

**PROFESSOR OYSTEIN NORENG**

**NORWEGIAN SCHOOL OF MANAGEMENT  
OSLO**

**OIL AND ISLAM: MISUSE OF MONEY CAUSING SOCIAL AND POLITICAL TENSIONS**

**The theme.**

The purpose of this paper is to explore the possible links between the region's oil experience over the past decades and the surge of politically radical movements referring to Islam in the Middle East and North Africa. The critical factors are the sudden rise and the subsequent decline of the oil revenues. In the 1970s, and early 1980s, the Middle East and North Africa appeared as exceptionally successful in economic and social matters. Revenues soared and social conditions improved rapidly. In the 1990s, with some exceptions, the region appears as a resounding economic and social failure. Per capita income is falling and social conditions are deteriorating quickly. There are too few jobs for the increasing young population, so that unemployment is rising quickly. The Middle East and North Africa make up the only one of the world's major regions unable to feed its population, which is growing rapidly. Hence food supplies and nutrition standards are under a stronger economic threat than elsewhere. This has onerous political implications.

Population by age groups 1970-1992. Middle East and North Africa.

Million	Age Groups			
	0-2:1	25-49	50+	Total
Year				
1970	78,0	36,0	26,8	1-10, 8
1980	102,5	50,0	36,6	189.1
1992	144.8	73,4	52,8	271,0
Relative Shares				
1970	55,4 %	25,6 5	19,0 %	100,0 %
1980	54,2 %	26,4 %	19,4 %	100,0 %
1992	53,4%	27,1 %	19,5 %	100,0 %

*All countries except. Lebanon, Palestinian Territories and Israel.*

At the same time, military expenditure is persistently high. In many Middle Eastern and North African countries the military and internal security seem to have the priority over civilian tasks. In brief, arms purchases in many cases seem to have a stronger budgetary position than do food imports. Even if oil revenues in a fairly recent past provided tremendous wealth, there is no .hope that oil alone can secure future prosperity. The oil exporters of the Middle East and North Africa evidently do not manage the transition into more diversified economics, supplementing oil and gas with other sources of income. As public funds based on oil run out, governments, are unable to attract or stimulate private investment. Hence they seem to be running into ever more serious economic difficulties, with steadily more severe social strains and potentially ominous political repercussions.

**Petroleum revenues and population in North-Africa and the Middle-East 1970-1992**

Year	1970	1975	1980	1985	1990	1992
Population, million	143	164	192	225	261	277
Fuel exports, million 1992 US\$	38,559	206,160	391,453	133,473	134,378	112,964

Fuel export per capita, 1992 US\$	270	1,254	2,042	594	514	407
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Annual average growth rates %	1970-80	1980-92
Population	3.43	3.69
Fuel exports	91.52	-5.93
Fuel exports per capita	65.66	-6.67

*Source: The World Bank world Tables. 1993*

Indeed, the countdown to the post-oil era is being forced upon the Middle Eastern and North African oil exporters, but so far the governments seem unable or unwilling to adapt. The question is how this unfortunate development could have taken place. Did it occur in spite of an exceptional endowment in petroleum resources or because of the resource endowment?

Anyway, the outcome is increasing political unrest, with religious references. In this context, these movements will be denominated as Islamist. In this perspective, Islamism represents the use of religious references to legitimise political grievances as a moral right. Following this perspective, there are no definite political institutions or economic or social policies prescribed by Islam, but the interpretations and uses of Islam should be analysed with reference to their proper historical, economic and social context. The background for the recent surge in Islamism in the Middle East and North Africa is certainly not only to be found in economic and social problems. It also represents a manifestation of cultural and national identity in opposition to the west, the former colonial or semi-colonial masters. Serious economic problems and the degradation of the social situation do, however, provide additional strength the Islamist surge. These issues are related to the oil experience, but they have been largely ignored in the West.

### **The political reference to Islam.**

The term Islamism is in this connection defined as the use of references to Islam and its basic sources for specific political purposes'. Another usual denomination is Islamic fundamentalism. This essentially is a mass mobilisation of people against unpopular and unaccountable governments<sup>2</sup>. Its main objective is to alter or overthrow the present social and political order. The further aim is to establish a new social order based on alleged Koranic theological and juridical principles, which emphasise a proper personal conduct and social justice<sup>3</sup>.

