

## Two Centuries of Arab Economic Relations with the West 1798-1998\*

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ملخص

### قرنان من العلاقات الاقتصادية بين العرب والغرب ١٧٩٨ - ١٩٩٨

في عام ١٩٩٨ تم قرنان كاملان على الحملة الفرنسية على مصر ، التي كثيراً ما تعتبر بداية المواجهة أو الانتقاء بين العرب والحضارة الغربية الحديثة وهذا البحث يتناول ما يمكن أن يعتبر حصداً مائتي عام من العلاقات الاقتصادية بين العرب والغرب .

وكما هو الحال مع أية قصة هناك أكثر من طريقة لرواية تطور العلاقات الاقتصادية بين العرب والغرب ، فهناك من يراها قصة تقدم اقتصادي مطرد ، أو شبه مطرد . وهناك من يراها قصة استغلال مطرد وقهر اقتصادي مستمر ، وتاريخاً من التبعية وإجهاض أى محاولة لتحقيق نهضة اقتصادية حقيقية . ويشرح الكاتب باختصار هاتين النظريتين لعلاقة العرب بالغرب وأسانيدهما ، ثم يطرح طريقة ثالثة للنظر إلى هذه العلاقة تبدو أقرب إلى الحقيقة ، وتؤكد على ما حدث للعرب خلال هذين القرنين من اغتراب وتشويه للهوية . وينتهي البحث بشرح ما يسمى "أنواعاً مختلفة من التعريب" تعرض لها العرب على التوالي ، منذ بداية اتصالهم بالغرب وحتى اليوم .

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## I. Introduction:

I first came across George Antonious famous book “The Arab Awakening”, in its Arabic translation, when I was nineteen. I had just joined the Baath Party, which, I must say, was a very different thing at that time from what it is now. We were only three or four Egyptian members of the party at the time, and we were given free copies of George Antonious book, and asked to read it as an essential part of the education of young Arab nationalists. And, I must say, it was.

The topic of this paper seems to me most appropriate for two reasons. For one thing, it obviously fits with George Antonious interests, and then there is the fact that in 1998 exactly 200 years completed since the arrival of the French Campaign to Egypt, an event usually regarded as the first encounter between the Arabs and the Modern West. But there is another and maybe the most important reason, for my choosing this topic, although it is a rather personal one. For several years now I have been feeling that the long story of the relationship between the Arabs and the West is approaching its end; not of course in the sense that there will be no longer any such relationship, but in the sense that all the elements of the drama would have been disclosed, all the mysteries solved, and that there would be no longer any more surprises, nor indeed any serious resistance. I strongly feel as if the drama has reached the last scene of the third and final act, where all the hidden motives are finally revealed, and all the villains are recognized for what they have always been, so that only a fool can fail to tell what the end will be like.

But as usually happens in the last scene of the last act of any play, when the events tend to accelerate, so it also happened,

over the last few years, in the relationship between the Arabs and the West, particularly since the fall of the Soviet bloc. Immediately after the fall of the Soviet Union, Iraq attacked Kuwait, with very dramatic political as well as economic repercussions on Arab-Western relations: the economic blockade of Iraq and Libya and the isolation of Sudan, while surplus oil revenues of the Gulf countries, and much of their previously accumulated savings were used to pay for the cost of the war or of reconstruction after the war. Any attempt now to mention, or even to hint at the possibility of an Arab political or economic cooperation, let alone integration, would be taken as a bad joke. A new proposal is made, however, to take the place of the older scheme of Arab economic integration, namely the so-called "Middle East Market" with Israel at its centre, and with the full blessing of the West.

A few years before the fall of the Soviet bloc, a process of radical change in economic policy, usually called "Economic Reform", was launched in one Arab country after another, at the instigation or pressure from Western governments or international institutions dominated by the West, most directly by the World Bank and the IMF. But this process was also accelerated after the fall of the Soviet Union. This process may or may not be regarded as genuine economic reform, but it undoubtedly constitutes an important development in Arab-Western economic relations. For "Structural Adjustment", which is another name for the reform, implies trade liberalization, the creation of a most hospitable climate for private foreign investment, as well as a far-reaching program of privatization. All three items imply opening the doors of Arab economies more than even before, to Western goods, services and capital. Privatization is usually taken to mean a change of ownership from public to private, but in fact it means the change of

ownership from Arab to Western. All this is happening now at a very rapid pace, so that no one can really make a mistake about what the end will be like. But if the end of the story is so close, what could be more appropriate than to try to make sense of the whole story since it started 200 years ago? Just as it is with any story however, there are so many ways of telling this one. There are some people for instance, who see it as a story of undoubted economic progress. They may admit that the progress was often interrupted by periods of crisis, depression, wars and even sometimes by general economic decline. Periods of rapid industrialization were sometimes followed by periods of deindustrialization, and agricultural progress was sometimes followed by periods of serious food shortages. But looked at as a whole, the history of Arab-Western economic relations could easily be regarded as a history of economic advance.

