

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

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Friday, July 19, 2002

A REPRINT FROM A PIECE PUBLISHED AUGUST 29, 1990

Oil Is Not Essential To Middle East Instability

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Regardless of how the current mess involving Saddam Hussein is resolved, those looking at the long-term economic prospects for Western nations dependent on oil should recognize that the Middle East is destined by geography and demographics to be highly unstable for many years to come.

I am discussing here not only the chronic and obvious problems that are addressed daily in the national press; those having to do with religious and cultural barriers to democratization, to equitable wealth distribution, and to the adoption of a value system not based on ethnic, class and tribal hatreds.

I am also referring to inexorable demographic and geographic trends, which would seem to virtually assure chaos in the area for years to come, no matter how hard the United States works to prevent it. Consider the following.

The nations of the Middle East are among the world's faster growing.

- o The populations of Iran and the nine largest Arab states from Libya eastward will increase by one-third, or 65 million people, during this decade, to a total of some 234 million (Table 1).
- o By comparison, the U.S. population is expected to grow by 9% during this period.

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Table 1. A Rapidly Growing, Youthful Population (In Millions)...

	Estimated Population		Percent Of 29 Year Olds Or Less Today	Percent Of 19 Year Olds Or Less Today
	1990	2000		
Iran	53.1	71.2	71	55
Egypt	52.4	62.8	65	48
Iraq	18.7	26.3	73	57
S. Arabia	13.5	18.9	69	53
Syria	2.7	17.1	75	58
Yemen	11.5	15.2	73	55
Libya	4.7	6.7	70	53
Jordan	4.3	6.3	76	59
Lebanon	2.9	3.4	67	47
Kuwait	2.1	2.8	65	49

Source: The World Bank. World Population Projections 1985.

In Jordan, Syria, and Iraq, almost six of every 10 persons are 19 of age or under. In none of these nations is the 19-or-under population lower than 47%.

- o Over 70% of all individuals in Iran, Iraq, Syria, Yemen, Libya, and Jordan are 29 or under.
- o By contrast 47% of Americans are under 30 and 30% are 19 or under.

Ironically, any increase in living standards could exacerbate the population problem by lowering its uncommonly high infant mortality rates, which reach as high as 92 deaths per 1000 births in Egypt and, despite its wealth, 85 per 1000 in Saudi Arabia. In the United States the number is 10 per 1000.

Aggravating this situation is the fact that many of the largest of these states are barely able to feed and find jobs for their existing citizens. Table 2 illustrates the enormous gap between the rich and poor Arab states.

Table 2. Demographics Should Exacerbate The Tensions Between The Rich And The Poor...

GNP Per Capita	
The Haves	
U.A. Emirates	12,352
Kuwait	14,753
Qatar	11,451
Bahrain	9,056
Oman	6,270
Saudi Arabia	4,550
The Have Nots	
Jordan	2,112
Iraq	1,934
Syria	1,792
Iran	1,686
Lebanon	687
Egypt	658
Yemen	520

Source: The World Bank. World Development Report, 1989.

An article entitled "The Arab World: When History Passes By," in the May 12 issue of *The Economist*, noted that Egypt, the largest Arab nation and the one most closely allied to the United States, adds 1 million new citizens every eight months and is on the way to becoming a "teeming Bangladesh on the southern rim of Europe." The article states that "greater Cairo is home to 13 million people, hundreds of thousands of whom make their homes in cemeteries, cardboard shanties, alleys, and doorways" and notes that "at the end of this decade, Cairo will be the fifth largest city in the world."

Answering the question "Why should all this be dangerous?", *The Economist* notes the following:

"Whether they are rich or poor, most Arab regimes have fallen into the habit of buying the loyalty of their subjects. Saudis and Kuwaitis get fancy housing loans; Egyptians get food at subsidized prices and automatic government jobs if they graduate from a university. The population explosion threatens to blow these cozy arrangements apart. The queue for the government jobs Egyptian graduates expect as a right is now 2 million people and several years long, even though many of these jobs pay so little that their occupants drive taxicabs to make ends meet."

According to *The Economist*, even the rich Gulf states will find it difficult to keep their unwritten social contracts because they have made unsustainably generous promises. "Gulf citizens do not expect to pay income taxes, or to pay for schools and medicine, or to meet the

real cost of the electricity they consume. Saudi citizens expect to receive a well-paid and dignified job, regardless of their ability to perform it. Every Saudi is entitled to receive from the government a plot of land and an \$80,000 interest-free loan to build a house on it."

Finally, *The Economist* points out, "Not one ruler in today's Arab League got his job through a free election. Whatever legitimacy these regimes enjoy derives mainly from tradition, fear, or an unwritten contract between ruler and ruled; in return for your loyalty, I will meet your basic economic and social needs. That may be a splendid contract in times of plenty. But a bursting population is already making it hard for governments to keep their side of the bargain."

As I mentioned earlier, the Middle East problem is not simply demographic, but also geographic, and involves a natural resource much more basic than oil, namely water.

