



**NAVAL
POSTGRADUATE
SCHOOL**

MONTEREY, CALIFORNIA

THESIS

**GLOBALIZATION AND ITS IMPACT ON THE MIDDLE
EAST**

by

Erhan Ozdemir

December 2008

Thesis Advisor:
Second Reader:

Robert E. Looney
Donald Abenheim

Approved for public release; distribution is unlimited

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE December 2008	3. REPORT TYPE AND DATES COVERED Master's Thesis	
4. TITLE AND SUBTITLE Globalization And Its Impact on the Middle East			5. FUNDING NUMBERS	
6. AUTHOR(S) Erhan Ozdemir			8. PERFORMING ORGANIZATION REPORT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A				
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited			12b. DISTRIBUTION CODE	
13. ABSTRACT (maximum 200 words) Participation in globalization would be a great contributing factor to obtaining stable economic growth among Middle East states. In fact, globalization and its use in economic development have profound importance both for the region's stability and the global economy. Middle East countries should find a way to use globalization to their benefit. In order to gain this least globalized region's integration into the global economy and promote international institutions' support to the region's economic developmental process, it is important to understand globalization and its impact on the region. While change is inevitable, in this age of modern technology, information, and communication, it is not in the Middle East countries' best interest to close their doors to global integration. Thus, it is crucial to look at globalization's actual definition, the perception from the Middle East states' point of view, and globalization's impact on the region. A closer look at this new driving force of the world will indicate both its positive and negative impact on the Middle East economy. Systematic and methodical understanding of those impacts is required to develop the region's economy and to have it gain stability. This may lead the region to a desirable economic pattern.				
14. SUBJECT TERMS Economic Globalization, Middle East, Impact of Globalization, Economic Reform, Trade, Foreign Direct Investment, FDI, Good Governance, Rule of Law, Economic Development, Stability, Middle East Economy, Global Economy, World Bank, IMF, WTO, MEFTA, GMEI, SAPs.			15. NUMBER OF PAGES 87	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU	

NSN 7540-01-280-5500

Standard Form 298 (Rev. 8-98)
Prescribed by ANSI Std. Z39.18

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited

GLOBALIZATION AND ITS IMPACT ON THE MIDDLE EAST

Erhan Ozdemir
First Lieutenant, Turkish Air Force
B.S., Turkish Air Force Academy, 2002

Submitted in partial fulfillment of the
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES
(MIDDLE EAST, SOUTH ASIA, SUB-SAHARAN AFRICA)**

from the

**NAVAL POSTGRADUATE SCHOOL
December 2008**

Author: Erhan Ozdemir

Approved by: Robert E. Looney
Thesis Advisor

Donald Abenheim
Second Reader

Harold A. Trinkunas, Ph.D.
Chairman, Department of National Security Affairs

THIS PAGE INTENTIONALLY LEFT BLANK

ABSTRACT

Participation in globalization would be a great contributing factor to obtaining stable economic growth among Middle East states. In fact, globalization and its use in economic development have profound importance both for the region's stability and the global economy. Middle East countries should find a way to use globalization to their benefit. In order to gain this least globalized region's integration into the global economy and promote international institutions' support to the region's economic developmental process, it is important to understand globalization and its impact on the region.

While change is inevitable, in this age of modern technology, information, and communication, it is not in the Middle East countries' best interest to close their doors to global integration. Thus, it is crucial to look at globalization's actual definition, the perception from the Middle East states' point of view, and globalization's impact on the region. A closer look at this new driving force of the world will indicate both its positive and negative impact on the Middle East economy. Systematic and methodical understanding of those impacts is required to develop the region's economy and to have it gain stability. This may lead the region to a desirable economic pattern.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	MAJOR RESEARCH QUESTION	1
B.	IMPORTANCE	1
C.	PROBLEMS AND HYPOTHESES.....	2
D.	LITERATURE REVIEW	4
E.	METHODS AND SOURCES.....	8
F.	THESIS OVERVIEW	9
II.	NATURE OF GLOBALIZATION.....	11
A.	INTRODUCTION.....	11
B.	GLOBALIZATION AND THE MIDDLE EAST	13
C.	GLOBALIZATION AND THE UNITED STATES	16
D.	GREATER MIDDLE EAST INITIATIVE	22
E.	GLOBALIZATION AND THE MENA REGION.....	32
III.	IMPACT OF GLOBALIZATION.....	37
A.	INTRODUCTION.....	37
B.	POSITIVE IMPACT OF GLOBALIZATION	47
C.	NEGATIVE IMPACT OF GLOBALIZATION.....	51
IV.	CONCLUSION.....	61
	LIST OF REFERENCES.....	67
	INITIAL DISTRIBUTION LIST	73

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF ACRONYMS AND ABBREVIATIONS

EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNP	Gross National Product
GMEI	Greater Middle East Initiative
IFC	International Finance Corporation
IT	Information Technology
IMF	International Monetary Fund
ME	Middle East
MEFTA	Middle East Free Trade Area
MENA	Middle East and North Africa
NATO	North Atlantic Treaty Organization
OECD	Organization for Economic Co-operation and Development
SAPs	Structural Adjustment Programs
U.S.	United States
U.S.A.	United States of America
WB	World Bank
WTO	World Trade Organization

THIS PAGE INTENTIONALLY LEFT BLANK

ACKNOWLEDGMENTS

I would like to acknowledge and extend my heartfelt gratitude to my thesis advisor, Professor Robert E. Looney, for his vital encouragement and support, and to my second reader Professor Donald Abenheim for his understanding and assistance. This thesis would not have been written were it not for their vision and enthusiasm.

I would like to thank Professor Harold A. Trinkunas for his helpful feedbacks, Professor Anne Mary Baylouny for her help and inspiration, and Professor Zachary Shore for his valuable advice. Also, I would like to thank Barbara Young and Barbara Berlitz for their editorial comments and Donna Cuadrez for her formatting edits and suggestions.

I am deeply grateful to my U.S. sponsor, Francis Mark Wald, for the help and inspiration he extended.

I would like to thank Turkish Armed Forces for giving me the opportunity to pursue my postgraduate education here at Naval Postgraduate School and the chance to provide better service to my country.

I owe my loving thanks to my wife and my son.

THIS PAGE INTENTIONALLY LEFT BLANK

I. INTRODUCTION

A. MAJOR RESEARCH QUESTION

This thesis examines globalization and its impact on the Middle East. What is the impact of globalization on the Middle East? What should the Middle East states do to take advantage of globalization to improve their economies?

B. IMPORTANCE

Participation in globalization would be a great contributing factor to obtaining stable economic growth among Middle East states. In fact, globalization and its use in economic development have profound importance both for the region's stability and for the global economy. Middle East countries should find a way to use globalization to their benefit. In order to gain this least globalized region's integration into the global economy and promote international institutions' support to the region's economic developmental process, it is important to understand globalization and its impact on the region.

The challenge to globalization exists at the state level in the Middle East, which is a critically important part of the world. Most countries in the region accepted the principles of economic liberalization and the need for adoption of World Trade Organization (WTO) standards. In spite of this, there is a real fear of globalization because of its negative connotations as pro-Western. This fear has shaped the region's relations, particularly with the West.

Globalization is the result of enormous progress in Information Technology (IT) in recent decades. It is an economic term that signifies free movement of goods, services, labor, and capital across borders. However, the perception of this concept in the Middle East is different. It is critical for the West to understand this different perception of globalization in order to reestablish a positive economic and political relationship with the Middle East countries.

While the new world order is inevitable because it is an age of modern technology, information, and communication, it is not in the Middle East countries' best interest to close their doors to global integration. Thus, it is crucial to look at globalization's actual definition, the perception from the Middle East states' point of view, and globalization's impact on the region. It is clear and certain that the Middle East needs to produce enough young people with viable skills to succeed in a global economy.¹

A closer look at this new driving force of the world will indicate both its positive and negative effects on the Middle East economy. Systematic and methodical understanding of those impacts is required to develop the region's economy and to have it gain stability. This may lead the region to a desirable economic pattern.

C. PROBLEMS AND HYPOTHESES

One of the major problems with the issue of globalization is its different perception within Middle East countries. The governments in the Middle East, opposition movements, and intellectuals are against globalization. The anti-globalization trend is dominant throughout the region. It has even resulted in violence during anti-globalization struggles. There is a real fear of globalization.² States perceive the globalization process negatively, and it is largely considered a threat.

The countries in the Middle East agreed with the tenets of the economic liberalization that referred to "fewer government regulations and

¹ Thomas P.M. Barnett. *The Pentagon's New Map: War And Peace In The Twenty-First Century* (New York: G.P. Putnam's Sons, 2004).

² Robert E. Looney. "Economic Conditions: Globalization and Geopolitics in the Middle East: Old Games, New Rules," *Review of Globalization and Geopolitics in the Middle East: Old Games, New Rules*, by Anoushiravan Ehteshami. London, UK and New York: Routledge, 2007. *The Middle East Journal* 62, no. 1 (2008), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

restrictions in the economy in exchange for greater participation of private entities,”³ and the necessity to embrace the World Trade Organization (WTO) standards.

The other major problem is a concern over sovereignty. Entrenched governments, business, and labor groups consider globalization to be a danger to their authority.⁴ After all, it is clear that this crucial part of the world opposes the world’s new trend. This produces some difficulties in relations with the region.

Although these problems seem to represent the entire region, it is not the fact. There are successful examples of applied globalization in the area. The pattern the Gulf States have been following is quite different from that of the developing countries in the Middle East in terms of accepting the theories of globalizing. The Gulf States welcomed the World Economic System without losing their basic tenets. They made small adjustments to these new concepts and then adopted them for optimal performance and effectiveness. The assessment helped them protect their social structure against what some believe are the corrosive impacts of globalization.⁵

Economic change impacts social organization and ideology. Theory alone does not. Therefore, these play a significant role in a society choosing and directing globalization changes. The Gulf States determined what was acceptable for their society when evaluating which aspects of globalization to implement.

This sort of modified globalization shows that, “cultural norms can be impacted but cannot be driven or sculpted by market forces.”⁶ The Gulf States made an attempt to keep in touch with the West while sequentially facing

³ Ilker Parasiz. *Ekonominin ABC’si* (Istanbul, Turkey: Ezgi Kitabevi, 2005).

⁴ Ibid.

⁵ Robert E. Looney. “The Arab World’s Uncomfortable Experience with Globalization,” *Review of Globalization and the Gulf*, by John Fox, Nada Mourtada-Sabbah, and Mohammed alMutawa. London, UK: Routledge, 2006. *The Middle East Journal* 61, no. 2 (2007), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

⁶ Ibid.

incoming forces of globalization. The Gulf States have been attempting to maintain the cost/benefit balance and have been acting rationally while taking advantage of the global system.

Lastly, another important issue is the negative connotation of globalization. It is associated with several concepts, especially imperialism. European Imperialism in the Middle East had two impacts on the region. The first was based on the invasive model and the second on the withdrawing model.⁷ The entry of global forces into the region represented the first model. The withdrawing model was leaving the region after building connections with the global economic system that advocated benefits for the West.

Associating the concept of globalization with Americanization, secularization, westernization, imperialism, and loss of identity only contributes to a problem that does not help reconciliation. The Iraq invasion, the Palestine-Israeli conflict, oil, and the increasingly high demand for oil are contributing factors to the widening gap between the sides.

The hypothesis of this thesis is that because of globalization, there should be a growth of interdependence among states, liberalization of regional economies along with growth of international trade to improve economic order and stability in the region.

D. LITERATURE REVIEW

The literature discusses globalization from three different approaches: in general as a trend and, specifically, its pros and cons. Robert Gilpin states, "Globalization has been taking place for centuries whenever improvements in transportation and communications have brought formerly separated peoples into

⁷ Robert E. Looney. "The Arab World's Uncomfortable Experience with Globalization," Review of Islam and the Moral Economy: The Challenge of Capitalism, by Charles Tripp. Cambridge, UK and New York: Cambridge University Press, 2006. The Middle East Journal 61, no. 2 (2007), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

contact with one another.”⁸ Arabs coined a new term, "*al-awlama*," to use instead of globalization, which means, “increasing levels of interdependence over vast distances along, cultural, environmental, and political dimensions...”⁹

Scholars of the Middle East region view globalization as an ideological term. Muhammed al-Mutawa talks about the Middle East statesmen's perception of the concept. To some scholars in the Middle East countries, it is a new version of imperialism.¹⁰

Most of the scholars in the West view globalization as an economic term:

- Free movement of goods, services, labor, and capital across borders.

Their view is that it provides unified markets, nations, and technologies. While some may attempt to draw more meaning from the concept, in the West, it is an economic idea.

Globalization became an important issue in the academic world especially after the Soviet Union fell. During the last two decades globalization expanded with the help of the information and technology revolution. Ahmed Ibrahim argues that there is a need for a definition of “globalization” in "Globalization and Muslim Identity Challenges and Prospects" study.¹¹

Islam, in its earlier period, expanded to a tremendous area; it was its own globalization. From the seventh to thirteenth century, Muslim people interacted with people in Africa, Europe and Asia and helped them form their civilizations.

⁸ Robert Gilpin and Jean M. Gilpin. *Global Political Economy: Understanding The International Economic Order* (Princeton, NJ: Princeton University Press, 2001).

⁹ Michael C. Hudson. "Imperial Headaches: Managing unruly regions in an age of globalization," *Middle East Policy* 9, no. 4 (2002), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 13, 2008).

¹⁰ Robert E. Looney. "The Arab World's Uncomfortable Experience with Globalization," *Review of Globalization and the Gulf*, by John Fox, Nada Mourtada-Sabbah, and Mohammed al-Mutawa. London, UK: Routledge, 2006. *The Middle East Journal* 61, no. 2 (2007), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

¹¹ Ahmed Ibrahim Abushouk. "Globalization and Muslim Identity Challenges and Prospects," *The Muslim World* 96, no. 3 (2006), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 13, 2008).

Thus, Muslim scholars state that peaceful coexistence with other civilizations started with Islam and ended with the Ottoman withdrawal from the Middle East leaving the region to British globalization.

As opposed to the era of the Cold War that created division, globalization is a period of integration of the world in which societies become linked; the world shrinks. Globalization affects politics, economics, physical environments, and international relations.¹²

Three dimensions of globalization are market growth, which is economic; newly emerged social movements, which are cultural; and, challenges to states and institutions, which are political. In terms of economics, transnational companies often ignore the territorial borders of states and work globally. In the second dimension, globalized states need approval of international institutions in the decision-making process on certain issues such as the environment. The third dimension impacts society as an attitudinal change resulting in a global society.

