1996

28 October

Roundtable with a presentation by Dr. Peter Pawelka, University of Tübingen (FRG)

Topic: The Political Economy of Foreign Policies in the Middle East

Participants: PASSIA Staff; Dr. Helga Baumgarten, Lecturer, Birzeit University; Dr. Musa Budeiri, Lecturer, Al-Quds University; Dr. Sami Musallam, Director, President's Office, Jericho; Dr. Michael Stahl, Swedish Consul General in Jerusalem; Dr. Anis Al-Qaq, Ministry of Planning; Diana Safieh, Travel Agent, Jerusalem; Dr. Rosemary Hollis, Chatham House, London; Dr. Mohammed Jadallah, Physician, Jerusalem; Terry Boullata, Program Coordinator, WATC-Ramallah; and Abdel Rahman Abu Arafeh, Arab Thought Forum, Jerusalem.

PRESENTATION

It is not my intention to give you a lecture on empirical or actual foreign policy in the Middle East, because this would be like carrying coals to Newcastle. I would just like to present to you some academic ideas on a more complex approach of foreign policy analysis. I feel very honored that you are ready to listen to me despite the pressing problems with which you have to deal on a daily basis.

The analysis of foreign policies in the Middle East is a much neglected field of social science research. This does not mean that little has been written about the foreign policies of individual countries, regional conflicts, or the region in international politics, but this literature has seldom been systematically occupied with the character and the behavior patterns of the foreign policies of weak, dependent and underdeveloped states.

- Most of the literature is descriptive, and does not highlight regularities, abstract connections, or theories.
- Many writers treat the foreign policies of the Third World only as the object or the reflection of the foreign policies of the great powers.
- Another part of the literature is dominated by the neo-realistic school with their preference for power, influence, geopolitical interests and psychological analysis: the foreign policy of statesmen.
- Just seldomly, we meet the decision-making approach or quantitative analysis.

Nobody asks about the special features of the foreign policies of the Third World and their ability to assert themselves in the highly structured international system.

Surprisingly, the yield of the dependency approach for the foreign policy analysis of the Third World was also quite meager. It was recognized, that the political economy must be taken into account; but it was precisely this idea of dependency, that had a paralyzing effect on the analysis of foreign policy. What scope for action should then be investigated? It was only occasionally mentioned, that the developing countries, too, were relatively autonomous in their foreign policies. This general assessment applies equally to the Middle East.

With these problems in mind, we should like to argue for a foreign policy analysis of the Middle East. We begin with a few unusual observations in the Middle East, aspects of the international political economy of this region, which are not found to an equal extent in other parts of the Third World:

- an unusually large transfer of resources from the industrialized countries into the region (North-South),
- frequency and variety of state and social income from outside the national borders,
- a high degree of material integration of the region into the global system,
- extreme conflict-richness of the region, linked with an unusually intensive involvement of the great powers, and
- a long historical tradition of financial policy intervention by the great powers in the political systems of the region.

The region of the Middle East has been forcibly integrated in the world economic system since the middle of the 19th century. For the sake of this lecture, we shall assume that there are two periods of integration to be distinguished:

Until World War II, the process of development in the Middle East largely followed the usual pattern in the Third Word. Integration into the international system took place on the basis of agricultural raw materials exports to the industrialized countries, and industrial consumer goods imports from those countries to the Middle East. These exchange processes were secured, first of all, by political and military influence and later by colonial rule. Following World War I, this task was taken over by domestic regimes, which were recruited from classes created by capitalism. These neo-colonial regimes were unable to cope with the crises occurring in the 1940s, and fell victim to revolutionary movements.

Following World War II, a new socioeconomic structure crystallized in the Middle East. The economic interests of the industrialized world have since shifted from the export of agricultural raw materials to minerals, and from the import of industrial goods to a broad spectrum of production equipment, high technology and luxury goods. The political economy of the Middle East differed from that of the other regions of the Third World in that it had at its disposal a strategic resource of the industrialized societies: mineral oil, which is currently the major source of energy.

The position of supremacy of the Middle East in the energy market explained the unusual interest of the big powers in this region. Within the region, the socioeconomic dynamics shifted from the old agricultural areas to the periphery of the Middle East.

The change was reflected on the political level in a division of the region, lasting two decades, between the revolutionary agrarian systems and conservative oil-producing states. The socioeconomic conflict ended in the 1970s in the victory of the oil states. But the homogeneity of the region and security policies of the oil states and the great powers led to a share in oil revenues. In the Middle East, a whole hierarchy of states emerged, whose revenues/incomes consisted of rents from raw-materials and various rent equivalents or were highly influenced by them.

This specific type of income, not dependent on capital investment and productive work has produced essential features of the economy, the political structure, the social development and mentality in the Middle East. What we are interested in here, however, is the question of how foreign policy is shaped by the earning of rents.

