

# GLOBAL CAPITALISM, ENERGY POLITICS AND THE MIDDLE EAST

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## GLOBAL CAPITALISM, ENERGY POLITICS AND THE MIDDLE EAST\*<sup>1</sup>

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**Question: What is the impact of current global economic crisis on the political and economic situation and energy politics in the Middle East? What would be the expected role of OPEC countries or the demands from them in the current situation?**

Looking at the current economic and financial crisis, one finds that it has been produced mainly by internal factors in the global capitalistic milieu. At the root of it are moral problem, wealth aggrandizement, greed, exploitation, and a system in which economy remains controlled and manipulated by a handful of powerful players including investors, speculators, and bankers. Periodically, the balloon becomes unmanageable, with the dominance of global players and particularly the role of the government in the modern capitalist system assuming alarming proportions. That is why on one hand there is now the talk of least government and on the other government becomes the real player to manage and remedies the failures of the capitalist system, and its major institutions that are in disarray. The Middle East and the Muslim World, which make 40 percent of the third world, is at the receiving end.

As far as the Muslim World in general and the Middle East in particular are concerned, they are suffering at least on three counts. First, a huge amount of capital from Muslim countries particularly oil rich Middle East has been invested in Europe and America over the years. The continuous devaluation of dollar has deprived the Middle Eastern investors and savers of almost 40 percent of their total savings and investments. When stock exchange collapses, those who suffer the most are the ones engaged in speculation deals and derivatives. According to some estimates, around 3 to 4 trillion dollars of the Middle East money is in the western markets. According to some recent reports, total loss during the last 18 months exceeded 9 trillion dollars, which simply means that a large chunk of the valued Middle Eastern assets has been lost as well. Western powers exercise political manipulation and control because of this "soft belly" of the Middle East rulers and the powerful elite.

The second area of loss is shrinking of the world market. The exports of the third world countries are going down. America is the biggest market, Europe is the second largest. As markets shrink, the impact is naturally going to be adverse, especially because of the wider base of the export commodities. It is then the common man who suffers.

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\* This comment is based on an interview with Prof. Khurshid Ahmad on December 15, 2009.

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The third dimension, now coming up, is that of the real estate and stock exchange markets. The recent Dubai collapse is a spillover effect of that and it is having a direct effect on the economies and the economic players, businessmen, bankers, and depositors all over the world.

Now coming to the linkage of global economic crisis with energy, almost 70 percent of the world energy resources, oil and gas, are in the Muslim lands, not only in the Middle East but Central Asia as well. Moreover, the overall political hegemonistic designs, and the economic interests of the US in Iraq and Afghanistan, Central Asian states and even in Pakistan are also very important dimensions indeed. For that matter, the United States wants to ensure that production of oil, the quantity explored and the refinement of petroleum products remain within its tight grips. The dependence of the Middle East and the Muslim world on America, Europe and their multinationals is inbuilt in the global capitalist system. Besides, it is also linked with the political wars, political pressures, regime changes, making and unmaking of blocs, which are very much a part of West's energy politics.

Furthermore, and rather unfortunately, genuine interests and interests based on exploitation and manipulation are interrelated. As is rightly said, you cannot drink oil, you have to sell it. But the questions that remain unanswered are: on what terms; in what quantity; in what form; and at what price? In 1973, the Arab World used oil as a weapon and it proved effective. But after that, the West has changed its strategy in such a manner that this leverage is now marginalized, though not entirely eroded. The greater mishap today is the Muslim leadership's lack of vision, courage and capacity to use this vital energy leverage. This is why the oil and energy lobby, and the military-industry conglomerates of America and the West are now calling the shots. Their bankers and investors are real game players. In the prevailing scenario, the Islamic world's independence is superficial and sham. They have meekly allowed themselves to be manipulated and serve the global hegemonic powers' interests.

Oil alone is not the critical consideration. The political factors, particularly the Israeli factor is also very important. The energy factor, nonetheless, remains one of the major catalysts. Whether it was Bush Senior's war in early 1990s or the war of Bush Junior following 9/11, the haste with which they invaded Iraq, which in their strategists own words was an "indecent haste", and for which they used the ploy of the so-called weapons of mass destruction (WMD), a war that shifted the focus from Afghanistan, it was definitely the energy dimension, which was the major factor. Now, the so-called exit strategy is also moving along with future arrangements for energy control. The recent auctions that have taken place in Iraq, or are in progress, are part of the same game. Energy has become not only an economic but a major political issue. Unless a political strategy is developed, the Middle East and Central Asia would not be able to get the right price for its assets.