But there are of course other ways of telling the same story. Nothing is easier than to recount the history of this relationship as a history of economic exploitation, of continuous economic oppression, dependence and frustration, and of repeated abortion of any attempt at a genuine economic revival. Whenever the Arabs seemed to have a chance of rebuilding their economy on a sound basis, of launching an industrial revolution, of forming an integrated Arab economic bloc, or of redistributing the fruits of economic growth more fairly, some Western power or another intervenes to spoil every thing. After 200 years of Arab-Western economic relations, so the story may be told, the Arab economy is hardly any better than when it started, and what is worse, had this encounter between the Arabs and the West never occurred, the Arabs would have had by now, a much more developed, balanced and equitable economy.

What I plan to do, in the following sections is briefly the credentials of each of these two ways of telling the story and then to suggest that both of them miss the most important meaning of the story. I will therefore suggest a third way of looking at the history of this relationship, which seems to me to make much more sense.

## II. A Story of Progress

Let us first examine the story, when told as one of economic progress. One thing at least is not in any doubt: almost everything in the Arab World today is bigger and is moving faster than it was 200 years ago, and this, also undoubtedly, has a lot to do with the contact with the West. This is hardly surprising. Two hundred years ago Europe was just starting its industrial revolution which caused virtually everything in Europe to become bigger and to move faster: whether it was population, agricultural or manufactured output, cities, trade, transport or finance. It was hardly possible for the Arabs to get tied to Europe, at the time, without everything in the Arab World also getting bigger and moving faster.

The Arab population today is about 250 million. When the French invaded Egypt in 1798, they could not have exceeded 20 million. Thus, in 200 years the Arabs multiplied at least 12 times, which was inconceivable had the Arabs not learnt from the West how to reduce the death rate. But to reduce the death rate by such magnitude, many important things had to grow rapidly as well: cultivated land, agricultural output, particularly food, means of transportation to transfer food from one place to another, as well as the power of the state to establish law and order and to enforce the introduction of modern hygiene. All this had to be learnt from the West.

But it was of course highly unlikely that cultivated land and food production would have grown exactly at the required rate to match the growth of population. The Malthusian law worked very well with regard to the rate of growth of population surpassing the growth of food, but it did not work at all well with regard to Malthus' positive or negative checks. As for positive checks, we learned very quickly from the West how to put an end to them (by learning how to eliminate epidemics and famines), but we refused to learn to apply the negative checks (methods of birth control) and the result was of course, the population explosion. This must have been what Lord Cromer meant when he said: "whatever impoverishment has taken place, is much more due to good than to bad government"<sup>(2)</sup>. He meant of course that it was good government that led to the decline in the death rate, even though people got poorer as a result.

Another inevitable consequence of population increasing faster than food was the very rapid rate of urbanization, since the surplus rural population had to find something else to do outside agriculture. Arab urbanization has been happening faster than the West ever experienced but its speed was also the result of Arab contact with the West, for both the push and pull factors in Arab urbanization were due either to Western technology, Western hygiene, Western consumption habits, the influx of Westerners or the growth of a Westernized Arab elite.

But it would be unfair to describe the impact of the West on the Arab economy as constituting merely growth: growth of population, of cultivated land, of agricultural output, of trade, of means of transport and of urban centres...etc. There has also been genuine progress, the most obvious example being of course, the rise in the expectation of life. The first estimate ever made of life expectation in the Arab World was for Egypt in the

1930s', when life expectation at birth for Egyptian males was 31 years, roughly equal to life expectation of an Englishman in the late 13th Century<sup>(3)</sup>. Today, life expectation at birth in Egypt is more than double this (64 years) and it is higher than this in all the other Arab countries except Sudan and Yemen<sup>(4)</sup>.

Again it is unfair to read this as simply meaning that people are now living longer but not necessarily better. The decline in the death rate meant a real decline in misery. In the 100 years before the French campaign, the inhabitants of Cairo, Damascus, or Aleppo hardly "had time to recover from one attack (of the plague) before another struck"<sup>(5)</sup>. There were five attacks of the plague in Cairo during the 18<sup>th</sup> Century, which killed between a third and a half of Cairo's population. There were five attacks of the plague in Aleppo in a period of 40 years and four attacks in a period of similar length in Damascus<sup>(6)</sup>. When the French came to Egypt they found that one in every three Egyptians was one-eyed, and one in ten, totally blind<sup>(7)</sup>.