According to an article entitled "Trouble On Tap," published by World Watch last fall and written by Sandra Postel, "nowhere are conflicts over water potentially more combustible than in the water-short Middle East. Religious and ethnic tensions greatly exacerbate the region's water problems, but even without them, the specter of shortages would be real and growing. Middle Eastern countries have some of the highest population growth rates in the world and, because of their dry climate, food production depends heavily on irrigation (Table 3)."

She points out that three river basins form the backbone of water development efforts: the Jordan, the Tigris-Euphrates, and the Nile, and notes that "supplies are stretched nearly to the limit in two of the three, and contentious political relations have thwarted efforts to reach water-sharing agreements."

Table 3. Heavy Dependence On Irrigation Coupled With Fast Population Growth Means Trouble When Water Runs Short...

Country	Annual Rate Of Population Growth	Share Of Cropland That Is Irrigated
Egypt	2.8%	100.0%
Israel	1.6	65.6
Iran	3.4	38.7
Saudi Arabia	3.4	35.6
Iraq	3.8	32.1
Lebanon	2.1	28.7
Syria	3.8	11.5
Jordan	3.5	10.2
World Average	1.8	15.4

Sources: Population Reference Bureau, 1989 World Population Data Sheet, (Washington, D.C.) 1989; U.N. Food and Agriculture Organization, 1987 Production Yearbook (Rome: 1988).

Shortfalls of water mean shortfalls of food, because up to three-fourths of the world's fresh water use goes to agriculture, and this figure is even higher in most of the countries of the Middle East (Table 4).

Table 4. An Enormous Share Of Middle East Water Is Devoted To Agriculture...

Country	Domestic	Industrial	Agricultural
World	8%	23%	69%
U.S.	12	46	42
Yemen	5%	2%	94%
Iraq	3	5	92
Egypt	7	5	88
Iran	4	9	87
Lebanon	11	4	85
Syria	7	10	83
The Emirates	11	9	80
Israel	16	5	79
Jordan	29	6	65
Saudi Arabia	45	8	47

Source: World Resources Institute, World Resources 1990-91.

Water politics in the Middle East is much too complicated for a short article such as this. But a paragraph from the above-mentioned *Economist* article provides an idea as to its nature.

"Syria and Iraq have genuine anxieties. At least half of Syria's work force is employed in agriculture: most depend on the Euphrates for irrigation. Iraq has to worry not only about Turkey's dams, but also about Syria's. In 1975, when Syria built its big Al-Thawra dam, Iraq accused Syria of reducing the Euphrates to an intolerably low level and rushed troops to the border. The Syrians are now building a second dam. Syria suspects that Turkey might use its control of the Euphrates as a political weapon: perhaps to stop Syria from supporting Kurdish guerrillas in Anatolia. Turkey, with neat symmetry, suspects that the Syrians intend to use their support for the guerrillas as a lever in water negotiations."

Postel notes that Israel, Jordan, and Syria get most of their water from the Jordan River basin. Many towns in Jordan already receive water only two times a week, and the country faces a 50% increase in its water needs by the year 2005. Syria, upstream from Jordan, could make Jordan's situation worse as it tries to augment its own supplies. Syria expects shortages by 2000, even after a joint venture with Jordan to dam the Yarmuk River, the only major undeveloped tributary in the system.

Postel notes that Israel uses 95% of the renewable supplies available to it, largely because of a six-fold expansion in irrigation since 1948. In little more than a decade, she says, Israel's water could fall 30% short of demand. Aggravating the situation, Palestinians on the West Bank and in the Gaza must compete with Israelis for dwindling groundwater supplies.

Much of the water supplying northern and central Israel comes from aquifers that originate on the West Bank and drain toward the Mediterranean. Postel quotes former Christian Science Monitor Mideast correspondent John K. Cooley, as saying that "keeping Tel Aviv, Haifa, and the other cities of the Israeli coastal plain from running dry depends on blocking Arab water development in the West Bank that could stop the aquifers flow westward."

I won't detail Egypt's problems with the Nile except to note a quote by Boutros Ghali, Egypt's minister of state for foreign affairs. He said, "The next war in our region will be over the waters of the Nile, not politics."

The bottom line to all of this is that the United States is at serious risk of becoming deeply embroiled in a thankless, costly and lengthy task of trying to introduce reason and democracy into a region that is unquestionably destined to face years of class warfare, political turmoil, and economic chaos.

The region's population is surging out of control; the poor are rising up against the rich; the entire area's ability to feed itself is deteriorating along with its supply of fresh water; and the indigenous political leadership is either weak, timid and without widespread public support or so brutal as to offend even the most hardened Western observer.

It is possible, of course, that the United States will take measures to lessen our dependence on Middle Eastern oil and either leave the region to the obscurity it so richly deserves or to the meddling of European and Japanese politicians, whose nations are more dependent on oil from the region than the U.S.

But, optimism on this score would not appear to be justified, as Bush administration officials (the same ones who thought right up until the invasion of Kuwait by Iraq that Saddam Hussein could be a friend if we gave him enough money) are already speaking of how they plan to help introduce "real democracy" into the area.

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