As far as the expected role of OPEC is concerned, probably the OPEC countries have lost their teeth. OPEC was a power in 1980s. Its share in world oil began to shrink as new non Arab/non

Muslim players in the form of countries from Latin America, Africa, particularly Nigeria, came in. They lacked a focused strategy for sustainable development. In the Middle East, a barrel under the earth is more valuable than a barrel in the pipeline. But the leadership there has failed to realize this crucial truth. They were coaxed and forced to produce as much as the global politico-economic barons desired.

One would have to admit, however, that the West has developed its strategies with a deeper understanding of both economic and political dynamics. For example, America has diversified its import of oil and thus its dependence on Middle East is reduced now to as low as 20 percent, which was 60 percent at one time. The US used to have energy reserves for 15 days, then 30 days, and later increased it to 3 months. Now it is said to be more than 120 days/ 4 months. So it means that even if a country tries to use its leverage, it would not work, because of the safety mechanisms they have developed. By increasing the supplies, the countries of the Middle East have not only been providing for the West's day to day requirements but also for building their reserves. This weakened the role of OPEC and its muscle. Then there is division within OPEC countries themselves on production and there have been instances where a few countries agreed for production cuts while one big player decided otherwise. That is how the game was played and now OPEC is no longer the decisive player.

This is an alarming situation, and I am sorry to say that the Muslim and Arab leaderships are either unconscious of this or because of vested interests are hands in gloves with the economic and political leaders of the West. They are thus being willingly exploited. One can hope, however, that this crisis will eventually open the eyes of the people and leaderships of the Arab and Islamic countries, and they would realize that the only way to graceful survival is the path of self-reliance. In Middle East and elsewhere in the Muslim world, there exists a consumer economy with no production and technological base, and without developing the required manpower skills. These are deficiencies that need to be addressed forthwith, for that one key essential is that the economy is gradually and partially delinked from the global system – partial de-linkage, because it cannot get out of it completely. Such important activities as exports, imports, investment, movement of money, people, and goods, and the flow of investment, must continue unhindered. What needs to be effectively changed is the relationship of dependence, and building in its place a kind of independent relationship, where Muslim World should reset priorities and re-manage its resources in its own interests keeping in-view both opportunities as well as the cost it has paid over the years.

So far as partial delinking is concerned, the Middle East and the Muslim World need to give priority to the following three vital areas: education; technology adaptation; a growth strategy in food security and gradual self-reliance and development of an industrial and technological production base. If they succeed in this, they would, in due course of time, be in a position to make their own policies and decisions. At the same time, self-reliance and self-sufficiency should be treated as two

different aspects. Self-sufficiency cannot be achieved. What is attainable is self-reliance, which means that a country or region should not be dependent on others to an extent that their economic and political priorities are imposed on it – rendering it unable to protect and project its own priorities. This is what should be the objective. This is exactly what Europe and China have done vis-à-vis America. The Muslim World, taken as a whole, has much more potential. What they lack are political will and a coordinated strategy.

Hence, when one talks about gradual delinkage, one would have to keep in view all the above-mentioned dimensions, namely:

- (i) Development of the economic, industrial, and production base within a country;
- (ii) Food self-sufficiency of which food security is an extremely important element; and
- (iii) Development of local market to a sustainable base to local production.

The above strategy is definitely going to bear fruit and as a result of that the Muslim World's dependence on the West will rapidly decrease. As the example of Russia is there, which ultimately was able to survive in the post-Berlin Wall phase, the blind and forced capitalization, rather capitalism's invasion? One factor that enabled Russia to survive economic onslaught was the huge reserve of informal economy, which was not dependent on global trade. We have before us today the glowing example of the rising China, which has grown also because of the large market within. The country has then gone into industrialization, import of technology for opening up an outreach towards the world and American markets. The Muslim World needs to have a similar strategy. This is not a one-off operation; it will take time. It has to be carefully planned and a transition has to be made towards it.

It is interesting to note how the Muslim world has lost its leverage since 1973. Kissinger, who was Secretary of State and Security Advisor to President Nixon, became a pivotal figure in developing an outstanding strategy called recycling. The Kissinger phenomenon reflected the Western mindset that made the West believe that it was paying the Muslim World, especially the Middle East, a high price by giving them dollars in lieu of oil, and if it could get these dollars back, the West would be the sole beneficiary. This was called as recycling. The once advantageous position of the Muslim World was thus reversed and it gave way to a new dependence because instead of using their immense energy resources for developing their own production base, the Arabs and the Muslim World virtually handed them over to America and West. The money thus generated was used by the West for investments, speculation in the form of hedge funds and investment houses – all managed and controlled by the West. That is how the Arabs and Islamic world lost their leverage.

