

ANOTHER VIEWPOINT

(AVP NS11)

3845 Buffalo Rd., Auburn, CA 95603, Dec. 1996

ECONOMIC COOPERATION IN THE MIDDLE EAST

Elias H. Tuma

The call for economic cooperation is loud and clear. International agencies, institutions, and many governments are busily trying to promote economic cooperation among Middle East countries, for both economic development and peace. The third economic conference, held this year in Cairo, has just concluded. More than 3,500 business, government, and academic people, from 92 countries and 26 NGOs, participated. The objectives of this and other programs have always seemed grand, the rhetoric overwhelming, and the expected results overly exaggerated. Few projects have materialized and little continuing cooperation has been generated. The reasons are both structural and behavioral. The former are built-in defects that render successful cooperation difficult. The latter reflect attitudes, policies, and behaviors of the leaders and their constituents toward cooperation in general and specific projects in particular.

Among the structural reasons three are prominent, lack of complementarity, underdevelopment of institutions and infrastructure, and poverty of natural and human resources. 1) The countries of the M.E. have similar endowments and economic products enough to be competitive with rather than complementary to each other. They import manufactured products and export raw material and agricultural products. Israel may be the only exception, but its complementarity with other countries tends to center on labor and technology, both of which suffer from restricted mobility because of political and military considerations. 2) Another handicap is the underdevelopment of economic and legal institutions that could foster cooperation in the region. For example, the systems of tariffs, labor and capital mobility, communications, transportation, and marketing are not yet developed enough to cope with expanded cooperation among countries of the region or with other regions. The same limitation is true of the physical infrastructure in most countries of the M.E. 3) These handicaps are augmented by the poverty of human capital and technology. Though education has expanded widely in the region, the quality of education and the technical proficiency of the labor force tend to be inadequate to fulfill the needs of regional and international cooperation.

The behavioral obstacles are probably more serious because they can be overcome only from within the respective economies. Three obstacles may be highlighted: the perception of cooperation, the influence of tradition, and policy making regimes. 1) The meaning of cooperation is hardly ever clear. The word cooperation is used interchangeably with integration, globalism, liberalization and expansion of trade, and regionalism. Strictly speaking, cooperation means a willful decision to act jointly with others on specified projects for specified objectives. A willful decision to cooperate can be effective only if its makers are committed adequate resources for cooperation, and if they are supported by a large constituency in their respective countries. Furthermore, cooperation may be in trade, marketing, or production. Most international agencies and promoters of cooperation tend to focus on trade liberalization and expansion. They probably would oppose cooperation in marketing since that might lead to cartelization; e.g., OPEC-like organizations. At

the same time, few agencies or countries explore cooperation in commodity production, except for Israel which always comes with a long list of potential projects for cooperation with its neighbors. Unfortunately, the response for those neighbors has been less than encouraging for various political and social reasons. Another discouraging aspect of the idea of cooperation is that it tends to be presented by foreign agencies and hence does invite a negative reaction, as a reminder of past colonial and imperial penetration in the region. 2) The idea and act of economic cooperation find little support in the traditions of the region. Middle East countries and their educational systems encourage nationalism, individualism, and local loyalties, all of which generate cynicism toward cooperation. It is frequently asked: If cooperation is so beneficial, why has it not developed yet? 3) A third behavioral obstacle is the quality and variety of political regimes in the region and their distance from their constituents in policy making and implementation. While the various economies are so similar as to restrict cooperation and promote competition, the political regimes are so varied as to also restrict cooperation and promote competition. Islamic regimes, radical military regimes, traditional and anachronistic monarchies, and western type democracies may find it difficult to trust each other enough to surrender some of their own sovereignties in order to cooperate with each other. Yet, without such action cooperation can hardly succeed. On the other hand, it is not evident that these regimes have enough popular support to take radical steps in favor of cooperation with other countries. Popular reactions in Jordan and Egypt are telling examples of the distance between the regimes and the people with regard to economic and social relations with Israel. In these circumstances the signing of agreements and the issuing of proclamations are sterile instruments for promoting cooperation.

Does all this mean that cooperation efforts among M.E. countries are doomed and should be abandoned? On the contrary, it means that more efforts should be expended and new approaches should be attempted. For example, it may be useful to explore popular attitudes toward cooperation before delving into the process. That would serve both to learn about readiness of the people and to educate them with regard to cooperation. It would also narrow the gap between policy maker and implementer of the policy. Another step may be to highlight the economic benefits of cooperation relative to the costs, separately from the political implications. Economic cooperation should be justified on its own merits and not as a means to political or military agreements. The people will respond more positively when they expect net benefits from cooperating with other countries. Still another step may be to put aside the grandiose programs for massive cooperation in the region and focus on small, vital, and implementable projects that would give visible results within a reasonable period of time. This may be the most fruitful approach in projects involving countries which need to build mutual trust and respect for each other. Arabs and Israelis, Arabs and Iranians, Iranians and Israelis, and Arabs and Arabs may still find ways to cooperate with each other.

AVP is a non-partisan non-profit monthly published and edited by Elias H. Tuma, professor emeritus of economics, University of California, Davis, CA. The views expressed above are those of the author and do not implicate the University in any way. On internet: <http://polar.ucdavis.edu/Econ/Tuma/tuma.html>