

The Political Economy of Violence in the Middle East: What Questions Should the Social Scientist Ask?

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February 2016

Very preliminary: not for quotation

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PE of Violence in the Middle East 1



Introduction

This PAPER

Develops a political economy perspective on violence in the Middle East

COMBINES TWO ELEMENTS

Social science analysis on violence

Empirical realities of the Middle East

LIMITATION:

Vast zone of ignorance

Adopt the Oxford tutorial mode to ask questions

What do we know about ISIS?

Sectarian divide

Power vacuum

Ideological

Support: money and materials from GCC states, foreign fighters

CHALLENGE: How to go beyond the immediate spectacle?

Some clarifications:

Middle East generalization

- Common threads across the region

Role of Ideology

No causal explanations or definitive claims

(only questions and plausible hypotheses)

THIS PAPER is not about Daesh!

Locating VIOLENCE in the evolving Arab political economy

FOUR PROPOSITIONS:

1. Violence is not just a random phenomenon or a spontaneous generation—it is linked with the underlying logic of power;
2. Violence is grounded in the prevailing social order and distributional struggles over control of rents;
3. Violence is often a temporary instrument “when all else fails”; it is the last resort of the powerless (or the powerful!)
4. There is an important (largely unmapped) external dimension to conflict in the Middle East.

Outline of the presentation

Three inter-related questions:

- How important is latent conflict in thinking about violence in the Middle East?
- How is violence changing the political economy landscape of the region?
- Are the roles of domestic and external powers co-constituted in understanding the political economy of violence?

If so, how can we map the role of the ‘external’?

ORDER and DISORDER are part of the same institutional calculus

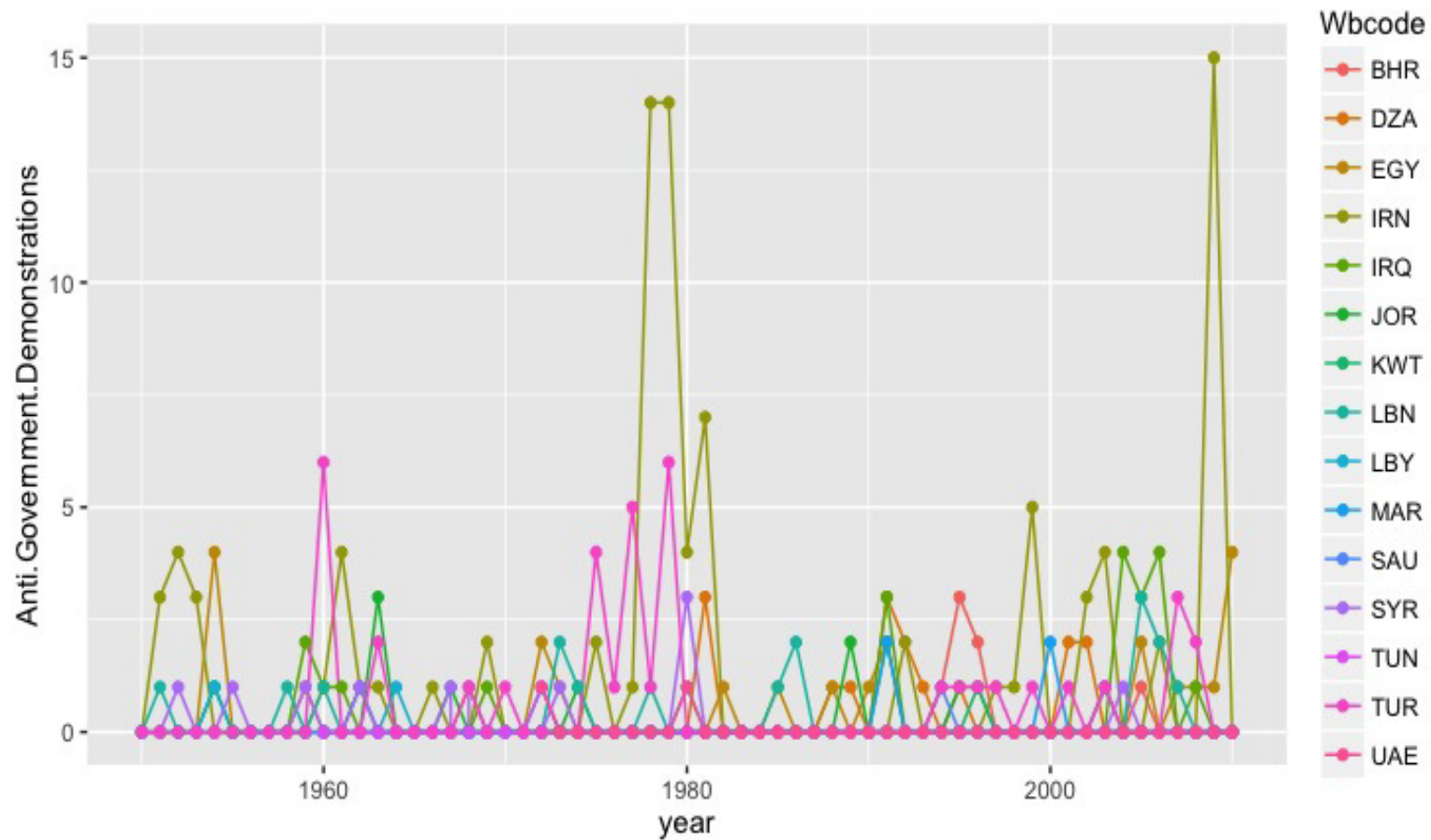
Factors that sustain authoritarian stability also make it vulnerable to violence:

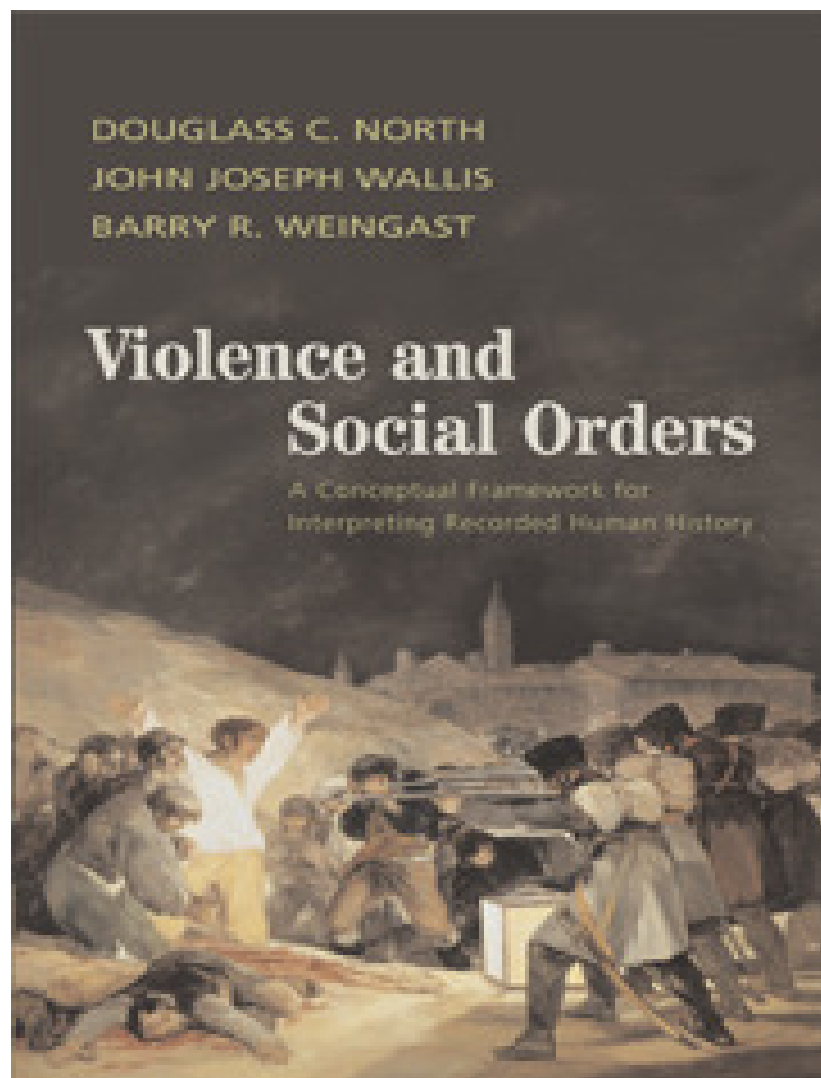
- ⇒ No intermediate institutional structures to negotiate distributional conflicts;
- ⇒ Weak institutions of conflict management

Important to focus on conditions of **LATENT CONFLICT**

Regime stability hides the structural sources of instability.

What do anti-government protests tell us?





Limitations on access

⇒ Rents

⇒ Binding elite commitments

⇒ Control violence

What if rents shrink?

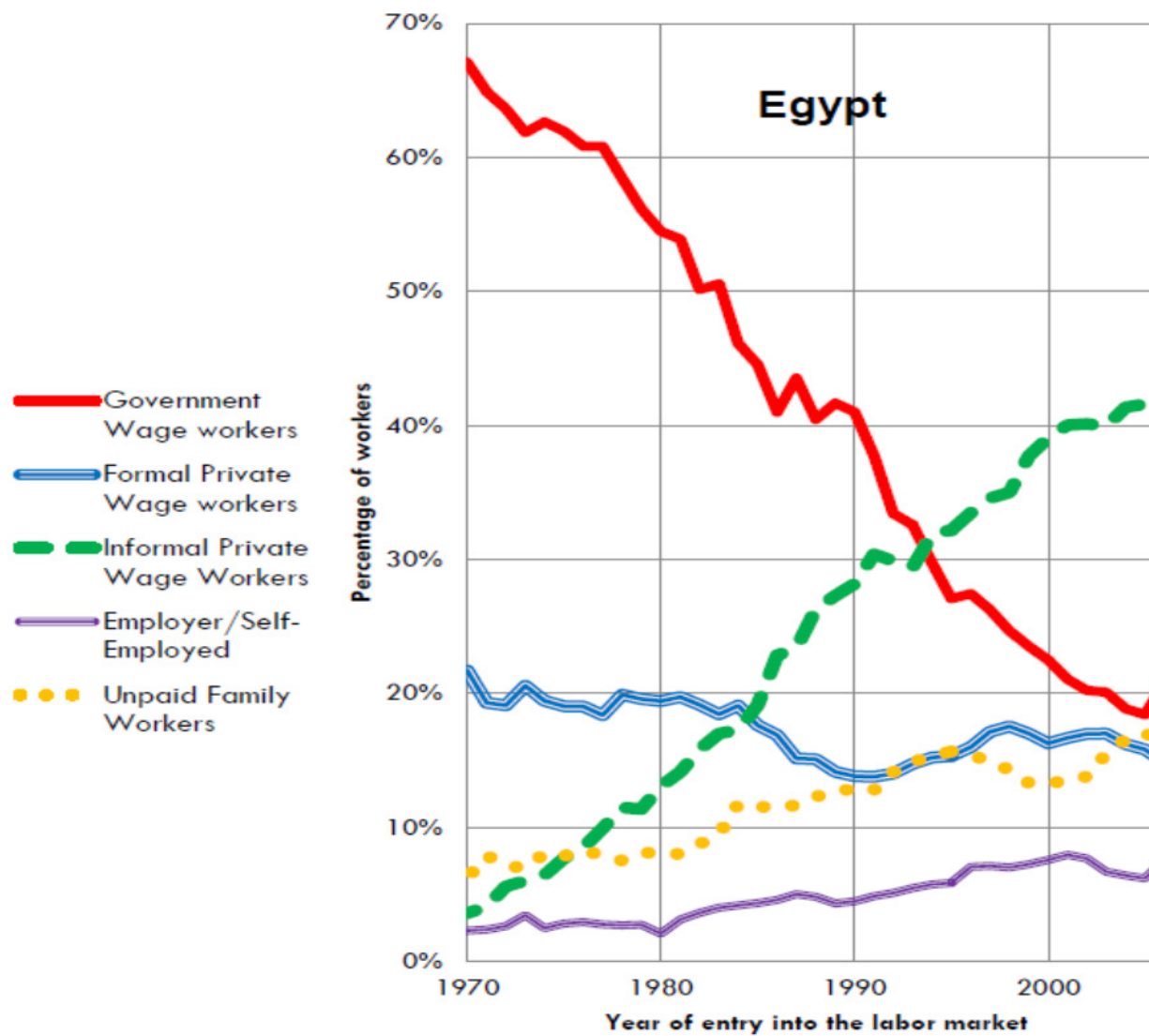
Violence emanates from state failure to DISPENSE or DEFER public provision

POLITICS OF FISCAL ADJUSTMENT (in labour-abundant countries)

- (a) Declining public spending => erosion of the social contract => Middle class grievance