The rate of literacy in the Arab World in 1800 must have been well below 5%, and when Mohamed Ali embarked on his program of modernization he was unable to find one single Egyptian who knew a European language<sup>(8)</sup>. Today there are 50 million students in the Arab World<sup>(9)</sup>, and whatever one may say about the quality of the education they get, most of them must by the end, acquire some knowledge of a European language.

One could tell a similar story for the development of industry over the two centuries, of housing and electricity, of transport and communication etc., all of which was the result of having access to Western technology, Western surplus capital or of trade with the West. And all this continued to happen even during periods when the Arabs showed the greatest hostility

towards the West or vice versa. Mohamed Ali was sending the Egyptians to acquire new skills, and bringing in European experts to teach them the arts of war, industry, agriculture and medicine, while fearing that the Europeans were plotting to overthrow him. And Nasser was building his High Dam and his new industries with Russian Capital and technical expertise, while putting Egyptian Marxists in prison, and was receiving vast amount of food aid from the U.S. while using the strongest language against American imperialism.

The net result of it all was the growth in per capita income. We do not have estimates of per capita income that would allow us to say how much was this increase for the whole Arab World, over the whole period of 200 years, but one could make a very rough estimate for Egypt, where the increase falls in the middle range: neither as great as for the Arab Gulf States, who started from a lower point 200 years ago and ended much higher than Egypt, nor was the increase in per capita income in Egypt as low as that of Yemen or the Sudan, both starting their close contact with the West much later than Egypt.

For the period up to the First World War, I took state revenues as a proxy for national income and, for later years I relied on much more solid estimates of the growth of per capita income. I came up with an estimate that real per capita income in Egypt, over the 200 years, multiplied about 8 times. If per capita income is considered a good indicator of economic progress, one can consider this a great achievement, especially that this has happened side by side with an increase in population of at least 15 times.

The main objection to this story is to say that all this, and even better things could have happened if the West had never



come to the Arab World. This is the essence of the position of the Dependency School and there is no shortage of representatives of this school in the Arab World. It has often been said that had not the West enforced the commercial treaty with Constantinople in 1838, and imposed it on Mohamed Ali at the point of gun in 1840, Egypt would have become another Japan. Peter Gran, in his "Islamic Roots of Capitalism in Egypt: 1760-1840" gives a similar message, and I have argued in a book of mine<sup>(10)</sup> that this potential was by no means confined to Egypt. During the late 18th and early 19th century, in addition to Mohamed Ali's modernization project in Egypt, Sudan and Syria, there was Daoud Pasha in Iraq (1817-1832), Emir Beshir in Lebanon (1788-1840), the Senousis in Cyrenaica and elsewhere in the Arab World as well as the Wahhabi movement in Arabia, all promising economic and cultural revival but were all given a heavy blow by Western invasion or pressure.

There is, however, another view. Charles Issawi, for example, a very wise man and a great scholar, does not think it very likely that the Arabs would have developed a healthier economy had they not had their contact with the West. He says that this is "just conceivable" but "highly improbable"<sup>(11)</sup>. Issawi admits that the West has led to considerable deindustrialization in many Arab countries. He even points out that the middle classes in Cairo have practiced some form of birth control as early as the 14th and 15th centuries<sup>(12)</sup>. Nevertheless, he thinks that there were unsurmountable obstacles in the road towards an independent economic advance, such as the scarcity of resources which were necessary for industrialization until the end of the 19th century, notably water power, wood, coal and iron. Almost the only raw material available for industrialization, before the discovery of oil in this century, was cotton<sup>(13)</sup>. He also laments the fact that the Arabs even under colonialism, could have done



much more to education, by their private efforts, than they actually did<sup>(14)</sup>.

The whole exercise is obviously highly speculative, and I am not at all sure how fruitful it is. For one thing, most if not all the examples of promise of economic and social revival, from Mohamed Ali up to Nasser, and including the independence movements in other Arab countries during the first half of the 19th century, were mainly reactions to Western pressure or at least, Western threat, so that the West is here again even though in a negative sense. Secondly, one can hardly realistically assume that had the Arabs actually made their attempt at independent economic revival and the West had not interfered, no other forces, domestic or foreign, would not have brought this attempt to an end. And finally, this is really not the way one usually pronounces a judgement on a particular experience. To judge whether your marriage was a success or a failure you do not go through all the other women or men you could have possibly married; you merely try to compare the pros and cons of the woman or man you did marry. And this is exactly what I am trying to do concerning Arab economic relationship with the West.