The Muslim community has formed three groups against the cultural globalization. The Arab world has had three types of reaction to cultural globalization. The first views globalization as a threat and sees it as a danger. They separate both worlds firmly and support total severance from cultural integration. The second welcomes globalization. Sadeq Jalal al-Azm of Syrian University has an approach that suggests that the Muslims are open to a global dialogue. This group would like to embrace western culture and build integration to an unprecedented degree. Those who view globalization as an opportunity fall into this category. The third group compromises because they worry about cultural deprivation. This group preserves their own identity yet do not close doors to global interactions; they welcome the coming ideas.¹³ Naguib Mahfouz,

¹² James Foreman-Peck. *Historical Foundations Of Globalization* (UK: Edward Elgar, 1998).

¹³ Robert E. Looney. "The Arab World's Uncomfortable Experience with Globalization," *Review of Islam and the Moral Economy: The Challenge of Capitalism*, by Charles Tripp. Cambridge, UK and New York: Cambridge University Press, 2006. *The Middle East Journal* 61, no. 2 (2007), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

who is one of these people, does not see any challenge between the Western world and Islamic civilization.¹⁴ However, this thesis will focus on the concept of globalization mainly in the context of economics.

Some scholars blame the Middle East region's poor economic performance on globalization and the global economy.¹⁵ These scholars think the region's economy would have been stronger without globalization. Another analysis of globalization's impact on the region is that "People from the region who are against globalization contend that globalizations are in abundance and distinct versions of it struggle for hegemony."¹⁶ These are the views of anti-globalization supporters.

One important Islamic scholar's economic perspective is that there is little empirical data suggesting that the Islamic culture is highly different from the West. This is Huntington's argument in "Clash of Civilizations." "Islamic culture has no statistical importance in diminishing the economic liberalization. So, challenges of the Arab economies are due to the traditional factors of economical development."¹⁷ In addition, scholars agree that the failure of economic globalization in the Middle East region favors Islamist organizations with political motivations by taking advantage of poverty by providing basic goods and services while producing political instability for the Arab world.¹⁸ In fact, this point should help to understand that a "religion" variable is not a constraint on economic liberalization of the region.

¹⁴ Fauzi Najjar. "The Arabs, Islam And Globalization," Middle East Policy 12, no. 3 (2005), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

¹⁵ Marcus Noland and Howard Pack. "Islam, Globalization, and Economic Performance in the Middle East," SAIS Review 24, no. 2 (2004), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

¹⁶ Mark Engler. "Are They Really Connected? The War And Globalization," Counterpunch 11 no. 20 (2004), <http://www.counterpunch.org/engler10212004.html> (accessed June 14, 2008).

¹⁷ Kunihiko Imai. "Culture, Civilization, Or Economy? Test Of The Clash Of Civilizations Thesis," International Journal on World Peace 23, no. 3 (2006), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

¹⁸ Hamed El-Said and Jane Harrigan. "Globalization, International Finance, and Political Islam in the Arab World," The Middle East Journal 60, no. 3 (2006), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 13, 2008).

Some scholars point to the Gulf States as perfect examples of the globalization process. Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman are pioneer examples of globalization. They evaluated and took the benefits of it and rejected what was culturally unacceptable. As soon as possible, they turned their countries into modern states. They were successful at taking advantage of globalization. These Middle East states embrace globalization rather than pursue an isolationist pattern.¹⁹

Obviously, Western-driven international establishments are the key players in economic globalization. The World Bank (WB), International Monetary Fund (IMF), and the World Trade Organization (WTO) regulate the economic policies in third world countries, having them achieve the objectives set in the process of economic development.

Friedman talks about globalization as a trend in his book *Lexus and the Olive Tree*.²⁰ He states there are two main groups in globalization: one is for globalization, viewing its positive effects; the other is against it, considering the negative effects are more dominant. Although Friedman favors globalization for its positive effects, the supporters of negative effects of globalization argue that it is not profitable for all. They see the glass as half empty when evaluating globalization. They point out the unequal distribution of benefits, instability caused by global interdependent economies, and sovereignty concerns of nation states.

E. METHODS AND SOURCES

This thesis examines globalization and its impact on the Middle East. The study will discuss how globalization has affected the Middle East region in terms

¹⁹ Robert E. Looney. "The Arab World's Uncomfortable Experience with Globalization," Review of Globalization and the Gulf, by John Fox, Nada Mourtada-Sabbah, and Mohammed alMutawa. London, UK: Routledge, 2006. The Middle East Journal 61, no. 2 (2007), <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

²⁰ Thomas L. Friedman. *The Lexus And The Olive Tree* (New York: Anchor Book, 2000).

of general economic characteristics of the region and the states' reactions to the impact. In this context, the study will discuss negative and positive impacts of globalization as well as globalization as a trend.

The basic argument is supported by evidence from scholarly books, articles, and journals on the issues. In the study, official explanations of the Middle Eastern governments, congressional reports, and international financial institutions such as the World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank (WB) reports on economic development are primary sources of information. Additionally, the study consults sources dealing with the developing countries' perspective of globalization.

F. THESIS OVERVIEW

Globalization seems to have an ambiguous definition. Here it is economics and its relationship to the contemporary world. Chapter I is an "introduction". Chapter II examines the "nature of globalization." Chapter III will deal with the "impact of globalization." This section consists of positive and negative impact. Chapter IV will offer "conclusions and recommendations." These suggestions may allow improvement in the Middle East economy to benefit from globalization. Particularly, eliminating direct foreign investment restrictions and building a private sector as key elements in economic expansion are crucial factors. A thorough analysis of these factors will help find the Middle East's current and possible future place in economic globalization. Also in this final chapter, the paper suggests several measures for Middle East states to deal with economic globalization's challenges.

THIS PAGE INTENTIONALLY LEFT BLANK

II. NATURE OF GLOBALIZATION

A. INTRODUCTION

The end of the Cold War and 9/11 were two profoundly important turning points in the modern history of the Middle East region. As Richard N. Haass noted, "This is not the first such tectonic geopolitical shift in the region."²¹ History of the modern period started some 200 years ago. It began in 1798 when the Ottoman rule was weak. Then under control of Britain and France, the post-World War I colonial era came. The cold-war era followed, in which war-drained Europe declined, Arab nationalism rose, and two superpowers emerged. The end of the Soviet Union brought about the American era. Its leading features were the U.S.-led liberation of Kuwait, the Madrid peace conference and the Clinton administration's concentrated but failed peacemaking effort at Camp David.²² "This American era coincided with the zenith of the 'old Middle East': top-heavy Arab regimes that repressed their people; relatively low oil prices, for the most part; an uneasy coexistence between Israel and both the Palestinians and the Arabs; Israel alone as a nuclear power; a frustrated Iraq balancing an internally divided Iran, and American primacy."²³ The politics in the Middle East and North Africa (MENA) region have altered thus the Middle East region expanded to a larger region, which now includes Afghanistan and Pakistan. The Larger Middle East will be an important lever in the new world order.²⁴

"Just over two centuries since Napoleon's arrival in Egypt heralded the advent of the modern Middle East, the American era in the Middle East, the

²¹ Richard N. Haass. "The New Middle East; As The Iraq War Helps Bring The American Era To A Close, A New Order Will Begin To Emerge In The Region" *Newsweek*. (International ed.). New York: January 8, 2007.

²² Ibid.

²³ Ibid.

²⁴ Anoushiravan Ehteshami. "Globalization As A Mediating Force In U.S.-MENA Relations," 1.

fourth in the region's modern history, has ended. Visions of a new, Europe-like region--peaceful, prosperous, and democratic--will not be realized.”²⁵ According to Haass, most probably the emergence of a new Middle East will result in great harm to itself, the United States (U.S.), and the world. Even though the Middle East potentially harbors problems, the region will continue to be a very important contributor to the formation process of the new world order. Due to its location and resources, the region will remain significant in the twenty-first century. The Middle East has a unique feature different from other regions for these reasons, and it is likely to be a center of the new era of the world.

The region has significant resources like hydrocarbons and oil, which are important energy resources. Hydrocarbons are used as a combustible fuel source. Two-thirds of World’s oil need comes from this region. In addition, the region is unique for its closeness to Europe, Asia, and Africa. While these features are an opportunity for its place on the world’s stage, some regional and political problems remain challenging.

Throughout history, the Middle East has been exposed to the involvement of outsiders. Unlike the European state development, all other powerful states cared about the emerging states and their power, even their borders in the Middle East. Europeans built countries in peace and neighbors did not interfere. Middle East states evolved late and almost all nearby states involved politically and economically in the process of evolution. Resources and the location of the region play an important role in attracting the outsiders’ attention furthering involvement in the region.

Various states in the region interfere because of the existence of oil and the presence of Israel. The Suez Canal, international trade routes, and holy places trigger outsider interest. Nevertheless, the Middle East region is an inevitable force in the international system. As Lustick concluded in his article, the Middle East does not have hegemonic state so it will be protected by an

²⁵ Richard N. Haass. “The New Middle East,” *Foreign Affairs* 85, no. 6, New York: November/December 2006, 2.

outsider.²⁶ Domestic issues have led to some international reactions and identified the region as an international one. For example, the Kuwait invasion of Iraq was not welcomed by the United States in 1990. This is an example of local issues with international impacts. While the United States and Mexican border problem remains a problem, it is not a matter of international concern. A similar border issue in the Middle East matters a lot for great international powers; it is different from merely two states having a problem. International significance is why the Bush administration decided to take action and settle the issue. In contrast to prior history, the Middle East's role changed becoming increasingly important in the new era.

B. GLOBALIZATION AND THE MIDDLE EAST

Globalization is obviously an inevitable force of change facing the world. The world is shrinking to a small village where all should be ready to learn to live together and interact. As globalization arrived, time and distance concepts changed. It is a trend. It is an opportunity yet also a threat. It is a force of change for any region in the world including the MENA region. Most regimes in the region may not welcome globalization. A consequence will be lack of stability and a fundamental change in the region.

A long list has been waiting for response to the regional problems of the MENA politically, socially, economically, and militarily. Almost every state in the Middle East was built in last century. After a century of disputes, nobody in the Middle East region accepts these boundaries. Perpetual, low intensity conflict is constant in the Middle East. The state system in the region was the grounds of this low intensity conflict; therefore, no hegemonic power led an outside great power to take action in order to secure the region's stability. The United States is the leader of globalized states. By contrast, the MENA is the least globalized region of the world. The Middle East's concerns about globalization and negative

²⁶ Ian S. Lustick. "The Absence Of Middle Eastern Great Powers: Political "Backwardness" In Historical Perspective" *International Organization* 51, no. 4, Autumn 1997, 653.

associations to globalization badly influenced the U.S.-Middle East relations and particularly its connection with the West. The situation has worsened after 9/11. Since the United States had power in the region, the Bush administration decided to democratize the region to achieve its security goals and to wage war on global terror.

As Looney notes in his 'Middle East reform initiatives a stage-theory perspective' article, the United States and the European Union (EU) offered a series of reform initiatives that ideally would lead the Middle East to have more prosperity and democracy. Generally, the region's response to these proposals was unenthusiastic. To some extent, the real reason was that the goals of the reforms often proposed were too ambiguous. Implementing democracy and a market economy were excessive goals for the region to accept. From a technical perspective, some reforms are, without a doubt, much more effective than others are since they create stability and growth. Nevertheless, even in most significant discussions of the different proposals, the likely result of reforms is never made clear. In fact, in the existing discussions, this quantitative aspect is totally overlooked. Most importantly, this contributes even further to the widespread ambivalence, suspicion, and skepticism about reforms throughout the region.²⁷ This analysis helps us recognize some facts such as the negative perception of globalization in the Middle East region. Looney notes, "Many Middle Eastern countries are skeptical of the U.S. approach to reforms and motives for change in the region, so implementation is highly problematic. But even with broad acceptance of the need for reforms, a number of daunting obstacles remains."²⁸

Globalization is also an indicator of whether the country is doing well or not in terms of economic development. The gap between the Middle Eastern countries and the world in terms of globalization is huge. Most of the Middle East governments agreed with the principles of economic liberalization and the need

²⁷ Robert E. Looney. "Middle East Reform Initiatives A Stage-Theory Perspective" *International Journal On World Peace* 22, no.1, (March 2005).
<http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

²⁸ Ibid.

for adoption of World Trade Organization standards, so the future is promising. According to many experts, it is obvious that the region is not strong enough economically to confront the challenges of Globalization's forces. There is a need for local institutions to bridge the gap by taking the advantage of opportunities in the integration process into the world system. "Introduction of some economic reforms have resulted in many key countries being exposed to some of the competitive rigors of international competition, while at the same time not possessing the domestic institutions capable of enabling the countries to take advantage of opportunities opened up by increased integration into the world system. This has resulted in a negative perception of globalization throughout most of the region."²⁹

As the least globalized region among the other regions in the world, states need to carry out better economic performance to be able to close the gap, and it seems to be a long way to achieve the desired level. Globalization brought some challenges not only economically but also culturally and socially for states in the region. The force of change in terms of women rights, particularly working women in the society, challenges Muslim societies. Most of the investments are made by the state because it has the monopoly of power. It is the chief investor, holder of the industries, legitimate authority at international level, provider of basic services to the society, and key player in political economy. A rentier or distributive state obtains its national revenues from the rent of indigenous resources. Distributive state owns the fiscal autonomy which does not let the necessary institutions develop in order to collect and direct revenue from the society. Not having the required institutions puts some barriers in front of states' supervisory and regulatory tasks, so it becomes hard to get significant economic and political development, long-term stability and state legitimacy.³⁰ State likes power so it became the leading force in the society while having certain control

²⁹ Robert E. Looney. "Why Has Globalization Eluded the Middle East?" Strategic Insights 3, no. 12 (December 2004), <http://www.ccc.nps.navy.mil/index.asp> (accessed November 8, 2008).

³⁰ Dirk J. Vandewalle. *Libya Since Independence: Oil And State-Building* (U.S.A.:Cornell University Press, 1998).

over civil societies and private sector. In the past, business elites had the power and indirect control, having similar characteristics and demands with today's 'strong state'. The 'strong state' existed in the region. The state holds power through military force or system of government. Ninety percent of citizens are state employed in some states. For instance, Yemen has this sort of structure. The state holds power through the large bureaucracy and military.

C. GLOBALIZATION AND THE UNITED STATES

Globalization challenged authoritarian states in the Middle East. "Globalization" in the region is a fancy name for "outsiders' intrusion in the region." The United States under the Bush administration is seen as an interventionist. Most Middle East states do not approve of the foreign policy of the United States even though they have been allies with the United States. The United States pursued a reform approach in the Muslim society while Muslims had serious concern about globalization. Globalization and the reform agenda of the United States under the Bush administration have a destabilizing impact on the Middle East.