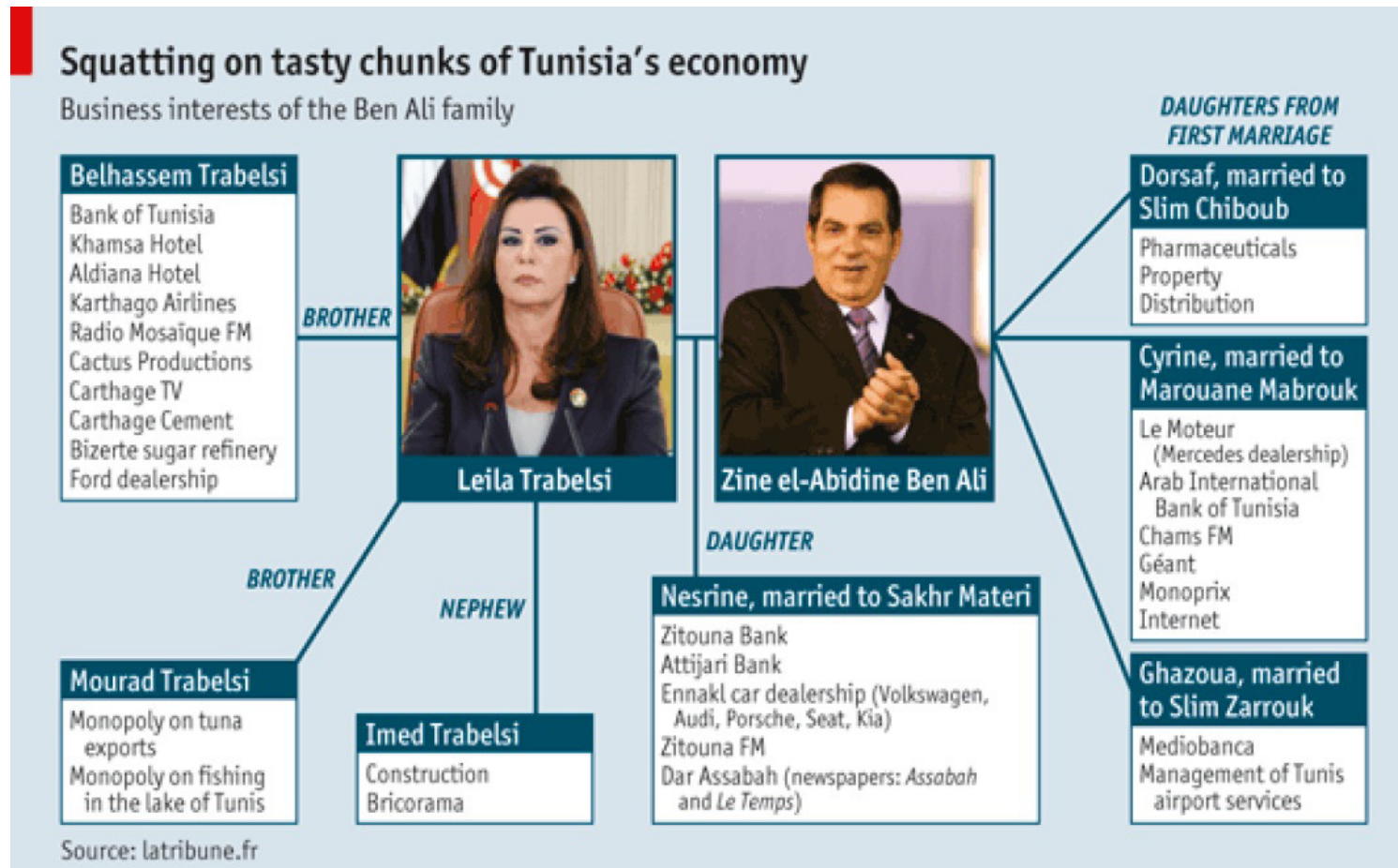
Burden of fiscal adjustment fell disproportionately on middle classes and the poor => essential for understanding the age of protest politics

- (b) Economic liberalization represented a move towards crony capitalism
- (c) Persistence of a significant shadow economy