Rents in the foreign policies of the Middle East can be seen from two viewpoints:

1. Foreign policy, in cooperation with trade policy, is the main instrument for obtaining rents and is thus equivalent to tax policy. Foreign policy here becomes the central political field of the elite, because it regulates the acquisition of the material basis of the system. Foreign policy serves to absorb internationally circulating resources by state participants in favor of internal development, clientele formation, self-legitimization and self-privilege.
2. Rents, in the foreign policy process, can also be regarded as a means of providing political inputs. External states, international organizations and banks and multi-national corporations intervene in political systems in order, with the help of financial benefits or other material resources, to promote the whole political elite, or parts of them, or individual social groups, or to mobilize or pacify them.

Political rents in the foreign policy process always have two sides: they strengthen their recipients, keep them in power and give them a chance to develop. But they also mold attitudes and behaviors, structures and processes, which not infrequently serve external interests.

There are rent recipients or rentiers, who have no difficulty in influencing the flow of revenues; they have the economic or political means at their disposal, which are so attractive that they can easily mobilize the external income. Others must use all their skills and a great deal of imagination in order not to let the revenues dry up.

However, since all rent recipients are subject to fluctuations on the world markets due to international circumstances, no rentier state can afford abstinence in foreign policy. If producer states have to maintain their material basis through continued investment, rentier states are forced to maintain or to increase their market value by foreign policy.

The modern rentier state in the Middle East is the product of the oil price escalation in the 1970s, the "regional oil economy" with its allocation policy and the complex integration of the region into the world economic system.

International rents also played an important role in the political culture of the Middle East during prior periods. Our thesis is that international rents in the political culture of the Middle East are a modern equivalent to pre-capitalist tributes, which the political elite generally handle in a similar manner to their predecessors.

The same state of affairs can be formulated differently: the rentier state attitude of large parts of the political elite in the Middle East is the result of world economic superposition and periodically recurring financial "alimentation" of the political elite from the protagonists of the international system.

The modern history of the Middle East shows that imperialism has paid political rents to the bureaucrats of the Ottoman Empire and the traditional *sheikhs* of the tribal societies in Arabia, while it has given a share in agricultural rents to new social groups in the region: large landowners, non-Muslim minorities, and ethnic and religious groups.

In the course of imperialistic penetration, rents kept traditional bureaucracies alive and strengthened them politically; as a consequence, Ottoman bureaucracy did not find any relationship to its own economic base, so that the alienation between the political and economic elite played a crucial role in the erosion of the empire. Rents also helped traditional tribal leaders to achieve an unusual concentration of power. Moreover, they helped the European powers to intervene in the social transformation processes of the Middle East and to establish numerous direct ties to individual confessional, ethnic and social groups.

The goal of the imperial power was to arrange these various forces accordingly to their own interests and to play them off against each other, and in order to do this, political rents and monopolies and economic privileges were granted. To counter this, however, the regional political forces for their part learned to exploit the rivalries of the great powers, to mobilize the lower and middle classes and to bring conflicts to a head through ethnic and religious alliances.

Then, the great powers, too, became the "prisoners" of their oriental ties and the source of fresh political, economic and military benefits, only in order not to lose influence, prestige, diplomatic positions, economic opportunities and strategic positions.

I apologize for not having time to specify this thesis, because I have to concentrate on current policy.

In the 1970s, the oil revolution has put rent policy in the Middle East on a new and very special basis. This new material structure of the Middle East had a lot of consequences. Even in the field of international politics and foreign policy, I can only indicate to some of them:

- The international funding of the whole regional system had eliminated the ideological regulative conflict between Ba'athism and Nasserism on the one side and conservative and traditional positions on the other.
- The highly structured regional international system of states transferred to a more multipolar system of competition.
- The fragmentation of the region weakened the region as a whole with regard to its relations with both regional outsiders and the international system, in general.
- Foreign policy influence was now exercised above all through economic incentives or material pressures and diplomacy, and only in exceptional cases by force.

Foreign policy in this context is not separable from rent seeking and from the acquisition of rents. We shall base ourselves on two different types of internationally revenue earning states, which differ above all by class of rents and the political conditions of rent acquisition: oil rentiers and recipients of political rents. In the foreign policies of the oil countries, we may distinguish three functions relating to the problems of rents:

1. Foreign policy serves, firstly, the acquisition of state revenues. Oil producing countries, first of all, need to control, as much as possible, the international energy market.
   This has been a very hard task with some success and many failures. We have much research on oil policies of states, international organizations and corporations: but it was not until very recently that academic studies revealed that the oil policies of the OPEC members are subject to rational calculations of interests, which take account of the behavior of partners in recurring decision situations. This required considerable capability of foreign policy action in view of the heterogeneity of the OPEC members.
2. Foreign policy serves the stabilization and extension of rents.
   A central aspect of oil rentiers is the defense and improvement of their rent income through diversification; namely investment in capital participation in industries and banks of the industrialized states or the up - and downstream expansion in the oil business, in which a multiplier effect of rent acquisition is triggered. In their third function, the foreign policies of the oil-exporting countries served to safeguard the flow of revenues. The oil states cannot be interested in oil exports being disturbed by regional political turn-overs and radical regimes. By their political influence and their

regional allocation policy, they contributed to attaching the region as a whole more firmly to the industrial states.