Muslim countries in general and Arab world in particular failed to realize that this big inflow of money could be utilized for building their own capacity instead of developing a life style which is consumption-oriented, wasteful and not sustainable except if one remains dependent on the West and keeps fulfilling their demands. The oil money became an addiction. Instead of managing it for economic sectors and managing it in view of their immediate needs for future prospects, they became prone to a falsely inflated lifestyle, and that was a wrong and disastrous strategy.

Importantly, the use of oil as a weapon depends upon a visionary and courageous leadership – a leadership that is concerned more about the people’s interests instead of selfish personal interests. This is really unfortunate that the post-King Faisal Arab world has failed to have a leader of the same vision and courage. Qaddafi initially resisted, but then surrendered in front of the US pressures, a capitulation that can be called a great tragedy for the Arab world. As things stand today, the entire Middle East leadership has been reduced to the status of tools in the hands of the West and as its proxies. Proxies do not use weapons, as their role is only to clap and capitulate. It is due to this that the Muslim World has moved from the strategy of dignified self-reliance to a destructive syndrome of dependence and serving the interests of the West. Unless there is a fundamental political change, the Arab and Muslim World populace would not be able to use their leverage, whether it is political or energy-based.

**Question: How would the anti-Muslim initiatives in the West shape the Muslim World-West relations? How would it play its role in the future Geo-political and Geo-strategic scenario at regional and international levels?**

While there is no fundamental or permanent clash of interests between the peoples of the Western countries and the Muslim World, it is the ruling elite of the West that is calling the shots in their own vested interests. Even in the US today, more than 14 percent people live below poverty line. California, which is the largest and richest state of America and 7th largest economies in the world, has more than 30 percent poverty. Almost 25 percent of the population does not have health cover. If there is a clash of interests, it is solely due to the leadership and elite both of the Muslim world and the West.

There is also a historical psychic fear of Islam or Islamophobia. The shadow of the Crusades has changed its color and intensity but remains very much there. This is very clear from the two major developments of recent past: first, the Islamic Revolution of Iran in 1979; and the second, the Islamic resistance to the Soviet invasion in Afghanistan. There was convergence of interests for some time in Afghanistan but it was temporary and very superficial. While the US was supporting the Afghan Jihad, it was also strategically planning for realignment. An important article of Nixon in 1983/84 (published in Foreign Affairs), when the Afghan war was approaching its climax, floated the idea that Russia and America had more in common than the points of divergence.

The clash of civilization thesis first appeared in early 1970s. Bernard Lewis was the first to write about it and it was later developed by Huntington. Moreover, when the Russians withdrew from Afghanistan, the NATO Secretary General publically said that while the red threat has gone, the green threat had emerged. So it is not 9/11; it goes far back. From that viewpoint it can be said that it is the elite both of the Muslim World and the West that have played their own games in their own narrow selfish interests. The Arabs and the Muslim population remain at the receiving end. It is this cultural and ideological onslaught and political hegemonism of the US and the West that has bred the cancer of extremism and violence in the Muslim World. Love breeds love and hatred begets hatred. The so-called terrorism in parts of the Muslim World is nothing but a reaction to the terror and the 'war on terror' let loose by the US, its allies and ill-begotten Israel against the Muslims.

Muslims will have to go deeper into analyzing the current scenario. Their strategies should not just be reactive; they should not go for confrontation only. They need to develop a proactive counter-strategy to fight the Islamophobia of the West and educate them in understanding the true worth of Islam and Muslims as a nation which stands for noble values and is committed to serve humanity, as envisioned in the Quran. That counter- strategy should not mean to simply walk into their trap, but to evolve a futuristic socio-cultural and politico-economic standpoint. Moreover, the Arabs and the Muslim World should have their own vision, priorities and objectives. Without setting their own house in order, they cannot succeed.

Beating violence with violence, blackmailing with black-mailing and bullying with bullying is not the solution. Muslims will have to have a long-term strategy, which is based on reality and clear vision of the future. Developing a counter strategy that regards people of the West as enemies would be counter-productive. We need a very well thought out strategy giving a message to and initiating friendships with the people of the West. We will have to distance, however, from groups with vested interests in the West and their collaborators in the Muslim World.

The Arab and the Muslim World are also to disengage from those who are misusing Islam, either honestly or as tools of the Muslim's enemies. It is not appropriate to visualize a conflict, clash, and war scenario as the only option for the Muslim World and the West. The Muslims need much more serious thinking, research, analysis, dialogue, and a dynamic leadership that is not stooge of the West, but trusts own people, a leadership that promotes and develops an Islamic ethos. Then they would definitely be able to live with dignity, equality and honor and with an approach where mutuality and commonality of interests take precedence over conflict and clash.

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