On the other hand, the Bush administration was pursuing the same foreign policy on terrorism in order not to face terrorism at home or at any other place in the world. President George W. Bush's speech about the war on terror at National Defense University in Washington, DC was clear in his message.

Like an earlier generation, America is pursuing a clear strategy with our allies to achieve victory. Our immediate strategy is to eliminate terrorist threats abroad, so we do not have to face them here at home. The theory here is straightforward: terrorists are less likely to endanger our security if they are worried about their own security. When terrorists spend their days struggling to avoid death or capture, they are less capable of arming and training to commit new attacks. We will keep the terrorists on the run, until they have nowhere left to hide...

...Global terror requires a global response, and America is more secure today because dozens of other countries have stepped up to the fight....

...Our strategy to keep the peace in the longer term is to help change the conditions that give rise to extremism and terror, especially in the broader Middle East. Parts of that region have been caught for generations in a cycle of tyranny and despair and radicalism. When a dictatorship controls the political life of a country, responsible opposition cannot develop, and dissent is driven underground and toward the extreme. And to draw attention away from their social and economic failures, dictators place blame on other countries and other races, and stir the hatred that leads to violence. This status quo of despotism and anger cannot be ignored or appeased, kept in a box or bought off, because we have witnessed how the violence in that region can reach easily across borders and oceans. The entire world has an urgent interest in the progress, and hope, and freedom in the broader Middle East. The advance of hope in the Middle East requires new thinking in the region. By now it should be clear that authoritarian rule is not the wave of the future; it is the last gasp of a discredited past. It should be clear that free nations escape stagnation, and grow stronger with time, because they encourage the creativity and enterprise of their people. It should be clear that economic progress requires political modernization, including honest representative government and the rule of law. And it should be clear that no society can advance with only half of its talent and energy -- and that demands the full participation of women. The advance of hope in the Middle East also requires new thinking in the capitals of great democracies -- including Washington, D.C. By now it should be clear that decades of excusing and accommodating tyranny, in the pursuit of stability, have only led to injustice and instability and tragedy. It should be clear that the advance of democracy leads to peace, because governments that respect the rights of their people also respect the rights of their neighbors. It should be clear that the best antidote to radicalism and terror is the tolerance and hope kindled in free societies. And our duty is now clear: For the sake of our long-term security, all free nations must stand with the forces of democracy and justice that have begun to transform the Middle East...

...Each country in the Middle East will take a different path of reform. And every nation that starts on that journey can know that America will walk at its side.³¹

³¹ "President Discusses War on Terror." Speech delivered at the National Defense University, Washington, DC, March 8, 2005.

The need for change in the Middle East is a global issue as President Bush addressed it. Authoritarian state structure is an obstacle in the way to achieving a liberal civil society. Some scholars such as Barakat and Sharabi point out that “the roots of the problem in the MENA region is the very étatist and corporatist structures and systems.”³² Barakat “clearly advocates a radical if not revolutionary transformation of the existing order, one which supports ‘the establishment of an overarching, unified, democratic, secular, and egalitarian Arab nation’. To achieve it, he calls for an Arab intifada to release Arabs from the authoritarian and coercive grip of their rulers.”³³ In the same concept, Sharabi analyzes the existing socio-economic and political settings of Arab societies. According to Sharabi, neo-patriarchy is an improved type of patriarchy. It stems from the connection between patriarchy and colonial influences of modern Europe. “Internal heteronymous economic and political structures and external dependency have resulted in a distorted form of modernization, creating societies that lack both traditionalism and authentic modernity. In this type of society, primordial loyalties prevent the necessary task of nation building.”³⁴ His conclusion concerning the modernization process is that the change in the society is not authentic.

While globalization stands out as a threat, it also poses opportunities to the region. It offers a global vision to the individuals of the society thus helps to build linkage with the rest of the world. This perspective was presented when President Bush stated in his speech delivered at National Defense University in Washington DC, “And it should be clear that no society can advance with only half of its talent and energy -- and that demands the full participation of

³² Anoushiravan Ehteshami. “Globalization As A Mediating Force In U.S.-MENA Relations,” 7.

³³ Janine Clark. "The Arab World: Society, Culture, and State," review of *The Arab World: Society, Culture, and State*, by Halim Barakat, *Arab Studies Quarterly* 17, no. 1-2 (1995), <http://www.proquest.com.libproxy.nps.edu/> (accessed October 6, 2008).

³⁴ Mehran Tamadonfar. “Neopatriarchy: A Theory Of Distorted Change In Arab Society,” review of *Neopatriarchy: A Theory Of Distorted Change In Arab Society*, by Hisham Sharabi, *International Journal of Middle East Studies* 26, no. 1 (1994), <http://www.jstor.org.libproxy.nps.edu/> (accessed October 6, 2008).

women.”³⁵ Integration of all citizens helps the civic society grow faster and be more effective in many aspects. In this regard, globalization is an opportunity for the region. However, it does not necessarily have to be in a democracy. The foreign policy of Bush administration made a great improvement in the region through globalization, but the other objective of the administration to democratize the region in order to restore and maintain peace in the Middle East, was not appropriate for the MENA region. It is not clear in what way, but there is a correlation between democracy and economic growth in theory; Libya can be a perfect example to disprove the correlation. It has remarkably high per capita GNP but extremely poor governance. While some Gulf States display the same lack of correlation, Libya helps demonstrate that economic success is independent from the regime, which can be a monarchy or an authoritarian government. Therefore, democratization of MENA region is a hard task and globalization does not necessarily have to be perceived as a tool to have democracies in the region.

Elites of the MENA region will side with the existing government rather than lose their power to the forces of globalization. An independent bourgeoisie will be the partner of the state in order to obtain wealth and state shelter. Otherwise, it has to face the challenges posed by global competition, which is hard to confront without the support of the state. Then its state dependency prevents the state from generating new strategies for economy of the country.³⁶ In his book, Ayubi observes the Middle East state. “This is a fortiori the case in the Middle East, where the state’s historical background is without a hereditary

³⁵ “President Discusses War on Terror.” Speech delivered at the National Defense University, Washington, DC, March 8, 2005.

³⁶ Anoushiravan Ehteshami. “Globalization As A Mediating Force In U.S.-MENA Relations,” 8.

nobility, where wealth and status have been closely tied to connection with the state, and where there has been 'little room for independent *bourgeois* classes to emerge'."³⁷

The alternative for a state in generating new strategies for the economy of the country is the Islamist parties' perspective. The need for a social force reaches its peak at this stage when a country is unable to provide basic services. At this point in the Middle East region, political parties step up activities and influence. Islamist parties are popular in the region since the most of the population is Muslim. The political parties are pro-capitalist yet close to the Muslim community while advocating commerce and trade. So a political party is a potential force to be aligned with the state or in some cases against the state. In Iran, the cooperation between political parties and the Muslim clergy caused the 79 Revolution.

The MENA region witnessed many cultural engagements throughout history. The region is accustomed to interacting with other regions. Therefore, the forces of globalization should not be a threat for the region. The Ottoman Empire had ruled the region fairly and successfully until the sixteenth century. The gradual decline of the Ottoman Empire attracted Europeans and encouraged them to make plans for these soils. It was the colonial era, and there was considerable British and French influence on the region. Colonialism was opposed in the region; nevertheless, some countries such as Turkey, Egypt, Iran, and Tunisia performed well during the period of change.

Oil played crucial role for the region with its vast oil reserves that the world needed and still needs. Particularly, the Gulf States benefitted from the oil resource. Gulf States perform better than other Arab countries economically because the Gulf States benefitted from the economic globalization so Gulf's integration into the world economic system at a desired level is a success story.

³⁷ Gerd Nonneman. "Over-stating the Arab State: Politics and Society in the Middle East," review of *Over-stating the Arab State: Politics and Society in the Middle East*, by Nazih Ayubi, *British Journal of Middle Eastern Studies* 24, no. 2 (1997), <http://www.proquest.com.libproxy.nps.edu/> (accessed October 6, 2008).

The MENA states showed considerable performance in familiarizing itself with all aspects of modernization. In many areas such as education, politics, public administration, economy and public health, the states in the region emulate the way Organization for Economic Co-operation and Development (OECD) countries followed. In the speech delivered by Angel Gurría, OECD Secretary-General, to the Parliamentary Assembly of the Council of Europe in Strasbourg on October 1, 2008, Gurría's message was clear, and he states that OECD aims to become more global, more inclusive.

The OECD has been adapting to the new circumstances; working hard to produce a more inclusive globalization. During the past year we have provided member countries, and a growing number of non-member countries, with innovative instruments to improve global dialogue and policy-making in key areas: like climate change, agricultural development and food prices, education, Sovereign Wealth Funds, innovation, structural reform, the Internet economy and development aid effectiveness. To help strengthen financial markets, we will intensify our collaboration with governments, central banks and international institutions in proposing and supporting implementation of regulatory and supervisory reforms that address the main market and regulatory failures of this financial crisis. We will advance through the OECD Financial Education program to issue, by early 2009, a set of principles based on good credit practices. To respond more effectively to this type of challenges in a more plural and complex global economy, we will keep advancing steadily in our enlargement and enhanced engagement processes. We are becoming more global, more inclusive.³⁸

The economy of the region requires rapid improvement strategies while other areas such as political structures need revision. The administrators should be more responsive and liable, and the system as a whole needs to be transparent. Unemployment should be resolved in spite of the fact that Middle East is the second youngest population in the world. On the other hand, job creation is weak in the region and unreported income is high. Some regulations

³⁸ "The Global Economy and OECD: Distilling Lessons from a Financial Crisis." Speech delivered by Angel Gurría, OECD Secretary-General, to the Parliamentary Assembly of the Council of Europe, Strasbourg, October 1, 2008.

are needed that require the citizens to report all income to the state so it can be tracked and taxed. “The regional states need to relearn the art of scientific inquiry; need to replenish its cultural reservoirs and need to give its people hope and brighter future. In the midst of these fundamental problems has stepped globalization as a powerful, corrosive, de-stabilizing and imposing force, challenging the region’s political orders, its economic foundations and its cultural underpinnings.”³⁹ Ehteshami perfectly summarizes the existing conditions in the MENA region. Globalization poses threat to the authoritarian states as well as to the bourgeoisie classes aligned with the state. There is a need to resolve these challenges on the way to modernization in the region.

Reforms come first for the MENA region; then long-lasting security will follow. The region’s social and economic services necessitate improvement and failure of accomplishing this now will result in serious problems in the future compounding on existing ones. The Middle East dilemma is that the governments are willing to interact with the outside world, which let the forces of globalization pressure the state administration while it resists this pressure politicians consider a threat to their sovereignty and as unwelcome foreign intervention in their internal affairs.⁴⁰ Without necessary reforms and transformations, it is hard to develop long-term, sustainable social and political stability in the region.

D. GREATER MIDDLE EAST INITIATIVE

Because of the problems of the region, bourgeoisie will not be able to supply a safety net for the people since they are self-centered in politics and pursued personal goals in their relationships with state rulers. If these issues are not corrected effectively and promptly, oil-rich countries such as Saudi Arabia, Algeria, Iran, Iraq, and Libya will be in a difficult position. According to

³⁹ Anoushiravan Ehteshami. “Globalization As A Mediating Force In U.S.-MENA Relations,” 10.

⁴⁰ Ibid., 11.

Cordesman, as Saudi Arabia's population increases, it produces pressure on the economy of the country. This pressure is so severe that it has some consequences for Saudis. Saudi Arabia is not oil-rich in the sense that its current economy can support its people. Rapid population growth and declining oil prices have reduced its per capita incomes from oil exports from \$24,000 in 1980 to \$2,300 in 2002. Although Saudi Arabia was oil-rich in 2003, it has experienced almost two decades of major budget and trade deficits, and its government debt is just about 100% of its Gross National Product (GNP). It no longer can provide social services, improve and develop its infrastructure, and expand its economy without major economic reform and foreign investment. This type of reform and investment is crucial to Saudi Arabia in order to gain stability internally, but it needs U.S. support.⁴¹ Algeria, Iran, Iraq, and Libya are in the same or worse situation. They should seek growth in exports, international trade and Foreign Direct Investments (FDI) in order to remain oil-rich countries in the future. The nature of the political environment creates a problematic outcome for these countries. Libya and Algeria are reestablishing their connection with the trade world.

With the demographic nature of the region, an emerging challenge generates socio-economic and political problems for the MENA Region. The Arab world is likely to face a great challenge in near future. As their huge young population needs employment, it requires a lot of work and effort of all concerned to employ them effectively. The region's risk profile is high due to other factors such as the undemocratic environment and terrorism that impedes the implementation of new strategies for job creation. "The Arab countries risk being left behind in global competition precisely when they need to accelerate growth to

⁴¹ Anthony H. Cordesman. "Ten Reasons For Reforging the U.S. and Saudi Relationship," Center for Strategic and International Studies, (January 2004), <http://www.csis.org/> (accessed November 4, 2008).

create jobs for its growing labor force.”⁴² These have some harsh implications for the economic performance of Arab countries.

Noland and Pack address these issues in their book. The Arab world has a good grasp of what the problems are; however, the solution implementation phase also presents another considerable challenge. Unless the region’s imminent unemployment problem is solved effectively, it will be hard to develop the demographic advantage for the Arab countries since they will have a huge potential labor force in coming years. Demographic advantage is a well-known experience that has been a profound factor for the success in East Asia since 1960. Gaining prosperity and liberalizing society and an organized society may lead to an effective integration to the global economic system, national welfare, high Gross Domestic Product (GDP), and a position among the developed nations. If it is really the case, the demographic trend can become a reward for them rather than a burden.

Inaction and lack of globalization may lead to poverty, social unrest and violence, inhibiting reform and hindering development since the Arab countries may not perceive globalization positively. The economic performance of the Arab countries is not promising for many decades. It is not the worst of the world but not good enough to catch up to the West.⁴³ The anxiety stemming from the uncertainty faced by today’s young population and tomorrow’s working force is a question whether the business environment will have enough space to absorb the workers. Will it gain the capacity and the ability to create enough new jobs for potential workers?

With the poor economic performance of the Arab countries, attention is focused on this basic challenge of the Arab world as a whole. Partly because of this rapidly increasing population, in the 1980s and 1990s the Arab countries

⁴² Marcus Noland and Howard Pack. *The Arab Economies In A Changing World* (Washington, DC: Peterson Institute, 2007), XII.