### **III. A Story of Exploitation**

Nothing is easier than to demonstrate that the past 200 years of this relationship have been a period of exploitation, gross injustice and grave inequalities. But the story has also been so told so many times that I will be very brief. After all, the whole thing is hardly surprising. The West has not come to the Arab World to develop it, but to develop itself. Thus whatever "progress" this relationship may have resulted in for the Arabs, this must have been a sheer coincidence.

More land was indeed cultivated, but not to feed more people or to feed them better. The main aim was of course to grow more cash crops for export to Western manufactures or consumers. When cereals competed with vineyards, as in North Africa, wine production was increased at the expense of cereals. When cotton competed with food as in Egypt or Sudan, cotton was preferred. Similarly, roads and railways were built not to connect one part of the Arab population with another, although this was incidentally achieved, but to connect the source of the export crop or mineral with the port or the harbor from which it is exported. Closer inter-Arab relations were sometimes encouraged by the colonial administration, as happened for instance during the Second World War-when Britain and the U.S. established the Middle East Supply Centre to coordinate the war efforts in the whole area, but the Centre was liquidated as soon as it ceased to serve the war efforts of the Allies. In other than this brief period, the Arab World seemed always to serve a better purpose when economically and politically divided. Education was expanded only to the extent that served the requirements of colonial administration. Thus, in Algeria for example, just before independence, and after 130 years of French rule, the literacy rate among Algerian Muslims was no more than 15%<sup>(15)</sup>. This was roughly the literacy rate among Egyptians in the early 1950's after 70 years of British rule, and when the Italians left Libya during the Second World War, there were exactly two Libyans with university degrees<sup>(16)</sup>.

Even with regard to the least controversial benefit of the Arab-Western encounter, that of access to modern medicine and hygiene, this was also done within limits drawn by the requirements of the safety of Europeans. But luckily you cannot effectively save the lives of European soldiers, merchants and

administrators without saving the lives of local inhabitants as well.

When Western interests dictated otherwise, a policy of depopulation was applied without the slightest prick of conscience. Thus, the French invasion of Algeria in 1830 cost Algeria so many lives that it took the Muslim population about 40 years to regain its 1830 level, while Libya's Bedouin population was reduced by one-half to two-thirds during the first 20 years of Italian rule, either through 'death or emigration'<sup>(17)</sup>.

With regard to inequality, one can almost state it as a general law that whenever the Western man comes inequality must increase, not only between the Western and local inhabitants, but also among the local inhabitants themselves. For the Western man comes with an initial advantage over the native population in guns and money, and he is determined to make himself richer. It is hardly surprising that with these two advantages he does not grow richer much faster than the local inhabitants. But the other form of inequality seems also to have been inevitable, for growing inequality among the local inhabitants is to the advantage of the Western invader, both as a buyer of labour and raw materials and as a seller of all kinds of goods and services. Inequality within the invaded society guarantees low prices of labour and raw materials while it widens the market for most of the things, which the West is interested in selling. Had income been distributed equally, hardly any one among the Arab population would have afforded to buy expensive English cloth, French perfumes or an American Cadillac. Inequality serves the additional advantage of guaranteeing the continued loyalty of the native ruling elites to the foreign invader.

A vivid picture, which summarizes it all, is drawn by Janet Abu Lughod, when she describes what happened to Cairo as Ismail Pasha opened Egypt's doors wide to Western influence in the 1860's and 1870's. She calls what happened "a tale of two cities", the two cities being the modern part of Cairo, which grew under the name of "Ismailia", between the Nile and the Azbakeya gardens, and was inhabited mainly by foreigners and the newly rich Egyptians, and the "Oriental" city which occupied what is now called "old Cairo", and in which the bulk of lower income Egyptians dwelled. While this "old city" was left practically untouched, the new city was built in French style, with pavements and boulevards lined with trees. This can be contrasted with the Cairo of Mohamed Ali, the physical features of which were virtually the same when he died as when he came to power, except for the factories, foundries and the schools he built<sup>(18)</sup>.

One can make similar observations about the growth of inequality under Nasser's successors, particularly in the 1980's and 90's, when Egypt's doors were once again widely opened to the West but after the favourable impact of migration to the Gulf has dwindled

#### **IV. A Story of Metamorphosis:**

I have tried to tell the two most popular stories of Arab Western economic relationship: the story of progress and the story of exploitation, each of them being apparently very true and making perfect sense. But a story can suffer from things other than being untrue. It could, for instance, put the emphasis in the wrong place, so that one is misled into attaching too much importance to what is really not that important. I believe this to be the case with both of these stories. However opposed

to each other they may appear, they really start from the same premises, the same terms of reference, and they apply the same criteria for what is and what is not desirable. To put it bluntly: both stories, whether of progress or exploitation, are hopelessly Western in outlook and in their starting point. The adherents to the first story start their assessment of the impact of Arab-Western relationship having accepted without questioning that economic progress consists of an increase in per capita income, greater industrialization, greater volume of trade and faster transport, and then they make matters worse by understanding all this in the sense that the West has defined it. Thus the increase in per capita income is really nothing but the increase in what the average person possesses of Western goods and services; faster industrialization means the faster growth of Western types of manufactured goods; and greater volume of trade and faster transport are of course the greater trade and faster transportation of these very goods and services. All this is taken for granted without any questioning simply because we got so accustomed to the Western way of doing things, that we are no longer able to see that it is only one possible way among many.