In the meantime, the Islamist movements in the Middle East and North Africa serve as an alibi for repressive and often inefficient regimes<sup>4</sup>. The immediate outcome is a political stalemate, but as expression of broad social forces, the Islamist movements cannot be fought by repression alone. In the West, Islamist movements are often portrayed in their most extreme and violent form<sup>5</sup>. The diversity of the movements and the bulk of non-violent Islamists get little attention<sup>6</sup>. By highlighting the extreme and violent forms of Islamism, the West tends to overlook the more profound historical issues, economic problems and social forces<sup>7</sup>.

In the West, there is little understanding of why the Islamist movements appear in the Muslim world. Hence there is also a general lack of comprehension of the sudden changes imposed on the Muslim societies by the rise and fall of oil revenues. More seriously, there is hardly any understanding in the West of how the present social problems of the Middle East and North Africa have their causes in political conditions rather than in a lack of resources.

### **Autocratic rule and the military priority.**

The general problem of the oil exporters is autocratic rulers clinging to power, backed by petroleum revenues, but unable or unwilling to open up for economic development outside their control. The wave of democracy that in the 1980s and 1990' has swept over the world, so far has had little impact in the Middle East and North Africa. Indeed, the persistent priority given to military expenditure and internal security over civilian tasks can be seen simultaneously as an indicator of the rulers' fears of each other and of their own population, of the rulers' needs to back their power with military means, and not the least of foreign manipulation. The oil importers have largely tried to balance their oil imports by arms exports. Since oil revenues started to rise in the early 1970s, the oil exporters of the Middle East and North Africa have become the dumping ground for the world's arms makers. Even worse, the arms imports have stayed high even after the oil revenues started to decline in the early 1980s.

The military priority is an essential aspect of the mismanagement of the region's petroleum wealth and an important reason for the present misery. It gives the arms exporting countries in the West, including Russia, formerly the Soviet Union, a stake in the survival of the regimes in the Middle East and North Africa, as well as a responsibility for deteriorating economic and social conditions'. Hence it should be no surprise that opposition to the rulers in place often gets an anti-Western accent, emphasising Islam as the embodiment of local traditions. In this perspective, the West risks compromising its long-term interests for short-term gains. In the Middle East and North Africa, autocratic rule and mismanagement do not, however, require foreign intervention. Military rule has deep roots in the region's political traditions. There is no tradition in rulers being accountable to their population. Oil has strengthened autocratic rulers by providing huge revenues. There is little understanding in the West of how these strains could have their origins in oil related issues and eventually could backfire on oil policies.

### **The Islamist social critique.**

Islamism today to a large extent represents both a social critique and a national revival, as well as a political revolt against a Westernised and technocratic ruling class. The ruling class, with a basis in the public sector, has the control of economic and political life. Its position is being challenged because of rising inequalities. This conflict is particularly bitter in countries that experienced a strong surge in oil revenues in the late 1970s and early 1980s. Their subsequent decline in the late 1980s and early 1990s produced strong discontinuities in development. At first there were extensive disruptions of traditional society. Subsequently the attempt at technocratic modernisation failed. The adaptation of a Western economic and social model, financed by oil revenues, was not successful. Algeria and Iran are the typical examples<sup>9</sup>. Oil revenues made an apparent modernisation easy. Hence the easy solutions proved disastrous.