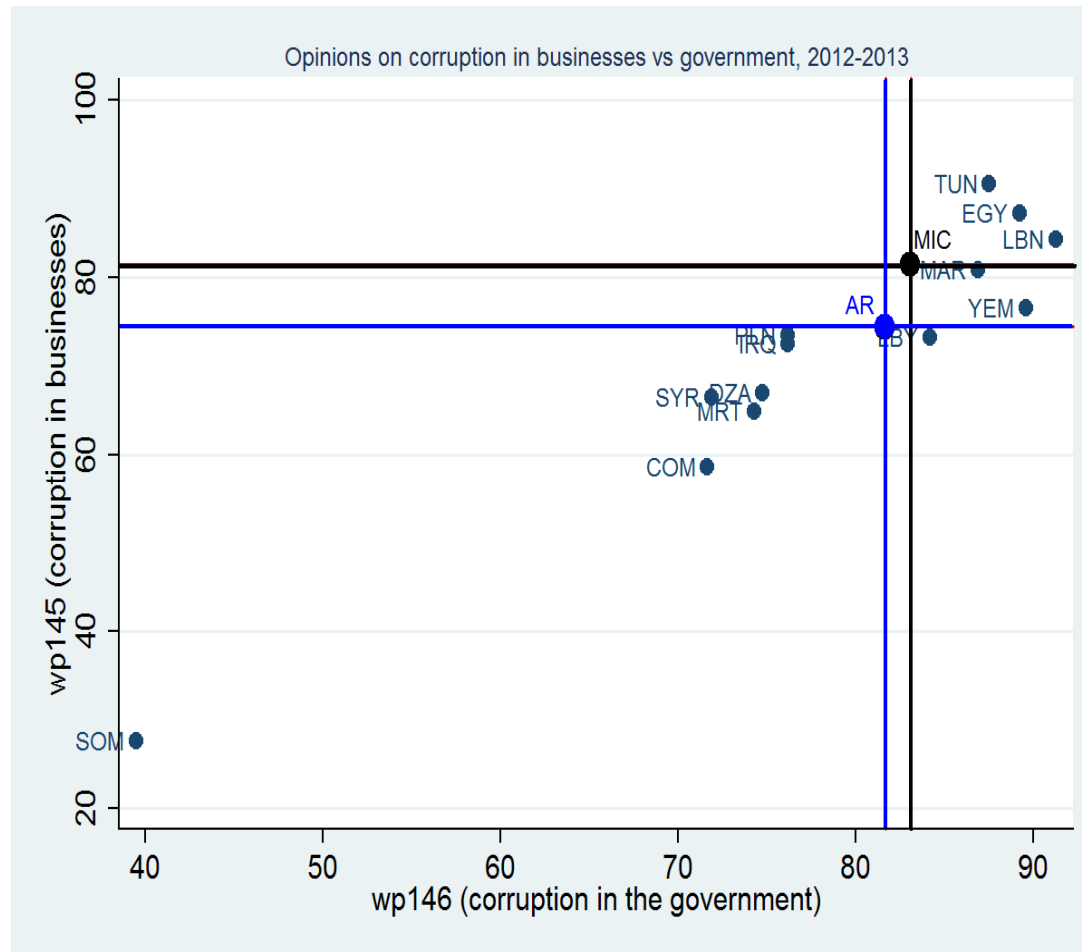


The erosion of social contract in Egypt

The pyramid of privilege

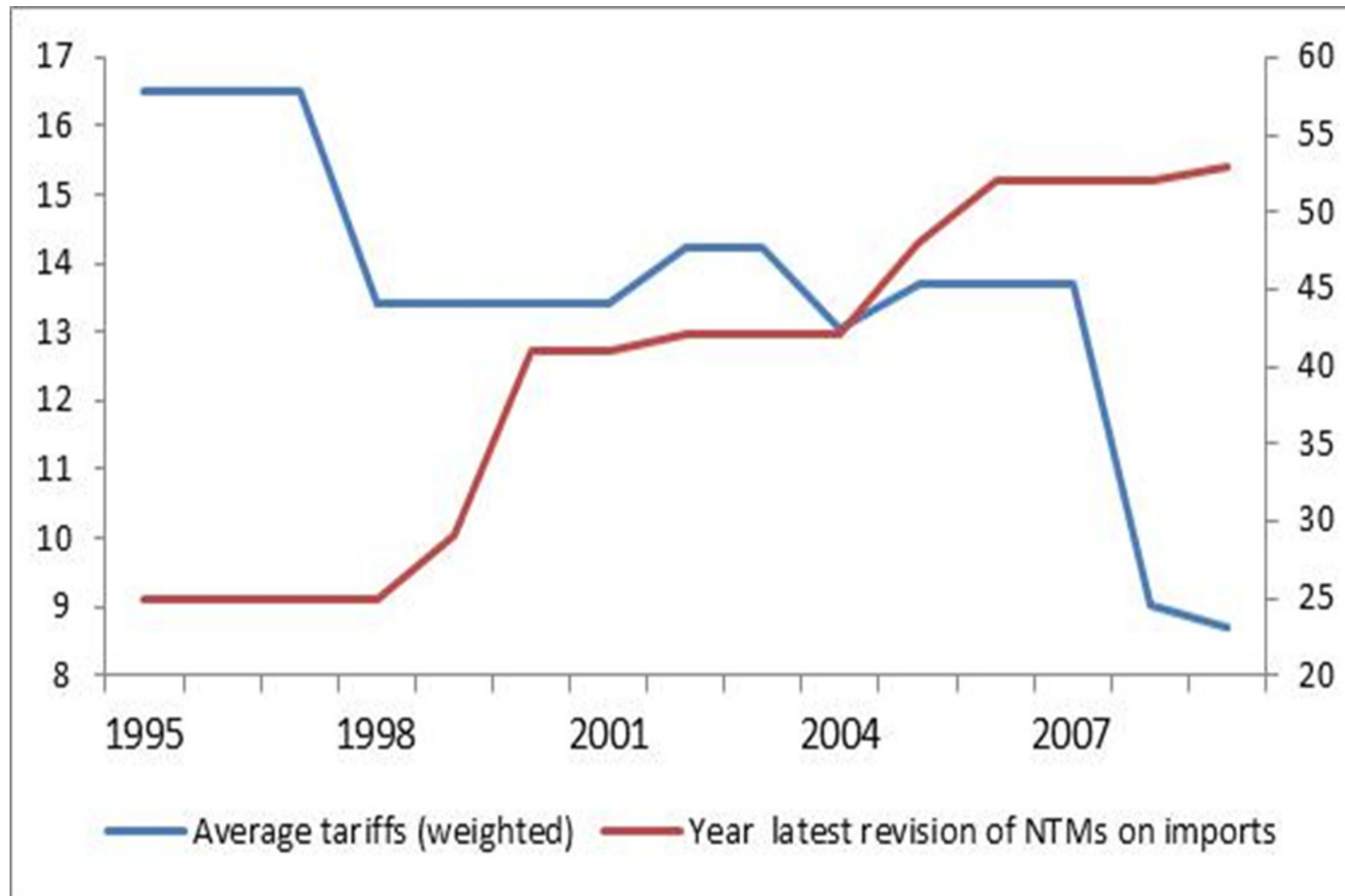


When businessmen and rulers are the same, public perceptions do not differentiate between them either!



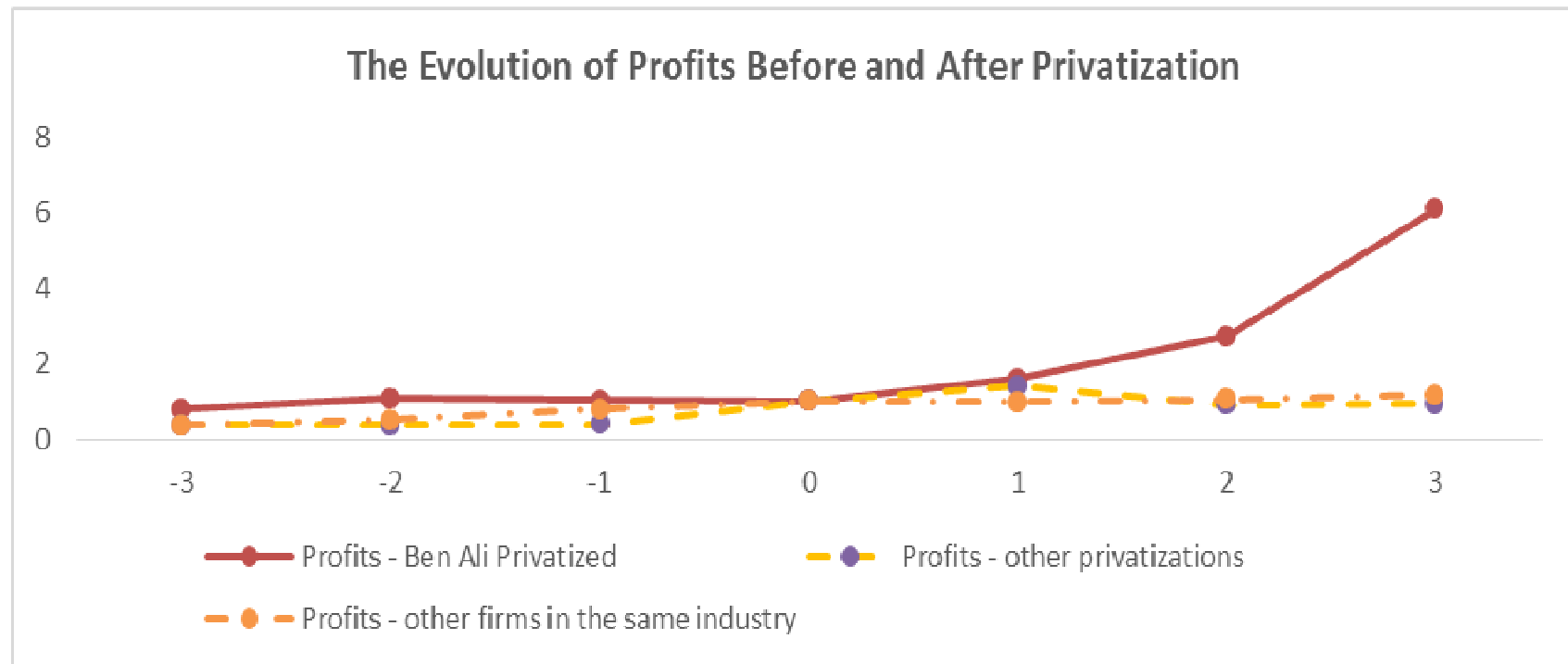
Source: Diwan and Nabli (2013).