Professor Galbraith has recently written that when he was the U.S. ambassador in India, Jawaharlal Nehru, then Indian Prime Minister once told him that the only two Western inventions that he thought were really indispensable were the bicycle and the electric light. One may or may not agree, but at least this is a good reminder that there are ways other than those-taught to us by the West of satisfying hunger and thirst, of commuting from one place to another, of getting knowledge (let alone wisdom), of interacting with other people, of enjoying leisure . . . , etc.

The adherents to the story of progress of course take the Western ways of doing things for granted, but so do the adherents of the story of exploitation, the only difference being that the latter want these things for everyone rather than for a few. Thus very few, indeed hardly anyone of those who are condemning Arab-Western relationship as having been essentially exploitative, seem capable of contemplating goals different from the goals of those who see this relationship as having been essentially positive. For instance, rather than questioning the private motor car as a means of transport, or the bottle of coke as a means of quenching thirst, their goal is that no one should be deprived of a private motor car or of a bottle of coke!

In-between these two schools stands a third one, which I find just as hopeless, only a little more boring. This is the school of those who never tire of telling us how much the Arabs have failed, especially in the last 50 years, in catching up with the West. I mention this school because it is now one of the most popular among Arab economists, Arab politicians as well as Western economic reports including, of course, those published by U. N. agencies, particularly the World Bank and the IMF. Every day we are presented with a new set of statistics showing how the Arabs have failed where the Asian tigers have succeeded, whether in rates of industrialization, in exporting manufactured goods, in raising the level of education, and of course in the amounts received of private foreign investment.

I would like now to suggest that once one drops the premise that the Western way is the only acceptable way of doing things, one would at once see the Arab-Western relationship in a very different light. It would immediately become clear that to describe the economic impact of the West

on the Arabs as either a story of progress, failures or exploitation, is to miss the essential point. It also implies overlooking the real drama of the encounter. Yes, the Arabs have progressed economically, and they have also been severely exploited, but much more important is the fact that they have been subjected to a radical process of metamorphosis. The most important impact was not that of having more or less, but of coming to have almost completely different things, to enjoy different things and to want different things from what they used to have, to enjoy and to hope for. Comparing the Arabs today with what they were 200 years ago, the most important difference, so I would like to argue, is not that they have now more population and more per capita income, not that they have more knowledge and travel faster. It is rather that they, mainly as a result of their economic encounter with the West, lead now a completely different way of life, eat different food, wear different clothes, speak differently, think differently and aspire to very different goals.

Charles Issawi could very well be right in considering it "highly improbable" that the Arabs would have achieved more rapid development had they never encountered the West, but what is not merely probable but almost certain is that the Arabs would have had a very different kind of development.

The tragedy of the Arab-Western encounter is not therefore that the Arabs could have developed faster but that they could have developed in their own way, on their own terms, and at their own pace. The pace could have been slower, but who would say that it is always better to develop faster? To give one but important example, the trouble with Arab development in education is not exactly that school enrolment is less than it should be, but that Arab schools are teaching the wrong things.



The problem is not that we should have had by now more people who know foreign languages than we actually have, but rather that both those who learnt a foreign language and those who did not, are now less able to write correct Arabic than should have been possible. I find it quite surprising for instance that, while so much is written everyday about the failures of Arab education, the persistently high rate of illiteracy, low school enrollment, low student-teacher ratios, or the low percentage of expenditure on education in Arab state budgets, so little is written or said about the fact that so many educated people in Morocco, Algeria and Tunisia find it easier to converse with each other in French than in Arabic. But changing the language of education is only one of the most obvious consequences of an encounter with an alien culture. So many other important transformations have actually happened as a result of the Arab-Western encounter, whether in the music and various other arts which we have been taught to listen to and enjoy, or in social customs and social behaviour, or even in moral values.

One wise Swedish economist, by the name of Gunnar Myrdal, once said that there was no such thing as an economic problem, social problem, political problem or demographic problem; there are merely problems and they are complex. In the same vein one can say that there is no such thing as economic history, political history or social history, there is only history and it is complex. This is because in the process of producing more goods and services, everything else changes, especially if this process of economic growth is as rapid, violent and forced from the outside as has been Arab economic growth over the last 200 years. We cannot therefore really assess the impact of economic relations with the West without bringing in all that happened in the whole of Arab social life.