### **Total Government Expenditure per capita 1970-1992 1992 US S**

	1970	1975	1980	1985	1990	1992
Algeria	179	314	519	537	356	140
Egypt	194	223	171	2,17	112	7 3
Iran	222	859	832	742	1140	2041
Ira	273	1060	1063	1194	1167	998

Jordan	370	459	624	6149	322	296
Kuwait	1777	3120	3877	3598	3540	5505
Libya	1057	3405	4342	3002	2130	1965
Morocco	105	197	308	119	170	178
Oman	1707	2473	2898	2759	2816	2740
Qatar	7361	6747	11170	7761	5314	4715
Saudi-Arabia	499	2673	4423	273	2304	2500
Sudan	108	97	113	65	138	132
Syria.	169	372	579	625	302	413
Tunisia	165	262	330	42	257	310
U.A.E.	4380	3849	5303	5066	3708	3724
Yemen	16	50	113	91	205	1831
Average	228	606	790	714	691	862

*Source: UN Publications, National Accounts 1974-1993*

With some exceptions, the oil exporting countries were the most exposed to Western influence. This is where the subsequent frustration has been the most profound, due to the discontinuities of revenues. The hypothesis is that rising social inequalities can be criticised as transgressing against basic political and religious principles of Islam. These principles are not always evident, because even classical Islam is a historically complex phenomenon. Nevertheless, the Bedouin society, in which Islam rose, was essentially conservative and egalitarian<sup>o</sup>. The conservative tradition can today be invoked against Western influence. The egalitarian tradition, even if distant, can be invoked against wasteful and autocratic rulers. When present rulers appear as simultaneously wasteful, despotic and dominated by the West, they expose themselves to criticism based on ancient traditions from Islam's early age.

A second proposition is that the unity of temporal and spiritual power, which apparently distinguishes Islam from Christianity, historically has in practice led to a concentration of power. More important, it has ideologically legitimised absolutist rulers. In practice, Islam has been used by autocratic rulers to justify their rule. Hence the outcome has largely been that the temporal power has dominated the spiritual power". The absolutist rule for centuries prevented the development of political institutions. The absolutist rule may, however, be a product of Middle Eastern and North African economic and social conditions rather than of the religion. The absolutist rule also influenced the mode of production and hence the development of economic agents and interests, social cleavages and the potential for political alliances. It has also prevented the merchant class from gaining political power, contrary to the West European experience.

The persistent absolutism hampered the division of power. In Western Europe, the gradual division of power represented the democratic route to modern society<sup>12</sup>. The concentration of power especially prevented the merchant class from playing a political role, contrary to Europe and later North America. As the centralised political systems came under pressure from incompetence, internal strife and external aggressors, the military have tended to take power. This has been a persistent feature of the Muslim societies from the Middle Ages until present days.

A third proposition is that the petroleum policies and economic policies based on petroleum revenues since the early 1970s in the Middle Eastern and North African countries today are easy targets of Islamic criticism. It is questionable whether Islam originally has some distinctive principles for organising economic life, that are of present relevance. This does not prevent contemporary Islamic scholars from developing distinctive economic ideas. Some of these principles are relevant to economic policy in a

modern society<sup>13</sup>. They include the sanctity of private property, the prohibition of charging interest, the need to share risk the prerogative to redistribute income as well as the prohibition of waste and idleness. These economic principles are also relevant to petroleum policy decisions. Interest considerations influence the rate of depletion of a finite resource. The emphasis on private property and risk sharing could influence the organisation of the oil industry. The definition of waste and the prerogative to share wealth potentially affects the use of petroleum revenues. Hence Islam in a modern interpretation potentially has a practical impact on petroleum policy.

The Islamist charges are briefly that the economic policies based on petroleum revenues serve the narrow and short-term interests of a technocratic class based in the public sector. Hence they allegedly infringe upon the principles attributed to Islam. The critique is briefly that the ruling class is pumping out a finite resource too quickly and that the revenues serve a limited number of people. The revenues to a considerable extent finance the wasteful consumption of a Westernised civilian and military ruling class. In an Islamist perspective, abstaining from interest calculations, oil policies could give a higher priority to keeping more oil in the ground.

### **Technocrats, Soldiers and Merchants.**

A fourth proposition is that the growth of the oil industry and of a large public sector based on oil revenues has infringed upon the interests of the merchant class. They have changed the relationship between the private and the public sectors. The arrival of the oil industry and subsequently large oil revenues fostered a new technocratic class, that are military personnel and civil servants occupying the public sector. They have marginalised the private sector and the merchant class. Large oil revenues enabled the governments to finance an extensive welfare state, legitimising the rule of the technocratic and military class, in spite of the absence of democratic institutions. Hence the large oil revenues of the 1970s and early 1980s have strengthened a modern version of the Absolutist State. It is generally based on the armed forces. A practical result has been a surge in military expenditure. This was also in the interest of the Western oil importing countries that through arms exports could partly offset the financial burden of oil imports. With declining oil revenues, the conflict between civilian and military priorities intensifies.