⁴³ *Ibid.*

experienced an economic stagnation.⁴⁴ However, one should be careful in making an assessment of all Arab countries due to the complexity and diversity of them. Population in Egypt and Tunisia remained around a targeted growth rate, although Tunisia has had rather more success than Egypt with growth and employment nexus. For Saudi Arabia, Kuwait and Algeria the wages were precarious due to fluctuating oil prices since they are the key oil exporter states. However, wages are much higher in Saudi Arabia and Kuwait than in Egypt and Tunisia. Algeria is between the two groups. For instance, Egypt and Morocco are in the lower-income country category and their population numbers are high. Therefore, for these countries job creation, poverty reduction and political stability measures will be the key to be able to achieve the desired level of economic growth. “The fact that lower-income countries have many business opportunities while the most of the 9/11 hijackers were Saudis, presents the diversity and the complexity of the region.”⁴⁵ Therefore, the assessments would be more realistic if completed for each specific Arab country rather than generalizing them.

Across the Middle East region, the young population outnumbered elders, and this is the main cause of the domestic strain. Egypt, Algeria and Morocco are the three countries that have the largest populations in the region. The average age in those countries is 20. The youth bulge is still higher in Yemen and even more so in Palestine. It is a fact that the Arab countries will face a population growth triggering a workforce increase more than 3% in 15 years. “According to the Arab League, unemployment in the region could rise from 15 million to 50 million over this period.”⁴⁶ Immediate job creation is profoundly necessary and obligatory in these countries.

Imminent unemployment is not the only challenge that the region will face. External factors such as the new version of globalization by China and India

⁴⁴ Marcus Noland and Howard Pack. *The Arab Economies In A Changing World* (Washington, DC: Peterson Institute, 2007), 1.

⁴⁵ *Ibid.*, 3.

⁴⁶ *Ibid.*

contribute to the despair of the region since it must compete in a global economic system. To be able to achieve the desired objectives for a country, integration into global economic system is essential, and this country should find solutions for its unemployment problem. Besides, these two targets are of course connected—the more globalized a country is, the more likely it is to have high employment. To some degree, globalization allows a state to gain labor flexibility; otherwise, a state has an inability to create new jobs, which leads to high rates of unemployment.⁴⁷

A few solutions for the potential unemployment challenge in the Arab countries can be to increase labor-intensive export-based industries to be able to employ as many new workers as possible. Then they should bring high technology into some sectors to boost the productivity to reduce prices inside the country and to promote exports. FDI is going to contribute to increasing the saving rate of the country, improving the quality of the workers by raising their technological awareness, and importing a distribution system. How will a strategy incorporate these solutions? This region needs to resolve this question.

Despite the fact that the region gets constructive support and needed encouragement from the developed nations, it is not at the desired level in terms of integration to the world economic system and globalization trend. Political instability has huge effects on the globalization process and the unemployment problem. Current circumstances are not promising with the political regimes in this critical part of the world. The Middle East region presents a unique table of political regimes that are the mixture of authoritarianism and stability which is surprising since these two concepts are quite opposite of each other. Yet for four decades, few regime changes have occurred in the region while most of them remain what they were in the past.

⁴⁷ Jeffrey Sachs. "Globalization And Employment," *International Labour Organization*, <http://www.ilo.org/public/english/bureau/inst/papers/publecs/sachs/ch2.htm> (accessed November 25, 2008).

The Arab countries have been facing other interior and exterior difficulties for decades in addition to these challenges. These include questionable credibility of the government and its unaccountability discourages economic entrepreneurship. In the Middle East region, economic development and investment are directly influenced by the political stability and the sustainable policies of the state. This helps increase the significance of the political regime's influence on the economic development model.

Can the Arab countries be aware of these existing problems and figure out what policy alternatives can help solve this issue? Can this policy alternative be applied without any opposition from the elites or populace? Will the economy respond favorably to this policy alternative? These are the challenge in those countries.

In sum, if the region's looming unemployment struggle can effectively be handled, the Arab countries could see a bright future by growing fresh workforce additions as was experienced in East Asia. This could be a solution for the countries facing similar circumstances.⁴⁸

The key problem is incorporating the expanding numbers of young job seekers into labor forces The solution endorsed is increasing export-oriented manufacturing.

The Greater Middle East Initiative (GMEI) had deliberately moved the agenda on by calling for the United States and its European allies and partners (in the G-8 Group, NATO, and the EU) to press for and assist free elections in the Middle East (through support for civic education, the creation of independent election commissions in MENA countries, and comprehensive voter registers), foster the growth of new independent media there, press for judicial reforms, help create a 'literate generation' by helping to cut regional illiteracy rates in half by 2010, train 'literacy corps' of around 100,000 female teachers by 2008, finance

⁴⁸ Marcus Noland and Howard Pack. *The Arab Economies In A Changing World* (Washington, DC: Peterson Institute, 2007),13.

the translation of Western classical texts into Arabic to foster better understanding of the West amongst Muslims, establish an European-style Greater Middle East Development Bank, an International Finance Corporation (IFC)-style Greater Middle East Finance Corporation to assist the development of larger enterprises, and give \$500 million in micro-loans to small entrepreneurs, especially women, in order to spur 1.2 million small entrepreneurs out of poverty.⁴⁹

After 2001 terrorist attack on the United States, change in the Middle East region became critical for the U.S.. The Arab world did not welcome the U.S. approach, and it should be revised. Moreover, the initiative was trying to establish security in the region, but the plan was slightly outdated. "The aim of the Helsinki Process is to launch a proactive effort to develop new solutions to the dilemmas of global governance by bringing together individuals from all major stakeholder groups."⁵⁰ The balance of power was not well adjusted in the initiative because it failed to involve the key countries in the region such as Iran and Saudi Arabia. This security pattern was going to create more instability and new factions in the region, which is not a desired goal by any side. This initiative was viewed as the imposition of the West on the region the same as the Helsinki process on Soviet Russia was. It increased the skepticism about the West's intentions in the minds of Arabs.

The region's political rulers did not take it seriously, and to Arab rulers the initiative's aim was to serve the West's interests. Thus, it generated trouble in the Arab world and stretched the relations with the United States. According to Al-Ahram Weekly:

⁴⁹ Anoushiravan Ehteshami. "Globalization As A Mediating Force In U.S.-MENA Relations," 10.

⁵⁰ "The Helsinki Process On Globalization And Democracy," www.helsinki.fi (accessed November 4, 2008).

...America's GMEI has exacerbated the already strained relations between Cairo and Washington, writes Gamal Essam El-Din...

...In both America and Egypt, political leaders locked horns as America's GMEI prompted outbursts of anger in Cairo and other Arab capitals...

...Mubarak told reporters that reform can not be imposed from abroad...

...As he headed home from a meeting with King Fahd and Crown Prince Abdullah Bin Abdul-Aziz in Saudi Arabia, President Mubarak told Egyptian journalists, "we hear about these initiatives as if the region and its states do not exist, as if they had no sovereignty over their land." Mubarak said "these kinds of initiatives do not deserve a comment, [but] need to be confronted by scientific and convincing answers from thinkers, so as not to leave people to fall prey to misleading impressions and misconceptions disseminated by such initiatives."...

...In Riyadh, President Mubarak agreed with Saudi leaders that, "imposing a certain model of reform on Arab and Islamic states from the outside is unacceptable." An official Egyptian-Saudi statement emphasized that Arab countries are "progressing on the road to development, modernization and reform, but in a way that is compatible with the needs, interests, values and identities of their peoples."...⁵¹

It is fair to say that there was a misunderstanding on both sides, which stretched the relations. West (the United States and the Europe) had the intention of improving the regions' conditions but with a tone that did not sound good to the Arab world and the MENA region.

The perception in the Middle East is completely different from what the United States and the Europeans had intended. The region needs fundamental change; however, the rulers and the population of the region resist those since they believe that those changes come from the West with the same poor

⁵¹ Gamal Essam El-Din. "Asserting Home-grown Reform," Al-Ahram Weekly, no.680 (March 4-10, 2004), <http://weekly.ahram.org.eg/> (accessed November 4, 2008).

intentions as in the past. The Arab world was highly concerned about the real purpose of the initiative, and all opposed it. It is mostly perceived as an outside power's shadow over the sovereignty of these countries and concern that the West will dominate the region. This is not acceptable for the rulers or for the people of the region. Therefore, the idea backfired over concerns that ulterior motives were at work. Moreover, the military action that the United States took in Iraq and in the ongoing Arab-Israeli conflict are factors contributing to this perception of a Western reform agenda in the region.

From the perspective of the United States, the reform is a process that should be done immediately to modernize the Arab world and spread democracy to the area in order to wipe out extremism in the region. Therefore, the entire West is committed to this idea. However, for the Middle East this is reminiscent of the colonial era. The legacy of colonialism and colonial powers fuels today's fears and doubts throughout the region. The memories are still fresh. That is why Brzezinski's diagnosis and approach to the problem has crucial importance at this point. As former U.S. National Security Advisor Zbigniew Brzezinski notes

Compounding the problem is the suspicion -- not only among the Arabs but also among the Europeans whose support the United States is seeking -- that the sudden focus on democracy has been promoted by administration officials who wish to delay any serious American effort to push the Israelis and Palestinians to reach a genuine peace settlement. That suspicion was fueled by Vice President Dick Cheney's recent remarks at the World Economic Forum in Davos, Switzerland. The spread of democracy, Mr. Cheney said, was "the precondition for peace and prosperity in Western Europe" after World War II. He went on to assert that democratic reform "is also essential to a peaceful resolution of the longstanding Arab-Israeli dispute." Mr. Cheney's argument that democracy is the precondition for peace appeared to many to be a rationalization for postponing any effort to resolve the Israeli-Palestinian conflict. Moreover, it ignored the historical reality that democracy can flourish only in an atmosphere of political dignity. As long as the Palestinians live under Israeli control and are

humiliated daily, they won't be attracted by the virtues of democracy. The same is largely true of the Iraqis under the American occupation.⁵²

According to Brzezinski, in order to make this initiative successful and practical, there are some actions that should be taken, and there are some duties that should be carried out by parties. To be able to produce a solution for the existing problem, he offers a more consensus-oriented approach and collective action. His suggestion for the program is that

The program must be devised with Arab countries and not just presented to them. Egyptians and Saudis will not embrace democracy if they feel that their religious and cultural traditions are being slighted. Second, the initiative must recognize that without political dignity derived from self-determination there can be no democracy. The program for Arab democracy will be more successful, and find wider acceptance, if it is matched by efforts to grant sovereignty to the Iraqis and Palestinians. Otherwise, democracy will seem to many in the Arab world to be window dressing for continued external domination. Finally, the United States must define the substance of a peace settlement in the Middle East and then work energetically to put that agreement in place. Doing so will give greater credibility to the constructive motives behind the democracy initiative; it will also show the countries of the Middle East that there is a shared basis for a genuine partnership with the democratic West.⁵³

The first initiative was to force the region to change with the help of the United States and the European countries, but the Arab world perceived that as an external force and intrusion into the region. After the G-8 summit in the U.S.A., the new form of the same initiative was accepted. The North Atlantic Treaty Organization (NATO) summit in Turkey in 2004, approved the initiative. In fact, the changes in the initiative were dramatic because the EU was more in the lead than the U.S. Compared to first initiative, the new initiative aimed to establish institutions in the region. "The new document was significant in one

⁵² Zbigniew Brzezinski. "The Wrong Way to Sell Democracy to the Arab World," New York Times, (March 8, 2004), <http://www.nytimes.com/> (accessed November 4, 2008).

⁵³ Ibid.

other way as well and this is important in terms of testing the U.S.' moral standing in the Middle East, for the focus of the initiative shifted rather dramatically also. Now the initiative was leaning towards building regional structures, much more in keeping with the EU's outlook and away from the U.S.'s initial re-ordering of the region agenda"⁵⁴

Broader Middle East term was the new title of the revised initiative, and the United States continued to push Democratization process as it was in the first. The United States wants free elections and democracy in the region and its implementation by successfully built structures in the Middle East. Under Bush administration, this is the American agenda toward the Middle East region as well as toward the others in the world. The real factor behind this is the idea that democracies do not go to war with other democracies. If other countries became like the United States or at least share common ground in terms of governance, economics, human rights, then conflict is unlikely.

E. GLOBALIZATION AND THE MENA REGION

Obviously, the Arab-Israeli conflict creates instability throughout the region. If it is solved, true and long-lasting peace will be established in the Middle East, which will contribute to region's successful relations with the West as well. This idea has been supported both within the region and in Europe. According to general public opinion in the region, without a solution for this ongoing crucial problem, it is fruitless for the West to talk about democracy and human rights for the Arab world. Credibility of the West depends on the acts more than words toward the half-century-old Arab-Israeli conflict in the region.

To be able to resolve the conflict between Israel and Palestine, the United States under Clinton and Bush administrations spent great efforts by every means and occasion. However, late 2004 became a turning point for the resolution process since the key player, Yasser Arafat, Palestinian leader, died.

⁵⁴ Anoushiravan Ehteshami. "Globalization As A Mediating Force In US-MENA Relations," 17.

“President Bush's vision of two states living side-by-side in peace and security, as articulated in his June 24 speech, was the “Roadmap’s” foundation.⁵⁵ The ultimate goal is peace. It is elusive in the Middle East. Yet, this plan seems to be rational, comprehensive and promising for each party.

The Roadmap for Peace, developed by the United States, in cooperation with Russia, the European Union, and the United Nations (the Quartet), was presented to Israel and the Palestinian Authority on April 30. The plan is a performance-based, goal-driven plan, with clear phases, timelines, and benchmarks. It involves reciprocal steps by the two parties in the political, security, economic, and humanitarian fields. The destination is a final and comprehensive settlement of the Israel-Palestinian conflict. Ongoing good-faith efforts by both Israelis and Palestinians are required to implement the Roadmap. The pace of progress will grow solely out of their performance. The United States, other members of the Quartet, and regional Arab leaders will work to support and facilitate the process. They also will meet regularly to evaluate the parties’ performance in implementing the plan.⁵⁶

As the President of the United States, George W. Bush, stated, "The Roadmap represents a starting point toward achieving the vision of two states, a secure State of Israel and a viable, peaceful, democratic Palestine. It is a framework for progress towards lasting peace and security in the Middle East..."⁵⁷

In the process, both Israel and Palestine were responsible for acting in certain ways. The Palestinian Authority was supposed to make democratic reforms and abandon the use of terrorism, while Israel was supposed to acknowledge and support the emergence of a reformed Palestinian government and end building settlements within the Gaza and West Bank. However, with the end of Bush administration, faith in a viable, peaceful Palestine state

⁵⁵ "Roadmap for Peace in the Middle East: Israeli/Palestinian Reciprocal Action, Quartet Support," Bureau of Public Affairs, Washington, DC, (July 16, 2003) <http://www.state.gov/> (accessed November 4, 2008).