Marx has once said that as you should not judge a person according to what he says about himself, you also should not judge an age or an epoch by what it calls itself. This is relevant to our present subject for the Arab-Western story is usually told in terms of economic development, political development or technological development, just because these are the three things with which we currently rank very highly. But the story could also be said in cultural terms, of which the economic is only a part, and then the whole thing would look very differently.

The essential story then, as it appears to me, is that in the process of the economic development of the last 200 years, the Arabs have gone through a thorough process of metamorphosis, which one may also call Westernization. This is not something one can easily describe as good or bad, but it is, to say the least, highly dramatic. Only an economist can respond to this drama by counting the costs and benefits. This response is particularly lamentable since the economist has in his box of tools, one particular hypothesis, which should have protected him from falling in this error. This is the old hypothesis in welfare economics that it is illegitimate to make interpersonal comparisons of utility; i.e., it is not right to compare one person's welfare with that of another. Thus one is not supposed to say that taking a pound from a rich man and giving it to a poor man necessarily increases the welfare of the society as a whole, since each person is a whole world by himself, with such different character, taste, likes and dislikes from any other that comparison between the welfare of two persons is like adding up bananas and oranges. But this is very much like trying to judge whether the Arabs are better off or worse off today than they were before they encountered the West. For the Arabs are now, a completely different species, with different character, taste,

likes and dislikes, so that to say that they are better or worse, is purely a matter of taste.

I personally dislike the change, which is usually called Westernization, but this is a matter of temperament and I am not going to try to force it on anyone. I will only attract your attention to the fact that this Westernization is itself changing, so much that it may really have become something very different from what it was when the Arab-Western encounter started 200 years ago.

## V. Varieties of Westernization

For almost 150 years, the encounter was mainly between the Arabs and Europe, but for about 50 years now the main source of change has been America. The process of Westernization has turned from Europeanization to Americanization, and the difference is very great. We still tend to call it by the same name but it may become apparent with time that the differences between these two varieties of Westernization are so great as to warrant different names. The differences can be seen in the rate of change, in the mechanism of the change, and even in the goals that motivate the change and hence of course, in the ultimate results of all this.

For one thing, everything has become such larger than ever before, as with everything American, and the process of change has become much faster. We now ride bigger and faster cars, we travel further and get there sooner. We eat faster food, even though of less nutritional value, and we go through many more tasks in the day. But exploitation is also greater and the gap between the rich and poor is far wider than at any time in the European century, whether within any one Arab country, or among the Arab countries themselves or between the Arab

countries taken as a whole, and the superpower that dominates them.

In the early decades of the 19<sup>th</sup> century, the ratio between the per capita income of England, the richest country at the time, and the Arab countries was probably not more than 3:1; now the ratio between the per capita income of the U.S. and that of the Arab countries as a whole is closer to 15:1, and the difference between the richest and poorest Arab countries is of course much greater now than it ever was. The gap between levels of income within any one Arab country is also almost certainly bigger now than it was 50 or 100 years ago, as could be captured, for instance, by comparing income disparities within say, Saudi Arabia before and after oil was discovered. To explain this one may hypothesize that the greater the gap between the dominant and the dominated economies, the greater the difference in value between what the dominant economy want to sell, and what the people of the dominated economies can afford to buy, and hence the greater the degree of inequality that is in the interest of the dominant power to perpetuate. In other words, the degree of inequality that is required in an Arab country to market an American Cadillac is necessarily greater than the degree of inequality that is required to market a piece of English cloth, however luxurious it may have been.

But there have been worse forms of injustice than this. In the European era, there were indeed a few examples of depopulation as a result of European invasion, as in the two examples I have mentioned, Algeria and Libya, but large-scale evacuation of a whole country by expelling its original inhabitants, for the benefit of migrants from the West, as happened in Palestine, fitted more with the American era, since

the Americans had done the same thing themselves a few centuries earlier.

In the European era, Arab economic growth meant mainly agricultural growth, since Europe was short of particular agricultural raw materials and did not have, in any case, much food surplus to dispense with. Food production was discouraged therefore, only if it competed with such things as cotton or vineyards. But America is rich in agricultural raw materials, and has more surplus food than she knows what to do with. Hence Westernization of the Arab World, American style, is known for a general neglect of agriculture and a general decline in per capita production of food, so that the Arabs today import not only half their food consumption, but half of all the World's imports of foodstuffs. In Arabia, in the American era, the search has been mainly for oil not for water, although to the majority of the inhabitants until very recently, water meant more than oil. It was only a happy coincidence if while digging for oil, water was found instead.