A fifth proposition is that the decline in oil revenues since the mid 1980s has undermined the welfare state, with rapidly rising unemployment largely affecting an urbanised and educated young generation. The population pressure intensifies intergenerational conflict, over distribution as over values. There is a pressing need for income redistribution, but the absence of democratic institutions fosters violent conflict. Indeed, the problem of accommodating social and generational change and of redistributing income worsens through the absence of representative political institutions. Political power in the Middle Eastern and North African societies belongs to extensive royal families, military personnel and leading civil servants. There is hardly any participation by industrial or agricultural workers or even the merchant class. Autocratic governments with varying degrees of repression have traditionally gained legitimacy by offering services without taxing the population. Oil revenues financed public expenditure. An important purpose of expenditure was to selectively buy the favours of key segments of the population. Declining oil revenues have led to cuts in public services and fewer resources to buy favours and hence to a gradual loss of political legitimacy. At the same time, the modern absolutist rulers, often in military garb, cling to power. Hence they prevent the evolution of economic and political structures. With declining oil revenues and a growing population, the conflict between civilian and military priorities intensifies. The development of the Muslim societies generally would require that merchants replace soldiers as the

politically dominant element, as happened in Europe in the past<sup>14</sup>. There are, however, strong obstacles to such a change.

**Military spending as a proportion of total government spending.**

	1970	1975	1981	1985	1990	1992
Algeria	14%	18%	6%	8%	11%	37%
Egypt	64%	73%	37%	38%	32%	62%
Iran	42%	65%	21%	53%	18%	9%
Iraq	41%	32%	28%	66%	50%	45%
Jordan	72%	59%	49%	28%	31%	30%
Kuwait	19%	48%	52%	26%	17%	113%
Libya	12%	23%	34%	8%	16%	19%
Morocco	20%	30%	28%	40%	24%	24%
Oman	88%	61%	68%	60%	12%	39%
Qatar	12 %	17 %	8 %	8%	18%	38%
Saudi-Arabia	49%	56%	74%	50%	42%	37%
Sudan	20%	18%	16%	53%	25%	29%
Syria	46%	70%	60%	74%	48%	50%
Tunisia	9%	11%	14%	17%	13%	10%
U.A.E.	5%	3%	36%	36%	29%	25%
Yemen	51%	74%	51%	58%	43%	10%
Total	39%	49%	41%	44%	28%	25%

*Source: Middle East Economic Survey 36:46 Aug. 1993. United States Arms control and Disarmament Agency, SIPRI and UN Publications, National Accounts 1993.*

**Forcing opposition into the mosque.**

A sixth proposition is that the absence of liberal institutions and the prohibition of any independent political life outside the state make the mosque the only channel for political opposition. Under the pressure of deteriorating social conditions, the mosque is promising income redistribution, employment and improved public services by taxing the wealthy and by ending conspicuous consumption. The social critique, which targets the established rulers and the new technocratic class in the Middle Eastern and North African societies hence gets a religious accent. It fights social inequality and injustice as an evil. Islamism thus appears as the opposition to the Westernised technocratic ruling class, whether civilian or military, with the merchant class in critical cases joining this opposition. The social crisis enhances opposition to Western cultural influence. In this ideological void, religion lends itself to political use.