Falling tariffs, growing non-tariff protection in Egypt



TUNISIA

The profits of privatization

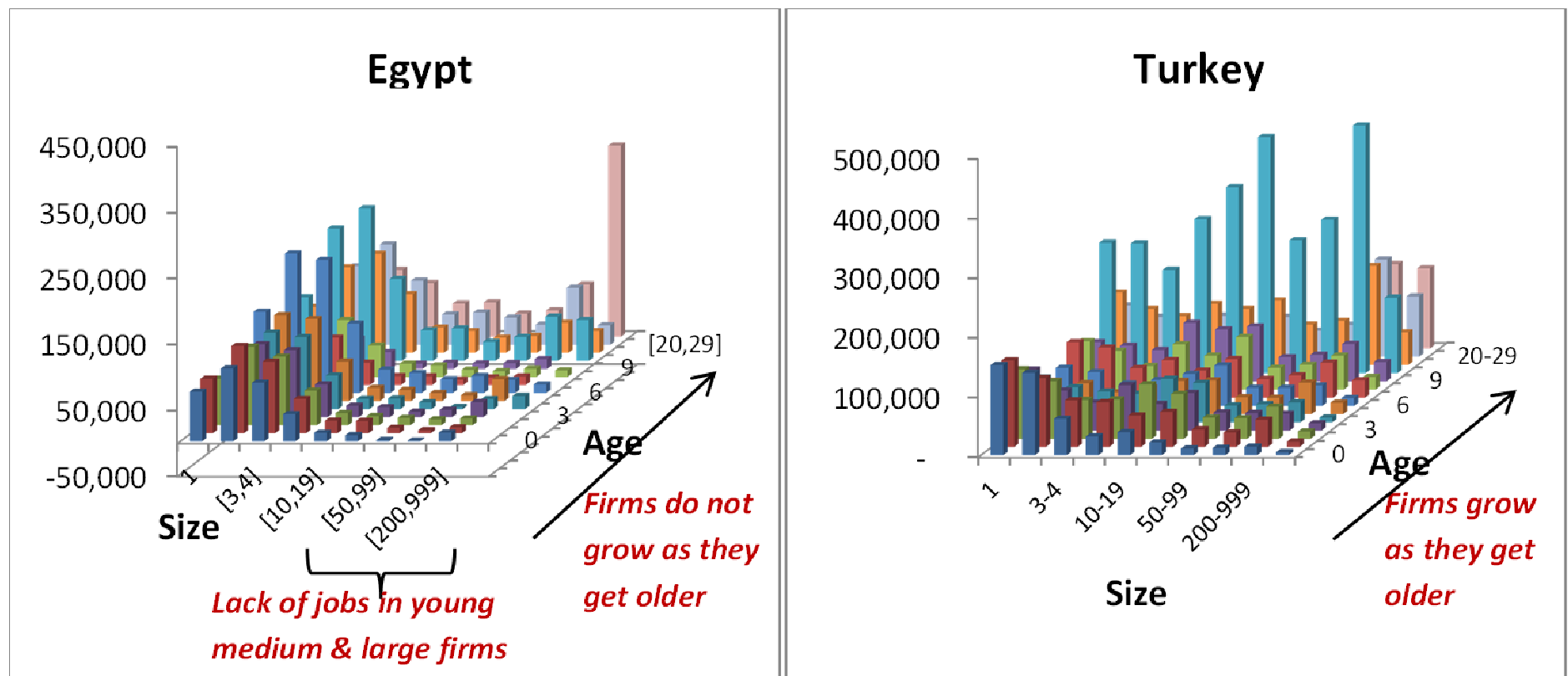


Rijkers et al. (2015)

CFs are disproportionately present in sectors that are closed to FDI, and which require licensing, and that exclusionary mechanisms increased after these firms entered these sectors. Also, that CFs pay less taxes and have higher profits.

THE MISSING MIDDLE

Lack of growing SMEs that could potentially challenge large firms in Egypt



The Economy of *Tahassus*

Segmented domains of economic influence

...where elites control various access points to the economy
and divide the spoils.

Business survives either when it is too close to the state or too far

While privileges are concentrated among large connected firms

.... Jobs are concentrated among informal firms

Violence and the informal economy

ALGERIA

The rise of FIS in Algeria was powered by the erosion of social contract and a thriving parallel economy.

JOFFE on Algeria:

“activities of an informal, parallel economy originally based on smuggling and now sustained through violence which is legitimised by Islamist rhetoric”.

SYRIA

Conflict between the state and Islamists in 1970s and 1980s was fed by the systematic exclusion of small businesses in urban ‘suq’ (Haddad 2012)

ECONOMY OF UNCERTAINTY AND DISORDER

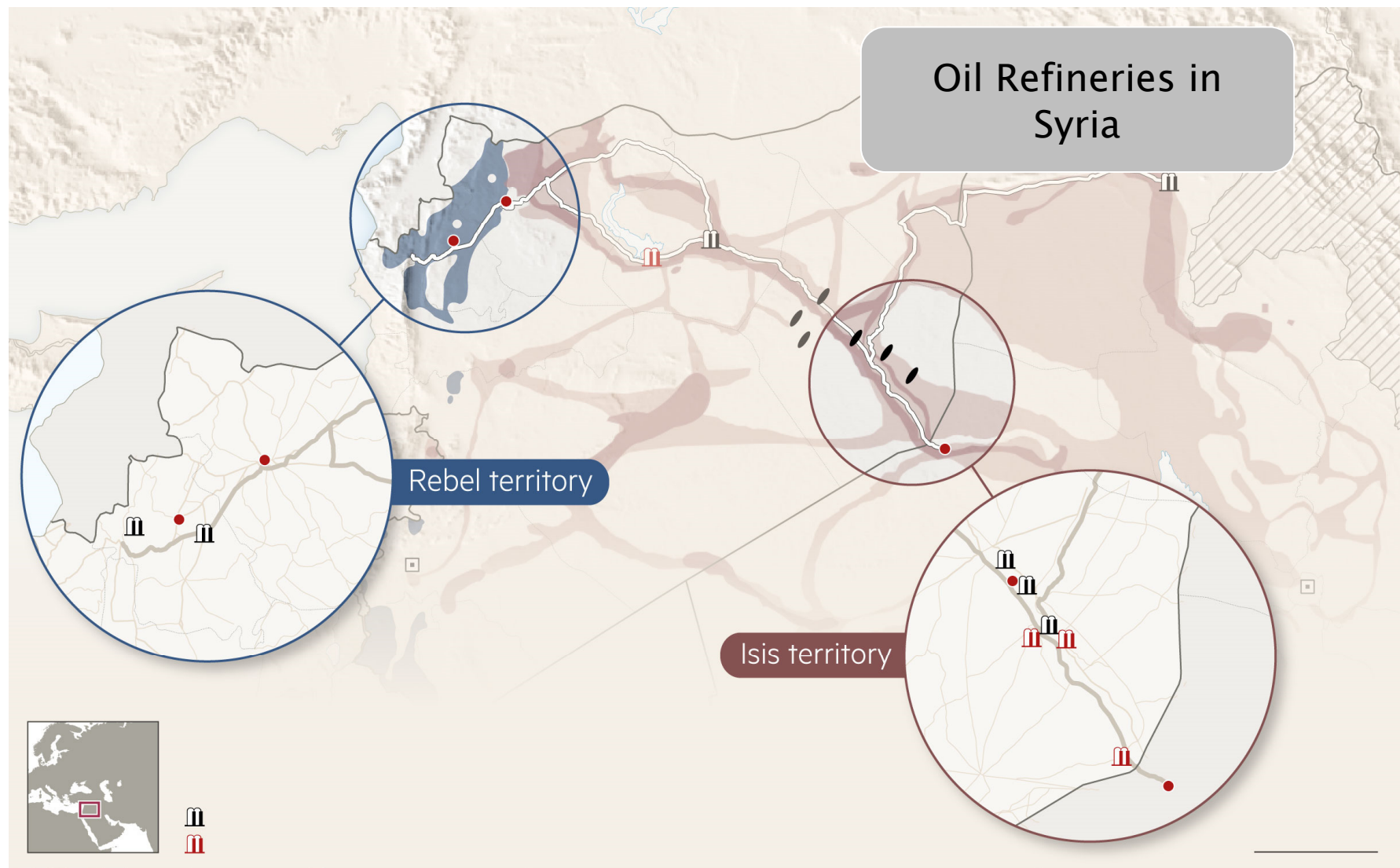
Members of Syrian military, intelligence, bureaucracy and Baath party officials commanded