⁵⁶ Ibid.

⁵⁷ Ibid.

disappeared as well. The Middle East is tough place for finding peace, and will be prone to having conflict without the resolution of Arab-Israeli conflict.

The Middle East has multiple scenarios for peace. The one proposed and developed under Bush administration was to end the Arab-Israeli conflict through a two-state solution. It would help them effectively integrate into the world's systems. The geopolitical value of the region is undeniable, and its huge sensitivity to the concept of globalization is an obstacle. Internal and external authorities contribute to the current difficult situation. All should work together to restore the security and the peace in the MENA region. After having the resolution of Arab-Israeli conflict and political stability in the region, countries can talk about globalization in the Middle East and its concerns for the region.⁵⁸ Since the MENA has diverse cultures and religions, it is unique in terms of its reaction to globalization, which created de-globalization that is publicly known as 'diminishing interdependence and integration among units around the world, typically nation-states.'

Moreover, due to the uniqueness of the region globalization may turn out to be ineffective despite its insurmountable forces. "Many observers would regard globalization's inability to fundamentally change the MENA sub-system as the ultimate nightmare scenario to be avoided in the region, even if this was to be achieved at the cost of retaining American forces in the area."⁵⁹ What countries in the MENA region should do is build an instrument to stay poised between two destabilizing factors: globalization's impact and the U.S. intervention in the region. On a daily basis, in the changing world, the countries are going to face, need, compete with, support each other and confront challenges, walk and build together a better world for brighter future. In this respect, integration is indispensable for each of them while the individual conditions may vary.

⁵⁸ Anoushiravan Ehteshami. "Globalization As A Mediating Force In U.S.-MENA Relations," 19.

⁵⁹ Ibid., 20.

The fact that globalization is a destabilizing factor for the MENA region and the existence of the United States contributes to escalating animosity in the region, presents certain truths about today's Middle East.⁶⁰ As globalization continues to improve the region's global communication, it simultaneously helps to increase the exchange of radical ideas; thus, the conflict will stay in the region. Finding a way to settle the issue of Middle East with new strategies and diplomacies is critical in the immediate future since 'great expectations' for the region can evolve.

Change in the MENA region is inevitable, and the results of it will be productive both for the region and for the world. While living in a globalized world of continuous change and ambiguity, the broader Middle East is going to be open to the threats if it maintains its current circumstances. Lack of improvement and isolation will be the two brutal threats for the region. In the age of globalization, the international relations of the MENA region cannot be disconnected due to its regime type and governance quality. Otherwise, it is possible to have the experience of *déjà vu* for another half-century or more if there is not radical change in the region's global participation.⁶¹

⁶⁰ Anoushiravan Ehteshami. "Globalization As A Mediating Force In U.S.-MENA Relations," 21.

⁶¹ *Ibid.*, 22.

THIS PAGE INTENTIONALLY LEFT BLANK

III. IMPACT OF GLOBALIZATION

A. INTRODUCTION

Globalization's impact is a contributing factor in understanding new world order and newly emerging dynamics of international system. "Globalization is a powerful real aspect of the new world system, and it represents one of the most influential forces in determining the future course of the planet. It has manifold dimensions: economic, political, security, environmental, health, social, cultural, and others."⁶² The term was first used in the 1980s, but the notion is not new. It is different to different people. To a degree, as a result of these different understandings, "there are very different reactions to 'globalization', with some policymakers, scholars, and activists seeing it as a force while others, again all three, seeing it as a serious danger."⁶³ As Intriligator clarifies, there are positive and negative features of globalization. Globalization involves competition as a necessary part or consequence, and that results in some of its positive features. International support via building or developing new international institutions or some treaties can counterbalance potential conflicts that may stem from its negative aspects. In fact, globalization can result in international conflicts yet at the same time, it can be a factor for their control. The positive effects of competition and the potential for global cooperation in economic and other problems of the world can help settle differences between countries.⁶⁴ To the Middle East region, globalization is still a force of change for that unique area of the world.

⁶² Michael D. Intriligator. "Globalization Of The World Economy: Potential Benefits And Costs And A Net Assessment," Policy Brief no 33, (January 2003), <http://www.milkeninstitute.org/> (accessed November 15, 2008).

⁶³ Ibid.

⁶⁴ Ibid.

Integration of the Middle East region into a global economic system is a difficult task and currently is not succeeding. It generates more economic and social challenges for the region's states. However, Globalization – the growing integration of economies and cultures around the world – has been one of the most popular topics in international economics over the past few years. While China, India and some other countries were poor 20 years ago, rapid economic growth and poverty reduction in those countries has been a positive change because of globalization. On the other hand, increasing international opposition emerged, which created some fears that globalization causes inequality and environmental degradation.⁶⁵ In addition to these different aspects of globalization, the World Bank report addresses some points that underlie the issue. It is an undeniable fact that globalization has played a significant role in improving growth and decreasing poverty in third world. Its effect on inequality is multifaceted. Global inequality has been reduced because developing countries with larger populations joined the integrated system of globalization, yet many countries are still lagging. There has been some increase in inequality within countries with a large number of poor. "Trade integration does not increase income volatility; financial integration, however, can increase the propensity to develop crises, which can have a severe detrimental impact on the poor."⁶⁶

Globalization has put a reward on good governance – or in other words, increased the costs of poor governance so that many poor performing economies are 'left out' by globalization. In fact, for developing countries to take advantage of globalization and use its opportunities, they may need governmental overhaul in order to make considerable economic growth and reduce poverty.

⁶⁵ World Bank. Globalization, <http://www1.worldbank.org/economicpolicy/globalization/> (accessed November 8, 2008).

⁶⁶ World Bank. Poverty in an Age of Globalization, (October 2000). <http://www1.worldbank.org/economicpolicy/globalization/documents/povertyglobalization.pdf> (accessed November 17, 2008).

According to the World Bank report on globalization, 'Globalization, Growth and Poverty: Building an Inclusive World Economy', "globalization has helped reduce poverty in a large number of developing countries, but must be harnessed to better help the world's poorest, most marginalized countries improve the lives of their citizens."⁶⁷ Most importantly, this is important in the aftermath of September 11 and the global economic crisis, anticipated to hit poor people intensely hard. Also in the report, it is mentioned that globalization helps reduce poverty because more integrated economies are capable of performing better progress in economic growth. Manufacturing and service sectors are best fit for low-income countries since their labor force transfer from their current jobs to better jobs. Productivity in the economy increases through economic integration.

Paralleling the World Bank report on globalization, President Bush, in his speech on May 9, 2003, emphasized trade's role and its significant contribution to developing economies.

Across the globe, free markets and trade have helped defeat poverty, and taught men and women the habits of liberty. So I propose the establishment of a U.S.-Middle East Free Trade Area within a decade, to bring the Middle East into an expanding circle of opportunity, to provide hope for the people who live in that region.⁶⁸

The President's vision of free trade in the Middle East was clear. He is ambitious about the new plan and its potential promise to the region. The objective of the plan is to increase the economic interaction in the Middle East. Thus, prosperity and living standards will rise, which helps restore stability.

To re-ignite economic growth and expand opportunity in the Middle East, the President, in May 2003, set out his vision of establishing a U.S.-Middle East Free Trade Area (MEFTA) by 2013. The MEFTA's focus is to work with countries in the Middle East in graduated

⁶⁷ World Bank, *Globalization, Growth, and Poverty: Building an Inclusive World Economy*, (Washington DC: World Bank and New York: Oxford University Press, 2001).

⁶⁸ "Fact Sheet: U.S.-Middle East Free Trade Area (MEFTA)." Office of the White House Press Secretary, June 9, 2004. <http://www.whitehouse.gov/> (accessed November 8, 2008).

steps to increase trade and investment with the United States and the world economy, and to assist these countries in implementing domestic reforms, instituting the rule of law, protecting private property rights (including intellectual property), and creating a foundation for openness, economic growth, and prosperity.⁶⁹

On the other hand, the conditions of the Middle Eastern economies are not promising because they harbor a vast array of problems. Most observers share a common idea about the size of the problem. Using most measurement methods, countries in the region are currently poorly prepared to succeed in the global system. In this regard, many indicators document the weakness of the region's linkage to the global economy, "Import tariffs average over 20 percent; most of the larger countries in the region are not members of the World Trade Organization, the international agency largely responsible for reducing trade barriers and reconciling disputes over trade practices."⁷⁰ The region's portion of world exports has declined gradually. The region as a whole attracts approximately as much FDI as Sweden. In addition to Looney's diagnosis, Cordesman in his report 'Beyond Anger and Counterterrorism: A New Grand Strategy for U.S. and Arab Relations' notes a series of structural problems in the region. They are: a weak economy and political structures of the region, a huge population growth, demographic challenge, over-urbanization, and the inability to develop regional economies. As Cordesman states himself in greater detail, the problems included:

- *Failed secular regimes and political parties* have pushed the peoples of the region back towards Islam and made them seek to redefine the role of religion in their lives.
- *Massive population increases*: The MENA had a population of 112 million in 1950. The population is well over 415 million today, and approaching a fourfold increase. It will more than double again, to at least 833 million, by 2050.

⁶⁹ "Fact Sheet: U.S.-Middle East Free Trade Area (MEFTA)." Office of the White House Press Secretary, June 9, 2004. <http://www.whitehouse.gov/> (accessed November 8, 2008).

⁷⁰ Robert E. Looney. "Why Has Globalization Eluded the Middle East?" Strategic Insights 3, no. 12 (December 2004), <http://www.ccc.nps.navy.mil/index.asp> (accessed November 8, 2008).

- A *“youth explosion,”* where age 20-24s -- the key age group entering the job market and political society -- has grown steadily from 10 million in 1950 to 36 million today, and will grow steadily to at least 56 million by 2050.
- Some 36% of the total MENA population is under 15 years of age versus 21% in the U.S. and 16% in the EU. The ratio of dependents to each working age man and woman is three times that in a developed region like the EU.
- A *failure to achieve global competitiveness,* diversify economies, and create jobs that is only partially disguised by the present boom in oil revenues. Direct and disguised unemployment range from 12-20% in many countries, and the World Bank projects the labor force as growing by at least 3% per year for the next decade.
- A *region-wide average per capita income* of around \$2,200 versus \$26,000 in the high-income countries in the West.
- A *steady decline in non-petroleum exports* as a percentage of world trade over a period of nearly half a century, and an equal pattern of decline in regional GDP as a share of global GDP.
- *Hyper-urbanization and a half-century decline* in agricultural and traditional trades impose high levels of stress on traditional social safety nets and extended families. The urban population seems to have been under 15 million in 1950. It has since more than doubled from 84 million in 1980 to 173 million today, and some 25% of the population will soon live in cities of one million or more.
- *Broad problems in integrating women* effectively and productively into the work force. Female employment in the MENA region has grown from 24% of the labor in 1980 to 28% today, but that total is 15% lower than in a high growth area like East Asia.
- *Growing pressures on young men and women* in the MENA to immigrate to Europe and the U.S. to find jobs and economic opportunities, which inevitably create new tensions and adjustment problems.

- Almost all nations in the region have nations outside the region as their major trading partners, and increased intraregional trade offers little or no comparative advantage.
- *Much of the region cannot afford to provide more water for agriculture at market prices, and in the face of human demand; much has become a “permanent” food importer. Regional manufacturers and light industry have grown steadily in volume, but not in global competitiveness.*
- Global and regional satellite communications, the Internet, and other media, have shattered censorship and extremists readily exploit these tools.
- *A failed or inadequate growth in every aspect of infrastructure, and in key areas like housing and education.*
- *Growing internal security problems that often are far more serious than the external threat that terrorism and extremism pose to the West.*
- *A failure to modernize conventional military forces and to recapitalize them. This failure is forcing regional states to radically reshape their security structures, and is pushing some toward proliferation.⁷¹*

These patterns present a number of fundamental structural factors that have restricted the region’s competitiveness in international markets over the past several decades.⁷²

Another crucial factor contributing to economic growth as well as overall development process through the globalization is ‘Good governance’. A perfect saying of Ngozi Okonjo-Iweala, former Minister of Finance and of Foreign Affairs of Nigeria, tells us its crucial importance in a more competitive world. "For

⁷¹ Quotation from Anthony H. Cordesman, “Beyond Anger and Counterterrorism: A new Grand Strategy for U.S. and Arab Relations,” Center for Strategic and International Studies, (September 13, 2004), <http://www.csis.org/> (accessed November 8, 2008).

⁷² Robert E. Looney. “U.S. Middle East Economic Policy: The Use of Free Trade Areas in the War on Terrorism,” *Mediterranean Quarterly* 16, no. 3 (Summer 2005), <http://muse.jhu.edu/> (accessed November 17, 2008).

policymakers and reformers seeking to bring rigor and metrics to the important subject of governance, the Worldwide Governance Indicators serve as an invaluable tool allowing benchmarking in each area and measurement of progress."⁷³ According to the World Bank, governance has six dimensions and fulfillment of all is good governance. According to the WGI project, the Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 212 countries and territories over the period 1996–2007, for six dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption.⁷⁴

Good governance is known as essential for development. "This is both because of the role of government as a builder and provider of institutions, and because the failure of governance can lead to an overall political breakdown."⁷⁵ Once a country turns out to be a 'failed state,' such as Yugoslavia or several African countries, growth can be impeded for decades. Poor governance has been a prevailing feature of the poorest performing economies. Globalization has placed a reward on good governance, due to the need to put in place strategies and institutions required by an increasingly competitive international market place, due to burden on governments to be 'transparent' and more 'accountable' to their populace, and due to the higher costs of 'mismanagement'.⁷⁶

On governance and liberalization issues, the MENA region's performance is still worse when compared to other parts of the world such as East Asia and Latin America. "The Middle East region falls considerably behind other areas of the world in various angles of 'economic liberalization and governance'.

⁷³ World Bank. Governance Matters 2008, Worldwide Governance Indicators:1996-2007, <http://info.worldbank.org/> (accessed November 17, 2008).

⁷⁴ Ibid.

⁷⁵ The World Bank. Poverty In An Age Of Globalization, (October 2000). <http://www1.worldbank.org/economicpolicy/globalization/documents/povertyglobalization.pdf> (accessed November 17, 2008).

⁷⁶ Ibid.