The seventh and final proposition is that eventual Islamist governments in Arab oil exporting countries could have strong effects on economic policies in general and oil policy in particular. Insofar as a rapid rate of depletion accompanies a wasteful use of the oil revenues, an Islamist government would find reasons to reduce output. The military priority of the past twenty years has a high cost when measured in oil exports. Insofar as military expenditure is an indicator of wasteful consumption, prohibited by Islam, the alternative could have been to leave more oil in the ground. The effect on the oil market would have been strong. Indeed, without the military burden, essentially motivated by fears of conflicts with other Muslim countries, the Middle Eastern and North African oil exporters would have been far less strained financially. Hence they would have enjoyed more freedom in petroleum policies. Ideally, an Islamist

government would synchronise the depletion of oil reserves with investing the revenues in new productive assets in order to maintain and expand the income base. In practice, this is difficult when population grows quickly and no other sources of income are available. An Islamist Government could also find reasons.

A major proposition that the Islamist movements in the Muslim countries represent a social revolt as well as an assertion of cultural and national identity in the wake of an unsuccessful or incomplete modernisation based on oil. The background is dynamic demographics in a strained economic situation within a rigid political context. There are close links among these three aspects. Rapid population growth creates conflicts of distribution, positions, priorities and values. The immature and unstructured political systems keep ageing leaders in power without accountability to the public. Autocratic political systems do not facilitate dialogue and compromise. Instead, they provoke conflict.

### **Social and generational tensions.**

The outcome is intensive social and generational tensions. They arise partly as a conflict over distribution and economic positions, especially jobs, partly as a conflict of views on how to organise society, and partly as conflicts of power. Put simply, the older generation got little education, but jobs, wealth and power when the new Muslim states arose after independence. It benefited strongly from the influx of large oil revenues in the 1970s and early 1980s. These people were at least thirty years old at the time of the first oil price rise in 1973. The next generation is more numerous. It has got more education and many jobs, but less wealth and little power. It benefited more moderately from the oil wealth. Its members were at most thirty years old in 1973. The youngest generation makes up the majority of the population. It has got education, but few jobs, no wealth and no power. It was born too late to benefit from the high oil revenues. Indeed, employment is the test failed for the: Muslim states a generation or two after independence and with declining oil revenues<sup>15</sup>. This is a recipe for intergenerational conflict with a social and cultural accent<sup>16</sup>. The social crisis leads to a cultural crisis with religious references and a political significance. It prepares the ground for Islamist movements.

The older generation, those over 50, are usually the ones who took power at independence and used it for their own economic benefits. The next generation, those below 50 and above 25, has been barred from power by their elders and got less economic benefits. The: exceptions are Iran, Iraq and Libya, whose rulers are younger than in most of the rest of the Middle East and North Africa.

The young generation, those under 25, has arrived too late for power, economic benefits or adequate social services in a stagnant economy.

A generational perspective on politics should take important historical events into account. Middle Eastern or North African Arab citizens born in the 1920s would have experienced independence as fairly young people after the Second World War. This was their major formative political experience. The military nationalist regimes that took power in the 1950s, consolidated their positions and influence. In their forties, they experienced the emerging prosperity of the 1960s as well as the shock of the Arab defeat by Israel in 1967. In their fifties, they benefited from the oil boom of the 1970s and early 1980s. For them, the Iranian revolution represented a threat. In their sixties and seventies they in the 1990s refuse to give up power or privileges.

For the next generation, born in the late 1940s and early 1950s, the major formative political experience was military defeat by Israel in 1967. They saw it as an Arab defeat by the West. The 1973 war and the

subsequent oil price rise represented revenge and new opportunities. The Iranian revolution was another major formative event for young adults. In their late thirties or early forties, since the mid 1990s, they suffered from low oil prices, dwindling resources and blocked opportunities. This stimulates frustrations. Only in Iraq and Libya does this generation have substantial political power.

For the young generation, born in the 1970s, the major formative political event was the Gulf War. They easily associate the subsequent low oil prices with Iraq's defeat by the West. Even more than for the preceding generation, dwindling resources block opportunities and stimulate frustrations. That the West went to war for oil, was victorious and has hence benefited from low oil prices, invites a confrontational outlook.

Against this backdrop, political leaders have in their youth experienced different historical events as critical in their development. In the Arab world, critical events were the Suez invasion in 1956, the Arab defeat by Israel in 1967, the 1973 War and the subsequent oil price rise. They also include the Iranian revolution and the second oil price rise of 1979-1980. By a simplistic division into categories, the older generation of leaders was above 20 in 1956 and the middle generation was above 20 in 1980.