- ⇒ control of informal trade networks
(afforded by the Lebanese intervention in 1976)
- ⇒ and smuggling rackets across the Turkish border in the 1980s

Rifaat al-Assad, the former head of defence and uncle of current President, was known to be a key patron of this thriving black market.

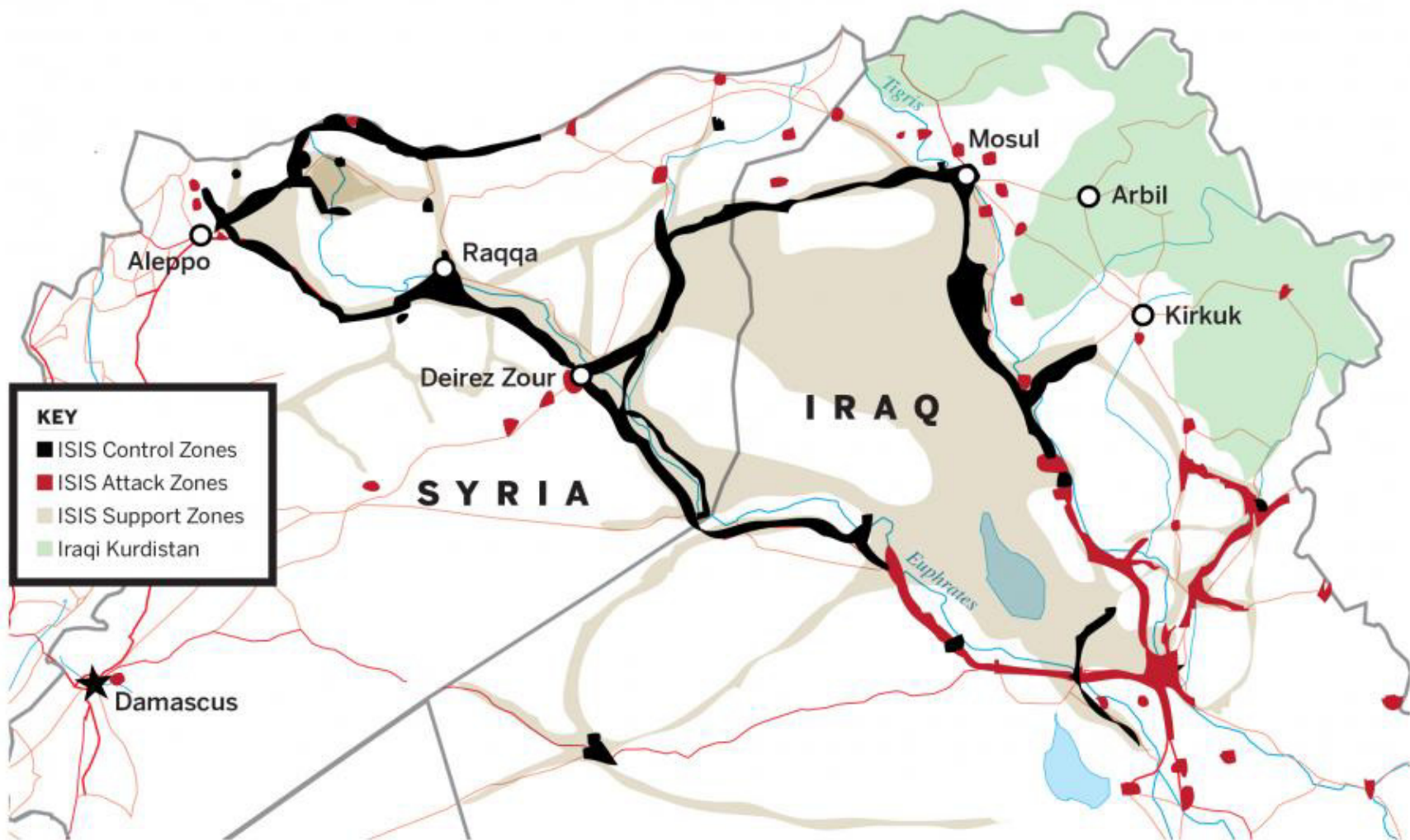
Current spate of violence in the region shows that one set of rentiers has simply replaced another.

‘The new inclusions are premised on old exclusions’



The Rentier Caliphate

THE NEW MAP OF THE MIDDLE EAST



There are structural sources of instability in the Middle East

History of **fragmented state structures**:

Limited institutional resilience without bargaining structures

Personalized rule and absence of strong horizontal linkages in society have fostered LATENT CONFLICT

