Middle East, the ultimate manifestation of which would be the re-establishment of a presence in the oil rich Gulf. This was especially true in the aftermath of the oil shortages and price hikes of the late 1970’s and the fall of the Shah in 1979.

Khashan discusses the fulfillment of this US objective: “...the war for Kuwait also served to reintroduce direct Western intervention in Arab affairs. Thus the United States established a permanent military presence in the Gulf and a preeminent role in setting the pattern of appropriate political behavior and determining defense priorities” (Khashan 2000, 110).

The landing of allied troops in Saudi Arabia, Kuwait, and Iraq created an even higher level of dependency on the United States, giving the latter enormous leverage over political and economic developments, especially in oil matters, in the Gulf States. “OPEC will never be the same...It will become a kind of regulated public utility in which the United States will have a large voice. Having saved the Saudi royal family as well as the emirates of Kuwait, Dubai, Abu Dhabi and Qatar, the U.S. will emerge with considerable influence over the political and economic policies” (Alnasrawi 1991, 203). Allowing for this continued US/Western presence then, has Saudi Arabia and Kuwait in particular forsaking what little political independence they might have once had vis-à-vis the US,

effectively abandoning attempts at inter-Arab cooperation and casting their lot with the US/West.

Alnasrawi's comments proved to be prophetic as ten years later things are almost exactly as predicted, with the US/West today completely dominating the political landscape of the region. The Soviet threat is gone, the Iraqi threat is gone, and the last remaining major threat to US/Western oil interests, "nationalist forces", are contained by the presence of Western troops in the region. One could easily imagine a scenario where internal dissent might escalate to open revolt in a GCC state but be put down by "Western supported" indigenous troops on the grounds that it was a terrorist conspiracy against a peace loving Royal family. Saudi Arabia was a scene for several consecutive bombings in 2002-2003 targeting Western interests, compounds for foreigners, and most of all oil companies. With the help and assistance of US intelligence forces, those attacks were drawn to a minimum hardly making news, and the Saudi regime is preserved. While these families manage to endure in their role as Western lackeys, most of the rest of the populace seems to be aware of a different political reality.

Thus the presence of US/Western troops in the region can be seen as the ultimate fulfillment of the US/Western aspirations to protect their oil related interests, substantially reducing their dependence on surrogates. A situation made so by a bumbling Saddam seemingly making every move desired by Western strategists to ultimately facilitate this goal. While oil prices were at near all time lows in the 1990's, the fate of Arab democracy, human rights and economic development remain more elusive than ever. The Arab states thanks to their precious resource are now seemingly imprisoned by a series of three walls, their own governments, a ring of mercenary states to act as a second line of defense and now US/Western military might.

Chapter Summary

Chapter VI discussed how the inconsistent nature of Arab politics has motivated the US/West to formulate policies for the region based on escalating levels of involvement.

This strategy was designed to keep the Germans, Soviets or any other potential adversaries including indigenous nationalist forces, from tampering with Western oil interests. It ranged from the support of friendly regimes and the use of surrogates as policemen, to direct intervention when necessary and finally to the establishment of a direct presence in the region to enable a “hands-on” level of control. This strategy or meddling, depending on one perspective, has proven to be quite effective so far, as would-be foes have been vanquished, regional allies are happy and the dictators remain firmly installed on their thrones.

CONCLUSION

Oil will continue to be an important regional and global issue. However, while the US considers security over oil as a top priority, “Gulf security ranks third for Europe, after security in Eastern and Central Europe, and security along Europe’s southern flank, in the Mediterranean. Europe’s material or economic interests in the Gulf fall into three broad categories, namely energy, trade and investments” (Long and Koch 1997, 75).

Ultimately, current policy implementation of the US and Europe’s objectives in the Arab world are diverse as the US relied on direct involvement and extended sometimes its military power, the European Union adhered to a philosophy of gradualism that relied on notions of soft power, peer pressure, persuasion, and cooperative partnership. The importance of oil and the struggle against terrorism and religious extremism would guarantee the region a prominent place in US/West strategic planning even if the Bush Administration had not decided to invade and occupy Iraq.

If the United States were somehow able to radically and quickly reduce its dependence on foreign oil – a prospect that is highly unlikely in the short term – the deep interconnection between the health of the American economy means that it could not ignore Gulf oil security as long as the world major economies were still dependent on it. The occupation of Iraq it seems will last for some time. Moreover, if the American forces conducting stability and security operations in Iraq withdraw, the US will likely remain the dominant military force in the Gulf, thus ensuring the security of oil exporting states encountered by the nuclear capabilities of Iran and its hegemonic aspirations in the region.