In Iran, the pattern of experiences is different because of the recent revolution. Here, the older generation born in the 1920s would have experienced the Mossadegh regime, the nationalisation of oil and the subsequent reinstatement of the shah through foreign intervention as the major formative political experience. In their forties and early fifties, they experienced the emerging prosperity of the 1960s and the 1970s. Many lost privileges, property and positions in the revolution. Their situation deteriorated during the 1980s war with Iraq.

For the next generation of Iranians, born in the 1940s and early 1950s, the major formative experience was the sudden prosperity and subsequent crisis in the 1970s. This generation was deeply split. Those with education, privileges and positions were as a rule the losers of the revolution. Many of them left the country. Others gained positions, but their economic situation also deteriorated during the war with Iraq. In the 1990s, they essentially have the economic and political power.

For the youngest Iranian generation, born around 1970, the war against Iraq was the major formative political experience. Its end coincided with Ayatollah Khomeini's death and the subsequent moderate turn of the regime. Young Iranians suffer from low oil prices and dwindling resources. Their loyalty to the new regime, its institutions and leading personnel is at best uncertain.

### **The contrast between the Arab countries and Iran.**

This review shows the profound differences between the recent political experience of the Arab countries and Iran. This difference coincides largely, but not fully, with the split between the Sunni and the Shia traditions. The distinction in tradition and experience has important political consequences. In Iran, the Shia clergy carried forth the radical Islamist movement that ultimately led to the revolution. It began already in the 1960s when the shah's reforms threatened the economic and political interests of the clergy. So far, the Iranian revolution represents a unique political event in the Muslim world.

In the Arab world, radical Islamism took off as local movements in the mid 1980s. This coincided with the fall in oil prices. The movements largely had the form of social welfare organisations which

supplemented the deficient and often corrupt public services. These organisations had the active support of young intellectuals. For the governments, these organisations were more difficult to prosecute than the preceding Islamist armed guerrilla movements. The welfare work made these organisations popular. The next step was for the multiple Islamist organisations to present political grievances. The ideological references often go back to the Middle Ages, when the leading learned at times questioned the rulers' legitimacy when their rule was unjust.

Hence the Arab countries experience an increasing political polarisation, because the cleavages of class, age and culture tend to coincide. Simplistically, many Muslim countries have old rulers who control the government and the economic surplus. They also to a considerable extent, represent Western ideas and lifestyles. Opposition to them is a frustrated middle generation and an impoverished youth. In social terms, their origins are usually in an urban lower middle-class with recent rural roots and educated young people<sup>17</sup>. They want influence, prosperity and to assert national cultural traditions against Western influence. Such a stereotype may be particularly relevant to the oil exporting Muslim countries.

In most Muslim countries the established political leadership is not accountable to the population through democratic processes. In many cases it appears to the younger generation and the poorer parts of society as excessively favourable to the West or even corrupted by the West. The absence of democratic institutions means that a peaceful transition of power appears blocked to the opposition. With rising economic problems, the opposition is no longer the cause of the younger generations, but becomes an alliance of diverse groups.

### **The social project of Islam.**

The original social project of Islam readily appears as an ideal in a strained economic situation. In brief, Islam promises equality and social welfare, but respects private property. In a society with rising social tensions, but without democratic institutions, this message falls on fertile ground. Indeed, traditional Muslim society enjoyed a considerable degree of egalitarianism and social welfare. This was particularly the case in rural areas. Recently, the European colonisation and domination brought economic inequality and strong social differentiation, especially in the rural areas. The strife for social justice thus naturally gets an anti-Western accent.

The mere hypothesis of a connection between oil and Islamism may appear preposterous. Islamism today is a fairly universal phenomenon in the Muslim world. It is no exclusive phenomenon of oil exporting countries. Sudan, for example currently has an Islamic government, but no oil exports.