Certainly not all oil states followed the rules of foreign policy outlined here (Iraq, Libya, and Iran for instance). Thus, the question arises, whether the fact of being a rentier state determines foreign policy behavior at all. Our answer is that while international rents lead to regularities in foreign policy behavior, intervening variables, such as the character of the regime, the degree of social differentiation or the relation of the quantity of rents and the size of the society, may temporarily interrupt or permanently modify this behavior.

Far more complex and more paradox are the foreign policies of those states in the Middle East, which have no oil (or an insufficient amount), but were drawn into the regional cycles of the 1970s.

Whereas the oil rentiers were, above all, beneficiaries of raw materials rents, which originated under the influence of international markets and world political circumstances, the "semi-rentiers" tried to mobilize financial resources, which served the political safeguarding of raw materials rents within the region. But they also often lived on the "fall-out" from raw material rents, contracts and "jobs" given to them by the oil-rentiers.

The opening of the state-centered economic systems in the early 1970s *(infitah)* has been interpreted in various ways as structural adjustment to the private economic and market oriented rules of the capitalist system.

In reality, however, the point was to overcome crises of development and problems of legitimization by creating favorable conditions for access to the regional and world-wide rent flows. The actual goal of the various opening up policies was to mobilize cross-border production factors (capital, labor and technology) in favor of state revenues and economic stimuli.

Under the pressure of economic and social problems, the semi-rentiers therefore began to put their foreign policies entirely in the service of rent-raising. Every regime tried to find its own ways and means to put its own political, military or cultural importance into a favorable light for improving revenues, for example as a front-line state against Israel (Jordan), as a mediator in a regional sphere of influence (Syria), or as a peace-maker and regional great-power (Egypt).

Towards the end of the 1970s, all regimes had stabilized politically on the basis of Western credits, financial aid from international organizations, cash injections from the oil states and the participation of the labor force in the development boom of the Gulf.

Yet, access to rents by the semi-rentiers is purchased dearly. In contrast to the oil-rentiers, the semi-rentiers could not rely on one central source of revenue. They had to improve the framework conditions for a number of slim and uncertain rents, not least the unstable political rents.

In addition to this, the governments were not accepted as the only recipients of external help and payments. They now had to make those rents possible, too, which benefited social groups, which were to raise external capital independently with its backing and approval. This had to result in additional political problems: inner-societal competition for the external resources and ultimately conflicts over political participation and power.

Since the mid-1980s, the rent-receipts in the Middle East have been falling, which can be explained by:

- the weakness of the energy market,
- the breakdown of the East-West rivalry,
- the development of new military control mechanisms in the region, and
- the economic pressure from capitalism for structural adjustment.

It was not until the revenue crisis that the capacity of the rentier states came to light. Instead of bowing to the political and economic pressures of the hegemonic power and the international organizations, the semi-rentiers developed considerable capacities and skills as "survivors." The policy of rent-seeking continued.

Whereas they had succeeded in collecting sizable war dividends for loyalty and willingness to cooperate in the Second Gulf war or as a bulwark against fundamentalism, it is not out of the question that the Middle East peace process will harbor undreamed of possibilities of mobilizing international rents.

No less complex or difficult was the resistance of the semi-rentiers to the internal social and international pressure. With rents diminishing, they were forced to use their resources even more "economically" and, at the same time, more efficiently than before and to keep the penetration of the system within limits.

The penetration of some semi-rentiers had gone so far that external protagonists cooperated with political parties and organizations and with parts of the state bureaucracies and restricted more and more the decision-making processes of the cores of the elites. Such interventions had to be carefully controlled in order to pre-empt any deprivation of power.

As a rule, however, the elite cores could also profit. Bureaucratic or party political clients of outside interests were also able to raise funds from their external patrons. If used skillfully, then, through balancing bureaucratic or political forces, the external financial backers could be brought into situations of competition.

Egypt is a very good example of such a rent acquisition policy between various American, European and Arab interests, intervening into the political system.

My point is not that I regard this as a desirable foreign policy: my intention is to demonstrate a whole spectrum of reaction strategies which weak rentier states can develop in order to assert themselves imaginatively and skillfully, even in apparently hopeless situations.

Foreign policy thus becomes the central political field of the system: the political elite act largely autonomously between the world economic and international system on the one hand and the national society assigned to them on the other. This view from the angle of political economy not only gives extra weight to foreign policy: it opens up to foreign policy analysis for more complex connections and interpretations.