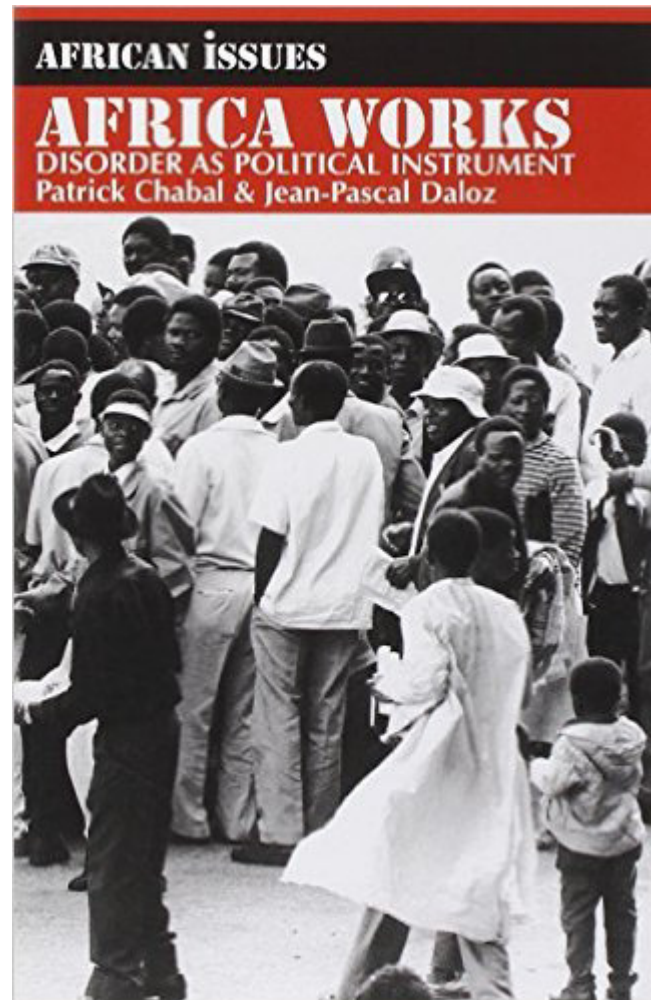
DYNAMICS MATTER: Erosion of social contract during the 1980s and 1990s

The **politics of exclusion and inequality** often finds an expression through a banding around Islam (appeal of Muslim brotherhood in many countries).

Sectarian and ethnic political settlements reinforce fragmentation

Classic lesson of political economy

DISORDER is a political instrument



Between the **STRONG MAN** and the **MILITIA**

Parallel with the THUGS ON CAMELS that rode through the *Tahrir* Square

Was ISIS the camel aimed at dispersing popular Arab mobilizations? Was it an institutionalized response to the Arab spring?



Timing and sequencing of events matter

Greater **FEAR OF CHAOS** in Arab states with generous social contracts

Arab countries	Low oil	Medium oil	High oil
Trust the state	.01	-.06**	.15***
Respect for authority	.06***	.03	.09***
Values Patriarchy	.16***	.16***	.19***
Family values	.06	.22*	.31***
Economic worries	-.01	0	.08***
Fear of chaos	.06	.08***	.14***

When investing in regional violence is an optimal political strategy at home

Violence in neighbouring regions can alter the incentives for collective action at home

=> CHANGES the cost–benefit ratio of protest

Powerful demonstration effect of Egypt, Libya and Syria

=> altered public beliefs and perceptions about the likelihood of protests being successful

Investing in regional violence is an optimal political strategy

Result=> the DISCOURSE OF STABILITY is reinforced

A new 'line in the sand' around Turkey

DEVATOGLU'S "strategic depth"

Strategic demise of an 'idea in action'

ISIS has circumscribed the **Turkish model of development** => major question marks on its sustainability at home and transportability abroad.

With falling trade costs during the last decade, the Levant was emerging as an **active trade corridor**

The rise of ISIS also constitutes an important **trade shock**, which has already redrawn economic boundaries of the LEVANT

Turkey's trade links with the Levant, which had grown tremendously in recent years, have been effectively cut-off => massive **trade diversion**

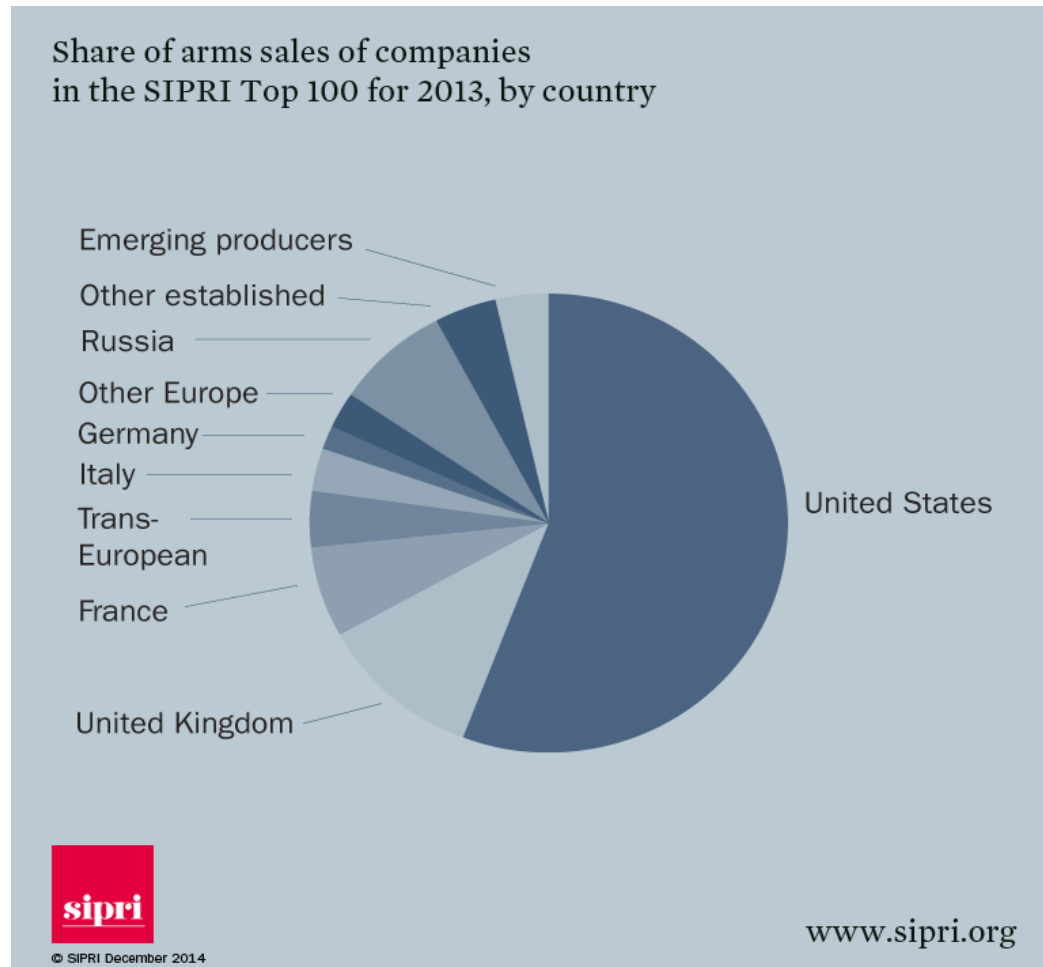
Trade between Iraq, Syria and neighbouring Middle Eastern nations grew rapidly in the middle and late 2000s



Conflicting interests and incentives of foreign powers to control violence



Violence can be profitable for some



Contractors of defence
and reconstruction
projects are important
beneficiaries of conflict

Stocks of top ten defence companies (comparison with S&P 500)



Western interventions violate the common 'social science' logic

NEGATE THREE CORE INSIGHTS:

1. Institutional change is slow, messy, incremental and, for the most part, home grown

EXAMPLE:

It took England 200 years to make a transition from a minimally effective state to a developed polity

2. Every social order (even of the authoritarian variety) is aimed at controlling violence.

Demolishing one social order without replacing it with another inevitably leads to chaos and instability

EXAMPLE:

If Nehru had disbanded the British Indian Army and the Indian Civil Service, India would have been broken into 20 pieces!