The study of potential links between oil exports and the rise of Islam is empirically difficult. Oil exports and their revenues are easy to define and figures are publicly available. Islamism is hard to define. Many diverse groups are difficult to compare. They range in quality from gradualist and pragmatic through revolutionary to messianic. Most are non-violent, but some are extremely violent. They also differ in size. Most are small, but some are part of wide networks. Most Islamist groups operate in clandestinity because they are illegal or subject to police surveillance. Their life-span varies because of repression, infighting and competition, as well as mergers and acquisitions.

At least in decentralised Sunni Islam, the number of Islamist groups may be the least inaccurate guide to the strength of Islamism. In the more structured Shia Islam, the number of groups is probably an even less reliable indicator. Here, the Shia clergy has represented Islamism<sup>18</sup>. According to one source, the

number of Islamist groups is the largest in Egypt and the smallest the United Arab Emirates<sup>19</sup>. The apparent direct link with oil exports is at best doubtful.

Hence oil exports appear to be neither a necessary nor a sufficient condition for Islamism. If they were a necessary condition, Islamism would not have been present in non-oil exporting countries, such as Lebanon. If they were a sufficient condition, oil exports alone would have provoked a strong surge of Islamism in, for example Iraq, Kuwait and Saudi Arabia. Against this evidence, any direct causal link between oil exports and Islamism would be indirect and complex. It requires the analysis of multiple factors, where oil exports and the discontinuities of oil revenues have an impact on other causal factors that provoke the surge of Islamism. For example, problems of generational change, income distribution, education, employment and social welfare intensify when the incomes diminish, especially after a period of rapid growth.

If Islamism has its causes in mounting conflicts of income distribution, exacerbated by rising social and generational tensions, oil is clearly neither a necessary nor a sufficient condition. Conflicts of income distribution as well as social and generational tensions may arise in any society independently of oil. Oil may, however, reduce the conflict potential when revenues rise and subsequently enhance it when revenues fall. Insofar as rising oil revenues have postponed structural economic and political reforms, the reckoning tends to be rude. Most important, the oil industry and its revenues have strengthened the public sector at the expense of the private sector. When oil revenues decline, the public sector suffers from diminishing resources and a frustrated private sector. This is perhaps the major reason why there could be a link between oil and Islamism. Finally, declining oil revenues in an undiversified economy leave youth with reduced chances and disappointment. This is particularly important when oil revenues decline and the population continues to grow at a rapid pace.

The overall explanation for a link between oil and Islamism is the ripple effect from the oil exporters to the non-oil exporters<sup>20</sup>. When oil revenues rise, the rich oil exporters employ labour from the non-oil exporting countries of the region. They in turn remit money home. When oil revenues decline, foreign workers lose jobs and go home and remittances diminish. This indirect effect of oil revenues is particularly strong in countries such as Egypt, Jordan, Lebanon and Yemen. Even in 1993, with low oil prices, remittances were about US\$ 90 per capita in Egypt. This represented about 40 per cent of exports or 10 per cent of the gross domestic product<sup>21</sup>. Hence economic policies and social issues throughout the Middle East and North Africa are subject to the vagaries of the oil market.

### **The political cost of oil.**

Oil revenues in many ways seem to have led to a failed modernisation of the Middle Eastern and North African societies. Economic growth has stalled. Social cleavages are widening. Political reform stalls. So far, this is the most evident in countries such as Algeria and Iran, but similar symptoms are evident throughout the Middle East and North Africa. Oil revenues have been a substitute for industrial development and compromised income diversification and employment. Oil revenues have also been a substitute for agricultural development and thus compromised self-sufficiency in food supply.

Finally, oil revenues have been a substitute for democracy and compromised representative government. With declining oil revenues and high population growth, these problems intensify. Suddenly, the oil exporting countries find themselves with low oil revenues and no or little industrial development. They find themselves with reduced foreign exchange earnings and a greater dependency upon food imports. The rulers and the ruled find themselves with little money and no representative institutions. The failed

modernisation due to oil creates an ideological void. It made religion an important reference<sup>22</sup>. The failure to imitate the West stimulates the search for alternative ways of development.