There are a number of common trends within the Arab World that are of concern. Generally, they lack diversified economies with strong economic growth or investment; they have been unsuccessful in attracting much foreign investment outside of the energy sector; and since there is little investment in domestic markets, capital-owning nationals choose to invest much of their money abroad. For the most part, the Gulf States with

large oil reserves preside over single-resource economies, and the rulers distribute oil revenues to support a large segment of society. Nearly all of them have high unemployment levels among their permanent resident populations due to a heavy reliance on foreign labor, inadequate technical and scientific education and inadequate higher educational and work opportunities for women in general. While rising oil prices can keep the Gulf States fiscally afloat in the current economic environment, a significant drop in the price of oil would be potentially crippling, as the oil crash of the 1980s (in addition to financing the Gulf war) depleted these states' reserve funds and drove them into debt.

In the Arab World, particular circumstances have conspired to delay the break with authoritarianism. The fear of a return of anti-Western populism in one form or another, the desire to retain control over the world's most important oil reserves, and the increasing political and moral support of Israel and its military supremacy-all these factors have led the Western powers and the US in particular to strengthen their ties with Arab regimes that seemed to display their effectiveness.

The inflow of oil as well as salary remittances from nationals working abroad, allowed the ruling elites to discount popular pressure. They had gained the means to create a clientelist stratum whose backing would help them bypass the need for popular support. Endowed with considerable resources and freed from any possibility of popular pressure and accountability, the Arab regimes could ignore public opinion, and not having to worry about improving their governance or seeking public support. It seemed that their fate was tied to the benevolence of Western governments.

Consequently, due to a mix of socio-cultural and economic reasons, certain fringe elements of Arab societies could possibly serve as importers and exporters of terrorist recruits, supplying funding, training sites and ideological reinforcement. As long as energy and terrorism are at the top of the American security agenda and the US remains the world's preeminent military power, the interests of the United States in the Arab

World will be deeply intertwined, and this region will remain the focus of any national or international security strategy.

With the current rise in oil prices (\$140/B, the highest in history), it may be argued that these revenues would enable oil-producing countries in the Arab World to invest in programs intended to create new opportunities for their citizens, yet it must be noted that this unexpected rise will have its negative ramifications as well. It may affect the US policy interests in the region in the sense that high prices allow Iran to escape the concomitants of the international sanctions placed on it. At the same time it allows Teheran to pursue its nuclear ambitions and subsidize gasoline for its citizenry especially that the tight oil market has enabled Iran to find alternative customers for its resources (Henderson 2007, 1). This rise has affected international relations as Simon Henderson added that “concern about oil supply is likely one of the main reasons why China, for example, is less than supportive of proposed UN Security Council measures against Iran” (Henderson 2007, 1). High oil prices may further give some oil-producing countries in the Middle East the economic means and justification to develop civil nuclear power, which inevitably raises fears of military applications and regional proliferation as was recently indicated about Syria. Most fearful is the fact that greater oil wealth often results in greater charitable giving, which leads to the concern that some money will flow to front organizations used by radical Islamist groups. The critical point however, is the increase in tension between Iran and its neighboring oil-exporting countries to the point of possible military confrontation.

On the micro level, despite the massive financial rents earned by oil producing countries from these prices, this will have serious political and social consequences for the international community in the foreseeable future. A citizen with a limited income leaves him/her incapable of absorbing the high fuel prices; he will start to feel the impact of prices on his/her family budget, thus unable to meet basic demands of the family food, gas, heating, and electricity. These are unavoidable living-related questions that will eventually be brought in front of oil-producing countries, resulting in pressures and obligations.

To conclude, oil wealth has directly and indirectly affected the Arab World. It marked the degree of Western meddling in the sense that the existence of this resource has invited the West to involve in the region mainly to secure its interests in the vital flow of oil. Oil has affected the socio-economic conditions and the political environment of the Arab states generating lack of democracy, feeble economies, unemployment, poverty, migration, and welfare disparities. All those problems enhance the feeling of relative deprivation within each state especially in the Arab Gulf, and between those resource-rich states and the surrounding countries, where the less fortunate regardless of their earnings compare their situation to whom they consider privileged. This in turn engenders resentment and people tend to resort to religion assuming this is the path to appease this unfairness. Ultimately, the greatest fear and anxiety that oil has inflicted through all these aspects remains the breeding religious extremism which is harmful not only to the Arab States but also to the whole world.

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