Well, this is exactly what Paul Bremer did in Iraq!

3. Procedural democracy is only one element of institutional development.

Other key ingredients include:

(a) Strong bargaining structures;

(b) Dense relationships of economic exchange;

(c) State capacity.

Iraq: A constitution for NATIONAL DISUNITY

A very controversial constitutional process

⇒ controversial, vague, opaque, hasty, and lacking in internal agency

Paved the way for:

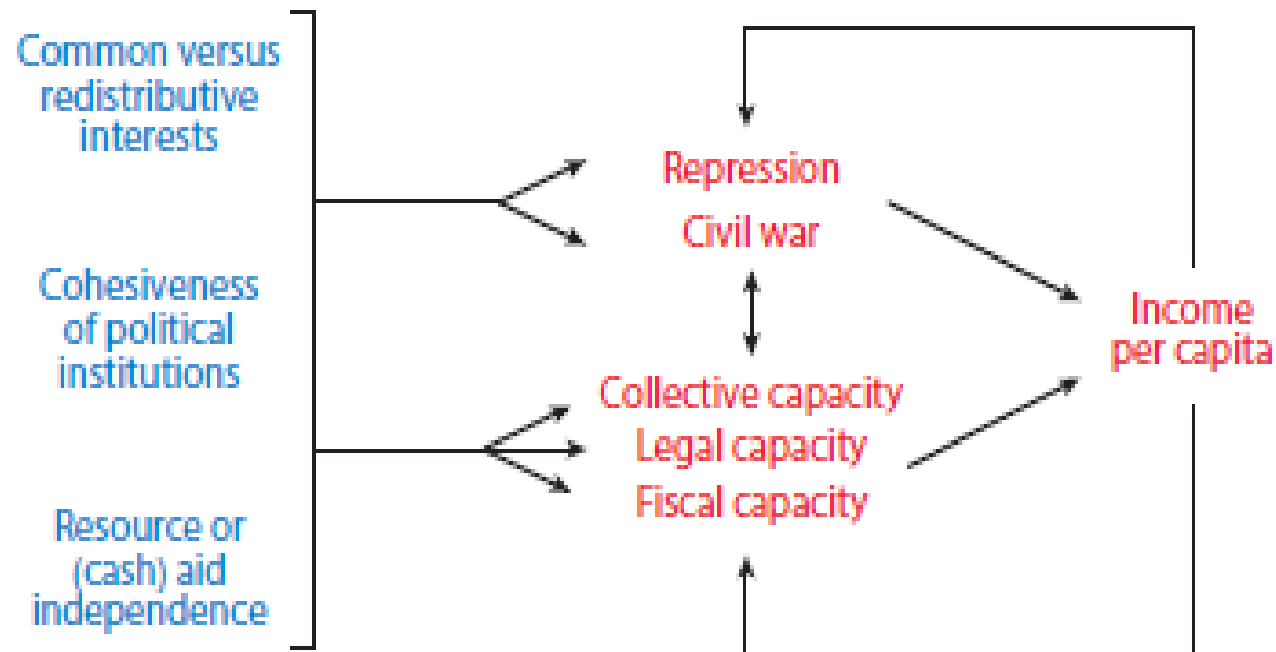
A weak central government

Fragmented sectarian and ethnic domains

- Provided effective veto power to Kurdistan
- Kept matters relating to foreign policy and defence as vague

BESLEY (2015):

Violence, state capacity and development are part of the same cluster



External interventions have undermined state capacity

HILARY CLINTON'S valedictory remark on Qaddhafi's death:

- “We saw, we came and he died”

IRONY: Removal of the autocrats permanently fractured state capacity in Iraq and Libya.

Fragmentation of states along sectarian and ethnic boundaries

=> divisive, rather than cohesive, political institutions => lower incentives for investments in state capacity

‘Common interest institutions’ are more difficult to develop with sectarian political settlements

Replay of the Lebanese *Muhasasa* (Allotment)

How Taif Agreement in 1989 ended the Lebanese civil war tells us a lot about the recent post-conflict settlements in the Middle East

The TAIF ACCORD created peace at the cost of continued fragmentation along sectarian lines.

- Multiple veto points => frequent institutional gridlocks;
- Dependence on external actors for resolving conflict;
- Sectarian boundaries define the distribution of spoils (prevents the emergence of true COMMONS)

Post-occupation Iraq and Libya display surprising similarities

TWO crucial ASPECTS of violence

- Violence is only a temporary instrument in the face of erosion of power
- Violence boomerangs: it ultimately turns against itself

Little, if any, attention has been paid to the **post-conflict order**

What should be the nature of post-conflict order?

- Much focus on new political settlements without any economic vision
- Yet: It is difficult to break the violence trap without imagining a new economic order that replaces the spoils of war economy with the rents from development

NORTH et al. (2014): Multiple exchange relationships bind the interests of all involved => since they increase the cost of violence.

Foreign powers are not NEUTRAL THIRD PARTIES to the conflict?

The classic COMMITMENT PROBLEM of political economy
applies equally to foreign powers with vested stakes in the Middle East

NORTH: those who enforce rules have their own objective function

OLSON: collective action problems of creating a state

Same collective action dilemma exists in the domain of international relations

How to constrain self-interested and opportunistic behaviour of foreign powers?

France decorates RIFAAT AL ASSAD with a Legion of Honour



Summing up

Important role of latent conflict and underlying political settlement => every epidemic needs a favourable disease environment!

Emphasizes struggle over the distribution of power—economic, political and geo-political

INSTRUMENTAL CHARACTER OF VIOLENCE

Violence usually reflects some shrinkage of power---it can be used to substitute for the loss of power

Short-term winner:

- Regional order of stability based on authoritarian rule and fragmented nation states

Another battle of ideas

Growing divide between think tank perspectives on conflict in Muslim societies and social science analysis on violence.

The mainstream discourse in social science is largely ignored by the foreign policy community.

- Greater reliance on think tanks and media who speak from a common hymn sheet.
- Represents a regress towards the ancient state that was high on self-representation but low on rational sciences.

This divide is as critical as the battle of ideas within the worlds of Islam.

Notes and sources:

“The Battle of the Camel,” George Bahgory, Oil on Canvas, 2011.

Besley, Timothy and others. (2015). State Capacity, Peace and Income. Annual Review of Economics.

North et al. (2009). Violence and Social Orders.

Arendt, H. *On Violence*.