Foreword

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Hossein Askari aims in this book to weave seamlessly together three related themes. First and foremost, he provides a detailed picture of the economic structure and a critical survey of the recent economic performance of the Middle East and North Africa (MENA) region. The focus is especially on the large oil-exporting nations – Iran, Iraq and Saudi Arabia – although the smaller producers are not forgotten. He makes interesting comparisons with the non-oil countries of the region and, in a nice touch, with a few out-of-region countries whose characteristics are in one way or another appropriate. Anyone who wants to grasp the economic status of this rather special, perhaps unique, part of the world will find here a knowledgeable and assiduous guide.

Secondly, the book presents a strong and uncompromising argument about what these countries must do, and what the West must do, to improve the economic performance and social fabric of the MENA region, and thus better the daily lives of the inhabitants. Western readers are accustomed to think of the Middle East as a 'trouble spot', or as an obstacle to or instrumentality of Western foreign policy. Professor Askari wants us to see it as a place where people live and work, save and consume, just with a different history and a differently shaped society. Since these societies have not provided very well for their people, they could use improvement, and the West has generally not helped. Neither have the local rulers.

Askari's third theme is a view of the social, economic and political implications of Islamic doctrine. His interpretation is dramatically different from the conventional picture that is propagated today by interested parties inside and outside the Middle East. In this context he looks at the institutions of governance in the region, finds that they have performed poorly for their people, and argues further that they can not justify themselves as somehow embodying specifically Islamic principles. If anything, he claims, they are in blatant violation of those principles.

Above all, the reader of this book will have the unusual experience of seeing the Middle East primarily in an economic context. It is a place where normal economic categories apply, where we can talk about saving and investment, wages and profits, imports and exports, taxes and subsidies.

Of course it is also an unstable area, currently, as so often before, a locus of violence and political strife, internally and externally generated. It is almost shocking right now to realize that in the absence of violence and strife one could think about the area as in many respects a normal place with normal economic problems, and the normal decisions to make.

Well, there is an important difference, and this is another angle that Professor Askari knows how to exploit. A sparsely populated country sitting on a pool of a very valuable natural resource, like oil, has problems and advantages of its own. The advantages are obvious. Many poor countries find it difficult to make the first step on the way to economic development. Their margin above subsistence is so small that domestic saving can not finance the necessary initial capital investment. Foreign aid is often too small or too onerous in other ways. Wealth in the form of exportable natural resources can pay for the start-up capital, if it is productively used. Askari shows that the history of the region is a clear demonstration of the importance of that last clause.

But why should mineral wealth create problems? There are two important examples, one obvious and the other less so. The obvious example is that oil attracts imperialism and domestic corruption, often in tandem, in fact often in cahoots. The other example is sometimes known as 'the Dutch disease'; in this case natural gas was the resource in question. A country exporting a scarce natural resource product and facing strong and increasing demand is likely to see its currency appreciate as foreigners bid for the resource. That is very nice in one sense, because it cheapens the domestic price of imports. But the flip side is that this very appreciation also makes the home country's domestic industries less competitive on world markets. The home-country producers of other tradable goods have a hard time establishing themselves and growing.

It is not difficult to see the shape of a responsible strategy. Oil is not a renewable resource, at least not on a human timescale. So using oil revenues simply to subsidize current consumption is a way of cheating future generations out of their share of the natural inheritance. Instead an adequate share of current revenues should be invested in earning assets. These will increasingly substitute for oil as it runs out or becomes high cost and less profitable or faces competition from alternative fuels. The post-oil future thus shares indirectly in the inheritance.

Those stockpiled assets could take the form of domestic productive capacity in any viable industries. At the other extreme, even a totally inhospitable desert society could use oil revenues to acquire foreign assets capable of providing a continuing income stream when oil fails. The active purchase of imported capital goods and foreign securities can also fend off currency appreciation, and thus serve as a natural offset to the Dutch disease. Such a foresighted strategy would be fully consistent with Islamic doctrine, according to Askari. The problems of the non-oil countries of the MENA region are more like those besetting other poor, developing economies. They suffer from the oil-induced instabilities, without the benefit of oil.

When he measures the performance of the oil exporters against this standard, however, Professor Askari sees mostly failure. Oil revenues have gone disproportionately into subsidized bread and circuses, not to mention plutocratic luxury and wasteful and dangerous military expenditure. Chapters 12 and 13 tell a truly ghastly story calmly, if not exactly dispassionately.

It is not easy to imagine how the region could move from the current chaos toward a rational socially, politically and economically inclusive strategy. If that were to happen by some near-miracle, the protagonists of that transformation would find this book a useful starting-point, both as a compendium of facts and ideas, and as an example of the spirit in which rational reform could be approached.

Western readers also have some thinking to do. It is pretty clear from Askari's exposition that their governments and their oil companies have long been part of the problem, not part of the solution. The addition to the world market of a large continuing Chinese and Indian demand for oil will make the West's situation more complicated. It is not easy to see what a constructive role might be; and achieving it will be even harder. Again, Professor Askari has tried to help, by documenting the record of historical failure, and sketching out the fairly dramatic changes that will be necessary if the West is to begin to play a constructive role in the Middle East.