Remarkably, there is a huge gap across all measures of governance between MENA and non-MENA countries. Despite the fact that the MENA countries have made considerable progress to bridge the gap in recent years, it is still noticeable in the area of 'voice (the participatory process of decision making) and accountability'.⁷⁷ However, the Mena region performs better than non-MENA countries in some areas of economic liberalization such as monetary policy, regulation and the size of the informal market. On the other hand, its trade strategies, government's involvement in the economy, FDI, wage and price flexibility are worse than other parts of the world.⁷⁸

The conceptual complexity of the definition of globalization increases the risk of taking a wrong turn analyzing challenges and moving on to solutions. For instance, globalization with the new proposal, Middle East Free Trade Area (MEFTA), seems to be an increasing liberalization of international trade and investment that helps national economies in the integration process into the world economy. It can also be a multi-dimensional trend of the world, which includes economic, technological, development and social dimensions. According to this view of globalization, economic dimension centers on the FDI and the international trade, while technological dimension brings innovation and high-tech to the country. In addition to these, development concentrates on progress with globalization, and societal elevation emphasizes human rights, women participation, civic education, political liberalization, freedom of speech, and rule of law. Another view for globalization considers globalization as a historical process. According to this approach, it is not a new trend. It is a historical phenomenon in which all nations, cultures, and civilizations interacted

⁷⁷ Robert E. Looney. "U.S. Middle East Economic Policy: The Use of Free Trade Areas in the War on Terrorism," *Mediterranean Quarterly* 16, no. 3 (Summer 2005), <http://muse.jhu.edu/> (accessed November 17, 2008).

⁷⁸ Robert E. Looney. "Why Has Globalization Eluded the Middle East?" *Strategic Insights* 3, no. 12 (December 2004), <http://www.ccc.nps.navy.mil/index.asp> (accessed November 8, 2008).

in many ways thus globalization is improved with a few variants depending on the economic environment.⁷⁹

Looney touches several important points in his article 'Why Has Globalization Eluded the Middle East?' There are different approaches to analyzing globalization that provide valuable insight into the phenomena and they illustrate the problems facing researchers in the area. "Globalization is a complex, multi-dimensional, historical process that does not lend itself easily characterization or measurement."⁸⁰ In fact, despite the books written on globalization, comparatively little improvement has been committed to generating a generally acknowledged measure of the concept. For example, how can the degree to which a country has become integrated within the international economy be measured? How can the effectiveness of globalization be measured? Obviously, the lack of a lucid, clear-cut definition lies behind much of the current arguments and debates. The extent of globalization and the manner that the phenomenon is altering the structure of national economies needs study. As Looney finalized his assessment over the profound importance of measurement of globalization, he stated, "Without the means to quantify the extent of globalization, any meaningful evolution of its effects will remain elusive."⁸¹

Measuring globalization remains challenging today. Kearney/Foreign Policy Magazine Globalization Index (KFPGI) is a well-known method for measuring globalization. It is the only readily available quantification of globalization. It brings four aspects to achieve a measurement tool for globalization, which are technology, political engagement, personal contact, and economic integration. This index is helpful in understanding the crucial relationships for state-run economic growth. It is in the Middle Eastern countries'

⁷⁹ Robert E. Looney. "Why Has Globalization Eluded the Middle East?" Strategic Insights 3, no. 12 (December 2004), <http://www.ccc.nps.navy.mil/index.asp> (accessed November 8, 2008).

⁸⁰ Ibid.

⁸¹ Ibid.

best interest to focus on improving various areas of governance parallel to what the Broader Middle East Initiative had offered. It is a challenging task indeed. The problem seems clear that the solution and implementation stage of globalization will cause considerable resistance in the region. As Looney's perfect assessment points out, focusing on the democracy and the governance issues will be the key element for Middle Eastern countries in the integration process.

The task is enormous, however, facing considerable resistance throughout the region. In part, some of this resistance may stem from the fact that there is a sizeable imbalance in the way the region has preceded with liberalization. Much more progress has been made in the economic freedom area relative to the various dimensions of governance. No doubt this has resulted in many of the key countries being exposed to some of the competitive rigors of international competition, while at the same time not possessing the domestic institutions capable of enabling the countries to take advantage of opportunities opened up by increased integration into the world system. This has resulted in a negative perception of globalization throughout most of the region.⁸²

The generally held view on the globalization's impact, goes into two categories. While one view favors globalization; the other is against it. One claims that it has a positive impact by advocating the trend of change and its consequences from the macro economic perspective. To some scholars, globalization is viewed as key in the new world order.⁸³ The other approach supports the idea that it does not fit for every country, group or individual by suggesting globalization for states on a case-by-case basis. These believe that globalization has negative impacts on economic development, culture and other social aspects of a country's life. They believe that globalization best serves interests of a certain group, especially the bourgeoisie.⁸⁴

⁸² Robert E. Looney. "Why Has Globalization Eluded the Middle East?" Strategic Insights 3, no. 12 (December 2004), <http://www.ccc.nps.navy.mil/index.asp> (accessed November 8, 2008).

⁸³ Thomas L. Friedman. *The Lexus And The Olive Tree: Understanding Globalization* (New York: Anchor Book, 2000).

⁸⁴ Faizur Rahman. "Globalization and Its Impact on Bangladesh Economy," <http://handle.dtic.mil/100.2/ADA439177> (accessed November 15, 2008).

B. POSITIVE IMPACT OF GLOBALIZATION

Quite optimistically, the new trend of globalization, particularly the economic dimension of it, involves worthy opportunities. Most economists advocate economic globalization since it promotes *efficiency* and *specialization*. They agree that the more global the scale of the market, the more efficient the allocation of resources. According to key studies in the area, nations with open, market-oriented economies have improved their economies twice as fast as those with closed economies. In the 1970s and 1980s, the inequality was higher than now. The recent decade was the first time in history that real incomes have increased at a degree that has never been seen before. During the past decade, the global economy grew by about 30 percent in total value, helping many countries--not only in Asia, but also in the Middle East as well.⁸⁵

It is certain that there are important and critical benefits of globalization. Foreign Direct Investment (FDI) is a critical factor for a country on the way to economic integration. If FDI's entrance to a state is easy and encouraged, economic growth is likely to occur in that state due to increased internal investment and improved productivity with a knowledge-based economy. The banking system can be transformed from futile to effective by the help of international banks' entrance to the internal financial system. In this case, expansion increases and investment costs are reduced. Trade also has a huge impact on economic development. Under certain circumstances, it hugely improves economic growth. "Increased trade leads to rates of growth and incomes, together with lower unemployment rates and reduced poverty. However, sequence and end result implicitly assumes that a certain critical mass of institutions facilitating economic expansion is in place."⁸⁶ In the Middle East

⁸⁵ Stephen J. Flanagan, Ellen L. Frost, and Richard L. Kugler. "Report of the Project on Globalization and National Security: Challenges of the Global Century," National Defense University, Washington, D.C. (June 2001), <http://www.ndu.edu/> (accessed November 15, 2008).

⁸⁶ Robert E. Looney. "U.S. Middle East Economic Policy: The Use of Free Trade Areas in the War on Terrorism," *Mediterranean Quarterly* 16, no. 3 (Summer 2005), <http://muse.jhu.edu/> (accessed November 17, 2008).

region, this is possible for only a few countries, which are in the Persian Gulf oil economies together with Israel, Jordan, and Turkey. "Morocco, Egypt, and Saudi Arabia may not be at the point where expanded trade is capable of inducing improved governance structures capable of sustaining and expanding growth and trade."⁸⁷ Therefore, International trade will make it easy for the state's economic development, while technological progress helps increase in productivity and access to low-cost raw material.

Globalization plays key role in raising trade in the global economy. Technological progress and transportation developments have helped integration of a global economic system. Thus, with the globalization, mobilized labor force, global information flow, money transfers across the borders have increased considerably. In this smaller world of this era, transactions are fast; global exchange of ideas is more likely than at any prior time; movements of human resources or capital is simple; interaction is huge in numbers because of this common ground for all concerned. This is globalization.

Globalization made a huge contribution to global economy by simply ignoring borders and incorporating markets raising global interactions. "Globalization has involved greater openness in the international economy, an integration of markets on a worldwide basis, and a movement toward a borderless world, all of which have led to increases in global flows."⁸⁸ There are several elements of globalization evident over the last several decades. Technological progresses that have drastically reduced the costs of transportation and communication and dramatically dropped the costs of data processing and information storage and retrieval consist of one element. Trade liberalization and various types of economic liberalization that have resulted in reductions in trade protection and a freer global trading system is a second

⁸⁷ Robert E. Looney. "U.S. Middle East Economic Policy: The Use Of Free Trade Areas In The War On Terrorism," *Mediterranean Quarterly* 16, no. 3 (Summer 2005), <http://muse.jhu.edu/> (accessed November 17, 2008).

⁸⁸ Michael D. Intriligator. "Globalization Of The World Economy: Potential Benefits And Costs And A Net Assessment," Policy Brief no 33, (January 2003), <http://www.milkeninstitute.org/> (accessed November 15, 2008).

element of globalization. Transformations in institutions, where organizations have a wider reach, particularly because of technological progresses and the more visionary managers, empowered by advances in communications consist of a third element of globalization. Lastly, the global harmony on ideology, with a junction of beliefs in the value of a 'market economy and a free trading system' provides a sound reason for globalization.⁸⁹

On national economies, globalization has major impacts. One of them is the FDI increase at an impressive rate, which is greater than the growth in global trade itself. Foreign Direct Investments play a significant role in technology transfer, in industrial reformation and in the development of global business ventures. As a second impact, globalization has also considerable impact on technological innovation. Reciprocal influences have been seen between globalization and technological innovations. Innovative technologies have committed to globalization, whereas globalization and the drive of competition have also stimulated further progresses in technology and improved its diffusion within nations through FDI. Enhanced trade in the service sector, including financial, legal, managerial, and information services and intangibles of all types that have become cores of international commerce is a third impact of globalization on national economies. "In 1970, less than a third of FDI related to the export of services, but today that has risen to half and it is expected to rise even further, making intellectual capital the most important commodity on world markets."⁹⁰

There are also benefits of globalization that stem from competition. Globalization has helped increase competition on a worldwide basis. While competition scares some, there are many favorable effects of competition that can lift production or efficiency. Competition and the widening of markets can result in 'specialization and the division of labor', as argued by Adam Smith and

⁸⁹ Michael D. Intriligator. "Globalization Of The World Economy: Potential Benefits And Costs And A Net Assessment," Policy Brief no 33, (January 2003), <http://www.milkeninstitute.org/> (accessed November 15, 2008).

⁹⁰ Ibid.

other classical economists' studies advocating market system. 'Specialization and the division of labor', with their connotations for increases in production, continue living not only in a nation but also on a global basis. Another positive effect is encouraging the ongoing economic growth. It can provide cost reduction in various economies. One other positive effects of globalization is trade expansion in which both sides benefit mutually. The 'sides' can be individuals, corporations and other organizations, states, trading blocs, continents or other entities. Globalization can also lead to better productivity with production on a macro scale and the expansion of technology and competitive force for repeated innovation on a global basis.⁹¹

In conclusion, from the positive point of view, globalization inspires enormous commitment to ways that are largely in harmony with the long-term needs of most people. "Over time, globalization promotes openness, encourages political and economic reforms, strengthens the demand for the rule of law, fosters integration, and reduces the likelihood of conflict and resort to force. From a security perspective, the worrisome term is over time."⁹² While globalization is quite promising, however, it largely depends on where, when, and to which society it is applied. When it comes to the Middle East, there are some facts that should be faced, which somehow make the region unique. Universal models do not work for all regions of the world, such as the Middle East region.

According to Richards, the author of 'A Political Economy of the Middle East', Washington Consensus's free trade and free market models are not a solution to the economic reform of the Middle East:

Although the problems and contradictions of state-led growth were (and are) real enough, there was (and is) no simple, much less universal, set of institutional changes that can overcome them. The

⁹¹ Michael D. Intriligator. "Globalization Of The World Economy: Potential Benefits And Costs And A Net Assessment," Policy Brief no 33, (January 2003), <http://www.milkeninstitute.org/> (accessed November 15, 2008).

⁹² Stephen J. Flanagan, Ellen L. Frost, and Richard L. Kugler. "Report of the Project on Globalization and National Security: Challenges of the Global Century," National Defense University, Washington, D.C. (June 2001), <http://www.ndu.edu/> (accessed November 15, 2008).

problems of economic growth and structural change are intractable, complex, murky and deeply, inescapably political. Sweeping "reform packages" were always suspect, if for no other reason than it is political folly to offend everyone at once - which is what the economic logic of the Washington Consensus often implied. Further, the benefits of reform are always uncertain, and losers may be better placed to act. As it has turned out, the benefits have often been mixed, unequally distributed, and potentially destabilizing. It is hardly surprising; therefore, that regimes implemented economic-policy changes gradually and selectively. Regimes fear, with reason, that the full-scale embrace of the Washington Consensus entails a high risk of political destabilization.... Whether due to the inherent difficulties of implementing economic policy or to the unevenness of reform, the results of economic reform have been relatively disappointing. Although in some countries economic performance in the mid-to-late 1990s was considerably better than in the previous ten years, in no country has growth been strong enough to lower unemployment or significantly raise real wages and living standards, as has happened in East Asia.... Nor is there strong evidence that countries that embraced much of the Washington Consensus performed markedly better than those who eschewed many of the recommended changes.⁹³

A sort of pessimistic approach to existing problems in the region offers another real aspect of the challenges, which may provide a comprehensive understanding of what is missing in the applied strategies or policies for this particular region of the world.

C. NEGATIVE IMPACT OF GLOBALIZATION

It is a fact that globalization is a little risky and brings social, political, and economic challenges for the states, which are about to experience the new world trend. This negative perception is alive and fresh all the time in the third world. Integration into the international economic system can mean facing global competitors, which requires the state to have certain set of institutions in order to

⁹³ Robert E. Looney. "A Political Economy of the Middle East," Review of A Political Economy of the Middle East, Third Edition, by Alan Richards and John Waterbury. Westview Press, 2008. The Middle East Policy 15, no. 3, Washington: (Fall 2008), <http://www.proquest.com.libproxy.nps.edu/> (accessed November 12, 2008).

succeed. Particularly in the Middle East, economic structures are weak, the need for regulatory laws are at its peak, internal markets are highly fragile, and implementation of economic reforms is largely political. Moreover, in some countries, free trade resulted in employment problems for inexperienced workers, wage decline, lower incomes, and dismissals. These factors contribute to increasing poverty in developing countries. Failure to have necessary institutions and infrastructure, implementation challenges, unstable regulatory laws, corruption, and bad governance are the concerns on the way to economic growth of the Middle Eastern countries. This least globalized and most crucial part of the world needs to find a way to complete its integration into global economic system in an approach enabling it to get most benefit.