More generally, the Arabs in the American era are exploited more as consumers than as producers or labourers. Instead of shipping Arab raw materials at exploitative prices, or using corvee labour to dig a canal for the benefit of European capital, oil may now be bought from the Arabs at prices several times its cost, provided that the revenues resulting from the sale are spent on useless American armaments. Labourers may be given much more decent wages than they ever received in the European era, provided they spend the higher wages on imports from America.

I must say a few words on the latest and most stunning example of this kind of embezzlement. This is the story of the

two recent Gulf wars. During the ten years preceding the Iraq/Iran war, Iraq's GDP was growing at the almost unprecedented rate of 11.7% a year<sup>(19)</sup>. During that decade Iraq was an excellent customer of the West, buying all types of consumer and capital goods as well as armaments. The West, and above all the U.S., has therefore contributed handsomely to Iraq's unprecedented prosperity and growing military power in the 1970's, and although Saddam Hussein was of course no less of a dictator then than he is now, nobody in the West said anything about this.

This was followed by eight years of war with Iran which brought heavy damage to the Iraqi economy, (and of course also to Iran) but this was made possible only by the lavish economic aid given to Iraq by Kuwait, Saudi Arabia and other Gulf States. But considering the very special relationship, which these Gulf states have with the U.S., one would have thought that this lavish aid to Iraq could not have been given without U.S. blessings.

Only two years after the end of the war with Iran, Iraq launched that very unexpected and up to this day, mysterious attack on Kuwait. Ultimately, Iraq was forced to withdraw, but after causing unheard-of damage to the Iraqi economy as well as to the economies of Kuwait and to a lesser extent, to Saudi Arabia. Per capita income in Iraq fell from \$4083 in 1980 (7 times that of Egypt) to no more than \$627 in 1991 (less than the per capita income of Egypt)<sup>(20)</sup>. The West has given, and the West has taken away! But the West, particularly the U.S., made of course tremendous gains, in the form of arms sale, before, during and after the war, and in the form of contracts to rebuild what they themselves had destroyed.

A few figures may be interesting. In 1990, the Saudi Arabian government estimated its accumulated assets (savings) from surplus oil revenues over the years, at around \$ 70 billion. But the total cost of the Gulf crisis to the Saudi Arabian economy alone, up to the end of 1992, was estimated at something between \$60-80 billion<sup>(21)</sup>, about equal to the total accumulated assets. The last figure (\$ 60-80 billion) includes: \$25.7 billions of arms purchases from the U.S. alone, between 2 August 1990 and 14 September 1992<sup>(22)</sup> (a period of 25 months), in addition to something called "financial incentives", that is, money paid to Western countries (as well as to some "friendly" Arab countries) to convince them of taking part in the war. These "financial incentives" included another \$16.8 billion to the U.S., a meagre \$ 1 billion to the U.K. and two small (unexplained gifts) of \$ 2.7 billion to the Soviet Union and Turkey<sup>(23)</sup>, I suppose because the Soviet Union has also become, by that time, "a friendly" country!

This great shift in the nature of exploitation, from exploiting a country as a producer (or as a provider of cheap labour) to exploiting it as a consumer, has much more important repercussions than may appear at first glance. For exploiting a labourer needs a very different ideology from that needed for exploiting a consumer. It is somewhat like the difference in the language you use with your domestic servant, who is poorly paid and badly treated, and the language you use with a customer, whom you exploit mainly as a buyer. You may call the first "backward" or "primitive", as the West used to call the poorer nations a hundred or 150 years ago, but in dealing with a good customer, it is much more appropriate to call him "underdeveloped" or even "developing", as the Arab countries together with the rest of the poorer part of the World are now called! Indeed, the whole philosophy of economic development,

the launching of which coincided almost exactly with the coming of the American era, following the Second World War, fits beautifully with this shift in the mechanism of exploitation. Before 1945, for instance, Egyptians used to consider their major economic problems to consist of "poverty, illiteracy and bad health" so that economic progress was understood to consist of bringing the poor people to a decent level of living. Since 1945, however, we have been taught to define our problem as low per capita income, that is, low income of the country as a whole. But this per capita income of the country as a whole could obviously be increased (and has indeed increased) without making any significant improvement in the level of living of the really poor. To define development as the rise of per capita income for the whole country may fit very well with the goal of marketing surplus American goods, while raising the income of the poor may not help very much in achieving this goal.

## **VI. Conclusion**

I would like to conclude by attracting your attention to the fact that since the beginning of the 1990's, another important change seems to have occurred in the process of Westernizing the Arab World, and this, presumably, is what gives me the feeling that we may be going through the last act of the whole drama of Arab-Western relationship. In this last act, the Westernization of the Arabs is not happening through Europe, nor through the United States but mainly through Israel.