Islamism explicitly distances itself from the West, which represents former colonialism and present dominance. It also distances itself from the present domestic rulers, who appear as Westernised or subject to Western influence. In many ways, the present political turmoil in the Muslim countries of the Middle East and North Africa represents a cultural and national revival. It shows strong parallels with the national movements in Europe in the past two centuries, leading to the consolidation of the present European nation states. In this perspective, the political turmoil linked to the rise of Islamism represents an important step in the process of consolidating nation states in the Middle East and North Africa. The boundaries represent a major problem, because they were largely drawn by the former European colonial powers. Hence paradoxically, the nation states of the Middle East and North Africa have to assert their identity against their former European masters, but within confines largely drawn by them. The distinction between the general Arab identity and particular national identities is unclear. Hence political relations within the Arab states are as complex and unstable, as are relations between them<sup>23</sup>.

The excessive dependence on oil, in some cases gas exports as well, makes the economies of the Middle East and North Africa highly vulnerable to the vagaries of the international oil market. Quickly rising oil prices in the 1970s and early 1980s provided the Middle Eastern and North African oil exporters with a quickly improving freedom in economic policy. The declining real oil price since the early 1980s has had the opposite effect. Adapting to rising oil revenues is easier, however, than adapting to declining oil revenues.

At first, the surge in oil revenues tore down basic structures in the; traditional society. They provided suddenly much larger resources simultaneously for investment, public consumption and private consumption. This was possible without raising the savings rate in the rest of the economy. The efforts in education and health services together with the rise in living standards, indeed created new societies. Their chief feature was a large public sector staffed by a technocratic and educated elite. Subsequently, the decline in oil revenues has undermined the effort to create a new society. Declining oil revenues have nurtured the social revolt. The combined result has been a breakdown of economic systems, social structures, cultural and political allegiances and moral values. This has been far more serious than anything experienced recently in Western societies. It is more comparable to the overall social breakdown of the former Soviet Union. Oil is an essential factor in this picture.

The recent historical background is a double discontinuity in the recent evolution of most Middle Eastern and North African societies, due to sudden changes in oil prices. The period of high oil revenues in hindsight appears as an ill-conceived, futile or at best unfinished attempt to rapidly impose Western standards and models on Muslim societies. A return to the pre-1973 conditions is impossible because of the extensive changes caused by the interlude of high oil revenues. The reference instead becomes the heyday of Muslim society and Islamic culture in the Middle Ages. that is from the 7th to the 13th century. In this perspective, the high oil prices from 1973 to 1986 not only represented a much needed rise in revenues. The gain in political influence and bargaining power also signified a welcome revenge on the Western oil importing countries after decades or centuries of colonialism or domination. Correspondingly, the low oil prices since 1986 represent a severe loss of both revenues and political influence and bargaining power. In the 1970s, the common denominator was oil and money. In the 1980s and 1990s it is increasingly oil, poverty and Islam.

By the early 1990s, the Middle East and especially North Africa were, again, poor by international standards<sup>24</sup>. Saudi Arabia's per capita income in 1992 was about the same level as Greece or Portugal, that of Kuwait was below that of Spain. Even if Kuwait had a large capital reserve to draw on, low income limits the budgetary freedom. In Algeria, per capita income was about a fifth of the level of Greece or Portugal. In all cases income distribution was much more unequal than in Southern Europe, so that the poorer part of the population was comparatively much worse off. Indeed, income distribution is a salient issue. With rising oil revenues in the 1970s, all parts of the population enjoyed rapidly rising real incomes, even if income distribution by all evidence became more unequal. In the 1980s and 1990s, the poorer parts of the population seem to have suffered the most from declining oil revenues and shrinking budgets. Income distribution is now becoming more unequal when most of the population suffers from declining living standards, but the richer parts seem to sustain their living standards. This is a recipe for social tension and political turmoil in any circumstances. Furthermore, high oil revenues in the 1970s strengthened authoritarian governments, as they had resources to buy loyalty and legitimacy without representative institutions<sup>25</sup>. The subsequent decline in oil revenues undermines both, leaving religion as the main force of opposition, because there is no civilian freedom of expression<sup>26</sup>.

## FOOTNOTES

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