Besides the positive impacts of globalization, there are inevitably some costs. Globalization poses not only advantage, but also causes some harm that opponents view as great threats. These risks could cause clashes at different levels whether at the regional, national or international level.

The first cost of globalization is that it builds a certain group who gains from globalization. There can be considerable equity problems in the allocation of the gains from globalization among all parties such as individuals, institutions, countries, and regions. In fact, a majority of the benefits have been going to the prosperous nations or individuals, widening the gap between rich and poor, generating larger inequalities, and leading to likely conflicts within both the state and interstate. Less than one-fourth of the world population has taken advantage of more than three-fourths of entire natural resources of the world.

Another cost that globalization causes is economic interdependence of countries or regions. This second problem exists because it is argued that major potential regional or global instabilities stem from the interdependencies of economies on a global basis. It is highly likely that local economic fluctuations or crises in one country could have regional or even global impacts. This is not only a theoretical possibility, "as seen in the exchange rate and financial crisis in Asia, that began in Thailand in 1997 and spread to other Southeast Asian economies

and even to South Korea, with delayed effects in Russia in its economic collapse of August 1998."⁹⁴ Connections between economies and potential instabilities give an idea about would-be mutual vulnerability of linked economies. "A worldwide recession or depression could lead to calls to break the interdependencies that have been realized through the globalization process, as happened in the Great Depression of the 1930s, with competitive devaluations, beggar-my-neighbor policies, escalating tariffs, other forms of protectionism."⁹⁵ Recent experiences of countries in today's world illustrate the same concern. What is happening in 2008, is that the United States' economy is not in good shape. While being the driving force and the leader of the global economy, it has been very badly influencing the rest of the world economies. In terms of linked interdependency, this produced a huge cost to the linked economies. Therefore, globalization involves this sort of cost, too.

"A third type of problem stemming from globalization is that the control of national economies is seen by some as possibly shifting from sovereign governments to other entities, including the most powerful nation states, multinational or global firms, and international organizations."⁹⁶ To some, the state sovereignty is threatened by the driving forces of globalization. Thus, globalization could result in a belief among national leaders that they are weakly in the control of international forces and an attitude of hostility among the voters. This point clarifies the reason for why national leaders view globalization as a threat. The result could be 'extreme nationalism' and 'xenophobia', along with calls for protectionism and the expansion of extremist or fundamentalist political movements, eventually causing potential conflicts.⁹⁷

⁹⁴ Michael D. Intriligator. "Globalization Of The World Economy: Potential Benefits And Costs And A Net Assessment," Policy Brief no 33, (January 2003), <http://www.milkeninstitute.org/> (accessed November 15, 2008).

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ Ibid.

Unemployment can also be a cost of globalization in developed economies. Comparatively high unemployment rates in low-income countries and low unemployment rates in high-income countries disprove this argument. National practices and technological tendencies are much more effective in determining employment rates than international dynamics. Another assumption is that globalization is threatening the prosperity requirements of some states; however, a government's fiscal policy and demographic tendencies are more effective in obtaining social welfare.⁹⁸ Although globalization promises people a great deal of hope, employment is one of the main concerns for which globalization does not meet expectations. Especially on income and social security worrisome issues remain. Without sustainable government policies, it is hard to view globalization as inclusive, since under these circumstances globalization is good for some countries and groups but not for all.

It is important to remember the 'dominoes effect'. The global economic integration may very well result in a total loss for all states during a global economic crisis, as today's world has been experiencing since the last quarter in 2008. Although economic globalization can facilitate achieving prosperity, its potential to cause devastation, particularly in developing countries, is becoming evident. The momentum, instability, and sudden withdrawal of financial flows caused many countries to experience recession in 1997-1998. This downturn was the first actual catastrophe of globalization. The fall of the Thai baht was felt through most of Asia and then much of South America, damaging the economies of Brazil and its neighbors. The failure of confidence connected with the Asian crisis at last spread to Russia, paralyzed what was left of the Russian economy, and brought forth a younger, technically skilled leader to extricate economy from current challenges. "This was an unpredictable chain reaction that caught even seasoned observers by surprise. Efforts are now under way to bring greater

⁹⁸ Michael D. Intriligator. "Globalization Of The World Economy: Potential Benefits And Costs And A Net Assessment," Policy Brief no 33, (January 2003), <http://www.milkeninstitute.org/> (accessed November 15, 2008).

stability to international financial markets to prevent similar contagious shocks."⁹⁹ Nevertheless, Unpredictable market workings continue to drive the global economy.

Another consequence of globalization is that the rapid income changes and income distribution within a state and interstate can generate political instability. As a common rule, globalization presents rising elites and the urban middle classes a larger piece of the economic pie. If this share rises too rapidly and if the rest of the pie is restricted or controlled due to monopolies or corruption, the government can fail to hold its legitimacy, as happened in Indonesia. If change is extremely slow because the government has purposely isolated its citizens from globalization and restricted the free flow of information, displeased students and merchants may rise up, as they have in China and Iran. Similarly, the unequal distribution of direct foreign investment in the third world--three-quarters goes to fewer than a dozen countries, with the Middle East accounting for only a fraction--will intensify a widening income gap within the developing world.¹⁰⁰

As Richards and Waterbury make it clear, what the future holds for the Middle East. In the review of 'A Political Economy of the Middle East', Looney notes that "the authors do not make any sweeping speculations other than simply to warn that the forces are at work to move the region toward greater instability:"¹⁰¹ Then at some point he leaves the word to the authors, who perfectly picture the contemporary Middle East.

⁹⁹ Stephen J. Flanagan, Ellen L. Frost, and Richard L. Kugler. "Report of the Project on Globalization and National Security: Challenges of the Global Century," National Defense University, Washington, D.C. (June 2001), <http://www.ndu.edu/> (accessed November 15, 2008).

¹⁰⁰ Ibid.

¹⁰¹ Robert E. Looney. "A Political Economy of the Middle East," Review of A Political Economy of the Middle East, Third Edition, by Alan Richards and John Waterbury. Westview Press, 2008. The Middle East Policy 15, no. 3, Washington: (Fall 2008), <http://www.proquest.com.libproxy.nps.edu/> (accessed November 12, 2008).

It is a much more difficult time than 40 years ago, not merely because resources are so severely stretched against growing populations (recent upticks in oil prices notwithstanding), but also because so many experiments undertaken with confidence and enthusiasm have failed and an entire political generation is burdened with fatigue and self-doubt. Tragically, political actors from both inside and outside the region have been increasingly lured by the siren song of militancy and violence as a solution to these deeply rooted problems. History strongly suggests that such a turn will only steer the ship onto the rocks. Part of the problem is the absence of clear, credible alternatives. State-led growth, the Washington Consensus and (in Iran, Sudan and Saudi Arabia) political Islamism have all been tried, and all have produced decidedly mixed results. Thus, without tested models, without long-term strategies, and amid rising political violence, the Middle East has entered a period of uncertainty. In part, the successes of recent decades, especially the establishment of a diverse, better-educated middle class with growing expectations, will make the immediate future particularly challenging.¹⁰²

On the trade aspect, according to Clyde Prestowitz, "Too frequently, trade has benefited the richest countries while leaving the poor behind. A major part of this problem has been trade, or the lack thereof, in agriculture."¹⁰³ While the United States and other leading countries of Europe and Asia have mostly opened their markets for manufactured and high-tech goods and services, they did not open their agriculture market to the developing countries, 70 percent of which earn their living in agriculture sector. The developed nation's implementation of protectionism and subsidization left third world desperate.¹⁰⁴

As a possible solution to this, Looney notes, "Given the limitations of an FTA-based strategy, the most constructive U.S. trade policy is no doubt one of unilaterally opening up its economy to exports from the region. This is simply

¹⁰² Robert E. Looney. "A Political Economy of the Middle East," Review of A Political Economy of the Middle East, Third Edition, by Alan Richards and John Waterbury. Westview Press, 2008. The Middle East Policy 15, no. 3, Washington: (Fall 2008), <http://www.proquest.com.libproxy.nps.edu/> (accessed November 12, 2008).

¹⁰³ Clyde Prestowitz, "Bold Action Can Still Save Doha Round: An American Initiative to Eliminate Subsidies Would Break the Trade Logjam," *YaleGlobal*, 19 (September 2003), <http://yaleglobal.yale.edu/index.jsp> (accessed November 17, 2008).

¹⁰⁴ Ibid.

good economics."¹⁰⁵ Notably, as each of the Middle Eastern countries experiences the helpful advantages of enhanced trade, internal demands are likely to increase for further reforms, placing these countries on the way to increased growth and wealth at their own pace and on their own terms. Over time, the United States should underpin these positive market-based tendencies through the appropriate use of funding aimed at institutional development and market-strengthening initiatives to maintain expanded trade.¹⁰⁶ On the other hand, he is making it clear that if there are no certain critical institutions facilitating economic growth, it will generate an undesired outcome. Some of "the countries might even experience a vicious circle of expanded trade causing increased inequality, poverty, corruption, and anti-Americanism, leading to lower rates of investment and growth."¹⁰⁷

- The widening income gap both within countries and between countries and regions that are adapting relatively well to globalization and those that are left behind should be a matter of growing concern to national security strategists, not just international development experts.
- In countries where the legal and institutional structures are weak, globalization has generally intensified the problems of bribery and corruption and facilitated the development of criminal networks.
- Organized crime, drug trafficking, and terrorism, aided by the latest IT, are also growing, to the point where they already form a sinister underbelly of globalization that threatens the security of all countries, including the developed democracies.¹⁰⁸

¹⁰⁵ Robert E. Looney. "U.S. Middle East Economic Policy: The Use of Free Trade Areas in the War on Terrorism," *Mediterranean Quarterly* 16, no. 3 (Summer 2005), <http://muse.jhu.edu/> (accessed November 17, 2008).

¹⁰⁶ *Ibid.*

¹⁰⁷ *Ibid.*

¹⁰⁸ Stephen J. Flanagan, Ellen L. Frost, and Richard L. Kugler. "Report of the Project on Globalization and National Security: Challenges of the Global Century," National Defense University, Washington, D.C. (June 2001), <http://www.ndu.edu/> (accessed November 15, 2008).

Stephen J. Flanagan, Ellen L. Frost, and Richard L. Kugler pointed out the uneven regional impacts of globalization in their study 'Report of the Project on Globalization and National Security: Challenges of the Global Century.' Across the Middle East, with its typically weak economies and shaky governments, globalization is feared and distrusted. Political Islam and Arab nationalism are partial reactions to it. Nevertheless, there are signs of improvement: Non-governmental organizations are becoming more active supporters of democracy and the rule of law. Arab executives and modernizing political leaders realize that globalization can be a basis of economic and political successes. Conversely, in the unstable Persian Gulf, globalization is producing tension within the national political system, feeding a perception of globalization as an effort by the West to impose its political values on traditional regimes. In the meantime, globalization is not lessening the region's precarious security concerns, which stem from vulnerable oil fields, military disparities, and political oppositions.¹⁰⁹

The reason for the poor economic performance of the region lies in ignoring structural reform in economy, social life, and government organizations indeed. "In an increasingly globalized economy, the limited linkages of the Arab region with the international system left it essentially marginalized. Its share in world trade has fallen since the mid-1980s from 5 percent to 3 percent."¹¹⁰ In 1995, the region attracted less than one percent of equity capital flowing to the third world from developed nations, and that was condensed in the energy sector. The center of attention of most Structural Adjustment Programs (SAPs) and policies of the 1990s was on financial and macroeconomic stability, without really dealing with structural economic, social and institutional reforms. This led to negative impacts on Arab labor markets. Arab labor markets were weak with an increase in hidden unemployment. These negative effects consist of a lack of

¹⁰⁹ Stephen J. Flanagan, Ellen L. Frost, and Richard L. Kugler. "Report of the Project on Globalization and National Security: Challenges of the Global Century," National Defense University, Washington, D.C. (June 2001), <http://www.ndu.edu/> (accessed November 15, 2008).

¹¹⁰ Salim Nasr. "Issues of Social Protection in The Arab Region: A Four-Country Overview," Cooperation South 2, (2001).

new job openings and a decline of real wage rates in the 1990s. "Globalization has added to the social risk factors in Arab societies as a result of the major restructuring of economies and labor markets, the pressure to lower government spending on social services, and the already institutionally weak mechanisms for social protection."¹¹¹ These could be reverberating impediments, since covering people's basic needs remains a primary prerequisite for sustainable development.¹¹²

¹¹¹ Salim Nasr. "Issues of Social Protection in The Arab Region: A Four-Country Overview," Cooperation South 2, (2001).

¹¹² Ibid.

THIS PAGE INTENTIONALLY LEFT BLANK

IV. CONCLUSION

The challenge for the Middle Eastern countries is to take advantage of globalization's opportunities while minimizing its threats. Addressing this challenge requires a better understanding of globalization and its impacts.

Globalization is the result of enormous progress in IT in recent decades. It is an economic term that signifies free movement of goods, services, labor, and capital across borders. However, the perception of this concept in the Middle East is different. It is critical for the West to understand this different perception of globalization in order to reestablish a positive economic and political relationship with the Middle East countries. While the new world order is inescapable, in this age of modern technology, information, and communication, it is not in the Middle East countries' best interest to close their doors to global integration.

The generally held view on the globalization's impact, goes into two categories. While one view favors globalization; the other is against it. One claims that it has a positive impact by advocating the trend of change and its consequences from the macro economic perspective. To some scholars, globalization is viewed as key in the new world order.¹¹³ The other approach supports the idea that it does not fit for every country, group or individual by suggesting globalization for states on a case-by-case basis. These believe that globalization has negative impacts on economic development, culture and other social aspects of a country's life. They believe that globalization best serves interests of a certain group, especially the bourgeoisie.¹¹⁴

¹¹³ Thomas L. Friedman. *The Lexus And The Olive Tree: Understanding Globalization* (New York: Anchor Book, 2000).

¹¹⁴ Faizur Rahman. "Globalization and Its Impact on Bangladesh Economy," <http://handle.dtic.mil/100.2/ADA439177> (accessed November 15, 2008).

Globalization should not be viewed as a tool for supplying more funds to developing countries and waiting for them to make progress and to take advantage of global integration. It is rather a mutual affair having potential benefits for both sides and for the global economy.