Of course, no one who comes to the Arab World from the West, declares his true intentions and motives. When Napoleon came 200 years ago, he assured the Arabs that he was a true Moslem and that he came only to bring to Egypt the new principles of enlightenment. When the Americans came 150



years later, they alleged that they came to bring economic development to the area. When the Israelis introduced themselves to the Arabs they did so under the banner of something called "The Peace Process", although peace was prevailing very nicely until they came in.

Now, after 200 years of experience in "economic progress", "economic exploitation", and "cultural transformation" we know exactly what to expect from this new episode of Westernization, Israeli style. Should we expect economic growth and a rise in per capita income? Of course we should. Should we expect an even higher life expectation of birth and higher literacy rates? Yes, we should expect this also. More roads, railways, pipelines, better ports, harbors and airports? Yes, we should expect all this, although the roads and the railways and the pipelines will have to pass through Tel Aviv or Haifa. Even inter-Arab trade could increase, although Israel will be an intermediary in every transaction. Judging from our past experience, we should also expect greater exploitation and greater inequalities, both between the Arabs and Israelis and among the Arabs themselves. We have seen all that before. But of course the main price, which the Arabs will pay, is none of these.

As before, the main price consists of the even greater transformation or metamorphosis of the Arabs. After another 20 or 30 years of Arab economic relations with Israel, one may find it difficult to remember at all what the Arabs were like 200 years ago. One may not even recognize an Arab when he sees one, or know what an Arab really means. This indeed is already happening. One not insignificant Egyptian writer has recently published a book titled "Arabs? Yes, but also Middle Eastern". And if nothing happens to stop this trend, one can very easily

predict what the shape of the Arab economy and society will be like in 20 or 30 years from now.

This price which the Arabs are going to pay may seem to many people a very small price to pay for rapid economic growth, and more modern technology. But to some people including myself, it may constitute the heaviest price of all. Again it is really a matter of taste, and in any case, this is an issue on which an economist is the least competent person to pass judgement.

**Notes:**

- (1) A version of this paper was given as the annual George Antonious lecture, st. Antony's College, Oxford University, 12 June 1997.
- (2) Lord Cromer: Ancient and Modern Imperialism, Longman, N.Y., 1910, p. 113 quoted in Issawi, Charles: An Economic History of the Middle East and North Africa, Methuen, London, 1982, p. 13.
- (3) Owen, R.: The Middle East in the World Economy: 1800-1914, Methuen, London, 1981, p. 25.
- (4) Human Development Report, 1996, pp. 144-5.
- (5) Owen, op. cit. p. 4.
- (6) Ibid., pp. 4-7.
- (7) Ibid., p. 25.
- (8) Issawi, An Economic History of the Middle East and North Africa, Methuen, London, 1982, p. 110.
- (9) The Arab League and others.: The Unified Arab Economic Report (Arabic), Sept 1996, p. 24.
- (10) Amin, G.: The Arab East and the West (Arabic), Centre for Arab Unity Studies, Beirut, 1979.
- (11) Issawi, Charles, "The Arab World Heavy Legacy," Foreign Affairs, April 1965, 503.
- (12) Issawi: An Economic History, op. cit., pp.95-6.
- (13) Issawi, Charles: "Middle East Economic Development 1915-1914: The General and the Specific", in Cook, N. A.: Studies in the Economic History of the Middle East, Oxford University Press, London, 1970, p. 408.
- (14) Ibid., pp. 409-410.

- (15) Issawi, The Arab World's Heavy Legacy, op. cit, p. 507.
- (16) Issawi, History, op. cit. p. 112.
- (17) Issawi, History, pp. 93-4 (but for Algeria, he mentions that there were also causes other than the French invasion).
- (18) Janet Abu-Lughod: Cairo: One Thousand Years of the city Victorious, Princeton, Princeton University Press, 1971. See also Amin, G. "Evolution and Shifts in Egypt's Economic Policies in Search of a Pattern", in Ibrahim, S., Onchu, A. and Keyder, C.: Developmentalism and Beyond, the American University in Cairo Press, Cairo, 1994.
- (19) Al-Nasrawi, A.: The Iraqi Economy: 1950-2010, (Arabic) Dar Al-Konouz, Beirut, 1995, p. 110.
- (20) Al-Nasrawi, op. cit., p. 161.
- (21) Sadowski, Y.: Scuds or Butter: The Political Economy of Arms Control in the Middle East, the Brookings Institution, Washington D.C., 1993.
- (22) Ibid., p. 7523.
- (23) Ibid., p. 20.