Globalization has connections to national security. Worrying concerns remain among the Middle Eastern countries about the international corporations. Their concurrence with the laws and regulations of country will lead more investment opportunities in the region, which contribute to stability of the economies. With more investment can result in more investors, the resources available in the region will increase for Middle Eastern countries as well. Economic growth and stability is a targeted objective of the region through trade, FDI, economic liberalization, and most importantly good governance and human resource development. Thus, having a stable economic environment will eliminate internal and external national security threats.

Oil is another key player for the economic progress of the region, and it is also a determinant in global economy. Oil played a crucial role for the region since the region has had vast amount of oil that the world needed and still needs. Particularly the Gulf States benefitted from the oil resource. Gulf States perform better than other Arab countries economically because the Gulf States benefitted from the economic globalization so Gulf's integration into the world economic system at a desired level is a success story.

Globalization stands out in three areas of human life: politics, economics and social life. Globalization involves positive and negative impacts. On the positive side, it has put a reward on good governance, due to the need to put in place policies and institutions required by an increasingly competitive global market place.

On the other hand, globalization involves not only benefits, but also has costs or potential problems. One problem is identifying who gains from its potential benefits. A second problem is that of major potential regional or global

instabilities stemming from the interdependencies of economies on a worldwide basis. A third type of problem is that the control of national economies is seen by some as possibly shifting from sovereign governments to multi-national enterprises.

The weak economic structure in the Middle East is a reason for defensive reactions; geopolitics of the region is another reason for indecisiveness, and political nature is a reason for instability of the region against the new trend of the world. For instance, the impacts of globalization in other areas are mostly perceived positively and welcomed at any level. Social, cultural and economic affects helped improve healthy dialogue with the rest of the world with the exception of a few Latin American countries such as Venezuela where Hugo Chavez has equated globalization with Americanization and has sought nationalist solutions to various economic problems. Nevertheless, in the MENA region it is perceived negatively as threat rather than as an opportunity.

It is clear that the resistance against globalization in the region is high and besides the governments, other social movements and elites are also against it. This harms the environment for potential dialogue with Western countries since the negative connotation of globalization is embedded in minds in the region. The geopolitics of the region and its significant contribution to its reformation in the new global order is also another point. The region's international relations are highly influenced by geographical factors. Economic interdependence poses some threats to national economies, namely the "dominoes effect." Most importantly, the negative connotations with the globalization remain throughout the region.

Sovereignty is an important concern for Middle Eastern states and people. So globalization is seen as a loss of sovereignty over national economies, and political issues, and most importantly, its destructive impacts on culture of the Middle East societies. The state level resistance segregates the region from the other areas of the world. Nevertheless, some states of the Middle East seek to take advantage of economic globalization.

The gap between the Middle East and the world became clearer recently in terms of economic and social infrastructure. The huge distance between the regional economies in the Middle East and the Western dominated, Washington Consensus driven free market economies or neo-liberal economies can only be bridged with the help of radical changes through globalization. While being the danger to their authoritarian regimes, it is also an opportunity for these desperate economies. Actually, it will be helpful to understand the greater Middle East's perspective of globalization and the reason to view it that way. In terms of geopolitical worth, the greater Middle East will have a huge impact on the new world order through the development of globalization in the Middle East region and should continue to be involved in the global system.

All MENA states are not responding to globalization in the same fashion. Turkey has dealt with it in a much more creative fashion than Syria. Diversity and the complexity of the region account for these differences. As for the cultural reactions against globalization, they are important for economics since those two are so intertwined throughout the region due to practices of state-led economies.

It should be clear that economic progress requires political modernization, including honest representative government and the rule of law.¹¹⁵ For instance, Egypt and Morocco are in the lower-income country category and their populations are high. Therefore, for these countries job creation, poverty reduction and political stability measures will be the key to being able to achieve the desired level of economic growth.

What MENA countries should do is build an instrument to stay poised between two destabilizing factors: globalization's impact and the U.S. intervention in the region. In this respect, integration is indispensable for each of them while the individual conditions may vary.

¹¹⁵ "President Discusses War on Terror." Speech delivered at the National Defense University, Washington, DC, March 8, 2005.

The change in the MENA region is inevitable and the outcome of it will be productive both for the region and for the world. While living in a globalized world of continuous change and ambiguity, the broader Middle East is going to be open to the threats maintaining its current circumstances. Lack of improvement and isolation will be the two brutal threats for the region. In the age of globalization the international relations of the MENA region cannot be disconnected due to its regime type and governance quality. It is possible to have the experience of *déjà vu* for another half-century or more.¹¹⁶

Particularly in the Middle East, economic structures are weak, need for regulatory laws are at its peak, internal markets are highly fragile, and implementation of economic reforms is largely political. Moreover, in some countries, free trade resulted in employment problems for inexperienced workers, wage decline, lower incomes, and dismissals. These factors contribute to increasing poverty in developing countries. Failure to have necessary institutions and infrastructure, implementation challenges, unstable regulatory laws, corruption, and bad governance are the concerns on the way to economic growth of the Middle Eastern countries. That is why the least globalized and most crucial part of the world needs to find a way to complete its integration into global economic system in an approach enabling it to get most benefit. To be able to succeed in that good governance and the rule of law are the key elements that the Middle Eastern countries should pursue decisively.

¹¹⁶ Anoushiravan Ehteshami. *Globalization and geopolitics in the Middle East: old games, new rules* (London, UK and New York: Routledge, 2007).

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF REFERENCES

- Abushouk, Ahmed Ibrahim. "Globalization and Muslim identity challenges and prospects." *The Muslim World* 96, no. 3 (2006): 487-505.
<http://www.proquest.com.libproxy.nps.edu/> (accessed June 13, 2008).
- Barnett, Thomas P.M. *The Pentagon's new map: War and peace in the twenty-first century*. New York: G.P. Putnam's Sons, 2004.
- Clark, Janine. "The Arab world: Society, culture, and state." Review of *The Arab World: Society, Culture, and State*, by Halim Barakat. *Arab Studies Quarterly* 17, no. 1-2 (1995): 151.
<http://www.proquest.com.libproxy.nps.edu/> (accessed October 6, 2008).
- Cordesman, Anthony H. "Beyond anger and counterterrorism: A new grand strategy for U.S. and Arab relations." *Center for Strategic and International Studies*, (September 13, 2004):4-5. <http://www.csis.org/> (accessed November 8, 2008).
- Cordesman, Anthony H. "Ten reasons for reforging the U.S. and Saudi relationship." *Center for Strategic and International Studies*, (January 2004):3. <http://www.csis.org/> (accessed October 6, 2008).
- Ehteshami, Anoushiravan. "Globalization as a mediating force In U.S.-MENA relations." : 1-26.
- El-Said, Hamed, and Jane Harrigan. "Globalization, international finance, and political Islam in the Arab world." *The Middle East Journal* 60, no. 3 (2006): 444-466. <http://www.proquest.com.libproxy.nps.edu/> (accessed June 13, 2008).
- Engler, Mark. "Are they really connected? The war and globalization." *Counterpunch* 11, no. 20 (2004).
<http://www.counterpunch.org/engler102l2004.html> (accessed June 14, 2008).
- Essam El-Din, Gamal. "Asserting home-grown reform," *Al-Ahram Weekly*, no.680 (March 4-10, 2004), <http://weekly.ahram.org.eg/> (accessed November 4, 2008).
- "Fact Sheet: U.S.-Middle East Free Trade Area (MEFTA)." Office of the White House Press Secretary, June 9, 2004. <http://www.whitehouse.gov/> (accessed November 8, 2008).

- Flanagan, Stephen J., Ellen L. Frost, and Richard L. Kugler. "Report of the project on globalization and national security: Challenges of the global century." National Defense University, Washington, D.C. (June 2001). <http://www.ndu.edu/> (accessed November 15, 2008).
- Friedman, Thomas L. *The lexus and the olive tree: Understanding globalization*. New York: Anchor Book, 2000.
- Foreman-Peck, James. *Historical foundations of globalization*. UK: Edward Elgar, 1998.
- Gilpin, Robert, and Jean M. Gilpin. *Global political economy: Understanding the international economic order*. Princeton, NJ: Princeton University Press, 2001.
- Haass, Richard N. "The new Middle East." *Foreign Affairs* 85, no. 6 (2006) New York: November/December 2006: 2.
- Haass, Richard N. "The new Middle East; as the Iraq war helps bring the American era to a close, a new order will begin to emerge in the region." *Newsweek (International ed.)* New York: Jan 8, 2007.
- Hudson, Michael C. "Imperial headaches: Managing unruly regions in an age of globalization." *Middle East Policy* 9, no. 4 (2002): 61-74. <http://www.proquest.com.libproxy.nps.edu/> (accessed June 13, 2008).
- Imai, Kunihiro. "Culture, civilization, or economy? Test of the clash of civilizations thesis." *International Journal on World Peace* 23, no. 3 (2006): 3-32. <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).
- Intriligator, Michael D. "Globalization of the world economy: Potential benefits and costs and a net assessment." Policy Brief no. 33 (January 2003). <http://www.milkeninstitute.org/> (accessed November 15, 2008).
- Lairson, Thomas D., and David Skidmore. *International political economy: The struggle for power and wealth*. Fort Worth, TX: Harcourt Brace College Publishers, 1996.
- Looney, Robert E. "Economic conditions: Globalization and geopolitics in the Middle East; old games, new rules." Review of *Globalization and Geopolitics in the Middle East: Old Games, New Rules*, by Anoushiravan Ehteshami. London, UK and New York: Routledge, 2007. *The Middle East Journal* 62, no. 1 (2008): 168-169. <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

- Looney, Robert E. "The Arab world's uncomfortable experience with globalization." Review of *Globalization and the Gulf*, by John Fox, Nada Mourtada-Sabbah, and Mohammed alMutawa. London, UK: Routledge, 2006. *The Middle East Journal* 61, no. 2 (2007): 341-345. <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).
- Looney, Robert E. "The Arab world's uncomfortable experience with globalization." Review of *Islam and the Moral Economy: The Challenge of Capitalism*, by Charles Tripp. Cambridge, UK and New York: Cambridge University Press, 2006. *The Middle East Journal* 61, no. 2 (2007): 341-345. <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).
- Looney, Robert E.. "Middle East reform initiatives a stage-theory perspective." *International Journal on World Peace* 22, no.1 (March 2005).
- Looney, Robert E. "A political economy of the Middle East." Review of *A Political Economy of the Middle East*, Third Edition, by Alan Richards and John Waterbury. Westview Press, 2008. *The Middle East Policy* 15, no. 3, Washington: (Fall 2008): 163. <http://www.proquest.com.libproxy.nps.edu/> (accessed November 12, 2008).
- Looney, Robert E. "Why has globalization eluded the Middle East?" *Strategic Insights* 3, no. 12 (December 2004): 1-14. <http://www.ccc.nps.navy.mil/index.asp> (accessed November 8, 2008).
- Looney, Robert E. "U.S. Middle East economic policy: The use of free trade areas in the war on terrorism." *Mediterranean Quarterly* 16, no. 3 (Summer 2005): 102-117. <http://muse.jhu.edu/> (accessed November 17, 2008).
- Lustick, Ian S. "The absence of Middle Eastern great powers: Political "backwardness" in historical perspective." *International Organization* 51, 4, (Autumn 1997): 653-83.
- Najjar, Fauzi. "The Arabs, Islam and globalization." *Middle East Policy* 12, no. 3 (2005): 91-106. <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).
- Nasr, Salim. "Issues of social protection in the Arab region: A four-country overview." *Cooperation South* 2, (2001): 31-48.
- Noland, Marcus, and Howard Pack. "Islam, globalization, and economic performance in the Middle East." *SAIS Review* 24, no. 2 (2004): 105-116. <http://www.proquest.com.libproxy.nps.edu/> (accessed June 14, 2008).

- Nonneman, Gerd. "Over-stating the Arab state: Politics and society in the Middle East." Review of *Over-stating the Arab State: Politics and Society in the Middle East*, by Nazih Ayubi. *British Journal of Middle Eastern Studies* 24, no. 2 (1997): 285-287. <http://www.proquest.com.libproxy.nps.edu/> (accessed October 6, 2008).
- Parasiz, Ilker. *Ekonominin ABC'si*. Istanbul, Turkey: Ezgi Kitabevi, 2005.
- "President Discusses War on Terror." Speech delivered at the National Defense University, Washington, DC, March 8, 2005.
- Prestowitz, Clyde. "Bold action can still save Doha round: An American initiative to eliminate subsidies would break the trade logjam." *YaleGlobal*, 19 (September 2003). <http://yaleglobal.yale.edu/index.jsp> (accessed November 17, 2008).
- Rahman, Faizur. "Globalization and its impact on Bangladesh economy." <http://handle.dtic.mil/100.2/ADA439177> (accessed November 15, 2008).
- "Roadmap for peace in the Middle East: Israeli/Palestinian reciprocal action, quartet support," Bureau of Public Affairs, Washington, DC, (July 16, 2003) <http://www.state.gov/> (accessed November 4, 2008).
- Tamadonfar, Mehran. "Neopatriarchy: A theory of distorted change in Arab society." Review of *Neopatriarchy: A Theory Of Distorted Change In Arab Society*, by Hisham Sharabi. *International Journal of Middle East Studies* 26, no. 1 (1994): 170-171. <http://www.jstor.org.libproxy.nps.edu/> (accessed October 6, 2008).
- "The global economy and OECD: Distilling lessons from a financial crisis." Speech delivered by Angel Gurría, OECD Secretary-General, to the Parliamentary Assembly of the Council of Europe, Strasbourg, October 1, 2008.
- Vandewalle, Dirk J. *Libya since independence: Oil and state-building*. U.S.A.: Cornell University Press, 1998.
- World Bank. *Globalization* <http://www1.worldbank.org/economicpolicy/globalization/> (accessed November 8, 2008).
- World Bank. *Globalization, growth, and poverty: Building an inclusive world economy*. Washington DC: World Bank and New York: Oxford University Press, 2001.

World Bank. *Poverty in an age of globalization*. (October 2000).
<http://www1.worldbank.org/economicpolicy/globalization/documents/povertyglobalization.pdf> (accessed November 17, 2008).

THIS PAGE INTENTIONALLY LEFT BLANK

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center
Ft. Belvoir, Virginia
2. Dudley Knox Library
Naval Postgraduate School
Monterey, California
3. Turkish Air Force Headquarters
Ankara, Turkey
4. Aeronautics and Space Technologies Institute
Turkish Air Force Academy
Istanbul, Turkey
5. Robert E. Looney
Naval Postgraduate School
Monterey, California
6. Donald Abenheim
Naval Postgraduate School
Monterey, California
7. Erhan Ozdemir
Naval Postgraduate School
Monterey, California