



PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE - MAS

## Summary of Yusif Sayigh Development Lecture 2022

**"A Reading of Present and Future Economic Development  
in the Arab Mashreq"**

**2022**



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Tel: +972 (2) 298 7053/4 | Fax: +972 (2) 298 7055  
info@mas.ps | www.mas.ps

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On Wednesday, November 30, 2022, the Palestine Economic Policy Research Institute (MAS) held the Yusif Sayigh Development Lecture focusing on Palestinian, Arab and global economic development issues. This is the thirteenth lecture in this series, held by MAS on an annual basis since 2009 in memory of Professor Yousef Sayegh. This year's lecture was presented by Dr. Fadle Naqib, entitled "A Reading of Present and Future Economic Development in the Arab Mashreq". Dr. Naqib is Professor Emeritus of Economics at the University of Waterloo-Canada, and one of the founding researchers at MAS. He was born in the Red Mosque neighborhood in Safad, from which he was forcibly displaced during the Nakba, becoming a refugee in Syria. He then studied in the United States and subsequently Canada.

In the first part of his lecture, Naqib presented a theoretical-historical brief on the basic concept of development. Naqib believes that the most important concept formulated by modern developmental thought is the concept of 'path dependency'; that the developmental path of a country's economy – across both the present and future - remains captive to the developmental approach ingrained in that country's past. It can only be liberated from this captivity by dismantling societal relationships that established that path.

The "colonial heritage" is an important example of the power of "path dependence", and its ability to influence the course of economic development after gaining independence. In the United States, the colonial economic system remained in place until 70 years after independence; that is, the institution of slavery in the southern states. This system prohibited the American economy in developing from an agricultural economy to an industrial one; slavery was not abolished until after the American Civil War (1860-1864).

A second - and more prominent - example of path dependence is European colonization of third world countries. When studying the colonial era in countries that were subject to colonization, researchers found that colonialism caused systematic damage to their economies. Ten countries did not realize any form of economic growth from 1900 to 1950 (growth rate of zero). After gaining independence, the rate of growth in these countries during the next quarter century (1950-1975) was lower than the rate of growth in third world countries that were not subject to colonization.

Likewise, Naqib argues that the developmental approach that proved successful and efficient in eradicating poverty and regression after World War II was the strategy of "development by trade" or "industrialization for export". He cites many historical examples; Japan, the "Four Tigers" (Hong Kong, Singapore, South Korea and Taiwan), and then "emerging markets" such as Turkey, Romania, South Africa, Mexico and Chile, finally concluding with China. All these case studies occurred within this framework. Naqib asserts that there is an organic relationship between the concept of "path dependence" and the strategy of "industrialization for export". Historical experience had shown that the strategy was successful only in these countries that were able to replace their negative path dependence with a positive one.

Naqib argues that the process of eliminating negative path dependency as part of the development process is a comprehensive, social process that touches on all aspects of society. It is not a purely economic process. In this sense, the basic ingredients for development are nationalism, secularism and a rational bureaucracy.

Nationalism fulfills three necessary components. The first is the existence of a large, nationwide market, which presents advantages that are not prevalent in small, peripheral markets. The second is the feeling of belonging to one nation, culture and civilization, which allows the adoption of economic policies by which richer regions help poorer areas. Third and finally, it brings about civil peace between citizens, irrespective of their religion or creed.

As for secularism, this is the virtue of the nation-state being a citizen-state, in which everyone is equal before the law. As for a rational bureaucracy, historical experience has proven that the development process is led by a governmental apparatus that consists of a rational bureaucracy with embedded autonomy. This means that the bureaucracy is committed to the public interest, and not captured by certain groups or classes. At the same time, its members should be well-embedded in various economic fields, that is, they should come from different economic sectors after proving distinguished capabilities and competencies.

On a practical level, in the mid-1950s, the government of the revolution in Egypt adopted three key developmental concepts. On the national level, it adhered to Arab nationalism, building all its proposals on secular foundations. It also carried out a wide rehabilitation process that covered all state agencies, with the aim of creating an efficient government apparatus not captured by rich classes. It can be said that the Syrian Ba'ath government adopted the same approach in the mid-1960s, although there were significant and qualitative differences between the two experiences.

In the second part of the lecture, Naqib reviews some of the development indicators related to Egypt, Syria, Jordan and Saudi Arabia, given that these four countries characterize the diversity that exists across the Arab Mashreq. He examines these indicators in the light of the concepts of path dependence and industrialization for export, and within the context of the three essential elements for development: nationalism, secularism and rational bureaucracy.

Naqib shows how the 1960s and 1970s were among the best decades for the growth of Egypt and Syria, meaning that times of war were better than times of peace. Likewise, Syria and Egypt, the countries that witnessed reforms aiming to eradicate negative colonial path dependency and replace it with positive dependency (agrarian reform, building basic infrastructure, free education, establishing basic industries) were able to achieve positive numbers in rates of total factor productivity. Conversely, the numbers in Saudi Arabia and Jordan are negative.

Naqib also explains that productivity growth rates in Egypt and Syria were low compared to countries that managed historic developmental achievements, as growth rates in these countries range between 3-5%. This is because political regimes in Egypt and Syria contained a contradiction harmful to the development process. On the one hand, they were regimes of a progressive, nationalist character that put the wheel of development in motion. On the other hand, they were repressive, authoritarian regimes that did not allow popular democratic participation, pushing the development process backwards. Finally, Naqib notes that productivity growth rates in both Egypt and Syria were declining during 1974-85. The productivity growth rate was 1.7% in Egypt and 2.6% in Syria. It then further declined during 1986-1996 to 0.3% in Egypt and (-1.0%) in Syria.

**Here, Naqib arrives at his main conclusion in this lecture, which is that the regression of the development process occurred after the breakup of the united Arab front resisting Israel, once the Egyptian-Israeli treaty had been signed. This breakup led to the destruction of the three foundations of development: nationalism, secularism and rational bureaucracy.**

Reconciliation with Israel was an acceptance of the existence of a settler-colonial entity in the Levant, contracting the Arab project of building a nation-state. The reconciliation also froze the main and historic contradiction in the region, opening the door to secondary contradictions and fueling sectarian conflicts. Finally, reconciliation with Israel delegitimized the revolutionary regimes, whose justification for their existence was to confront the Zionist threat. With the loss of legitimacy, these regimes turned into police regimes whose bureaucratic apparatus only cared about security concerns.

Now, when we look at the current economic situation in the countries of the Mashreq, we see that:

1. The economies of Syria and Lebanon is under siege, just as the economy of Gaza.
2. The economies of Egypt and Jordan suffer from the same problems as the Palestinian economy: high unemployment, dependence on remittances from citizens abroad and on foreign aid.

Therefore, if the question of development in the West Bank and Gaza Strip is whether it can be achieved under occupation, then the question of development in the Arab world is whether development can be achieved under dependency. The answer to both questions is definitively no.

## **Political Economy as a Façade**

In the last part of his lecture, Naqib recalled the concept of the peace dividend that prevailed during the nineties, especially after the signing of the Oslo Accord between the Palestine Liberation Organization and Israel. This dividend was supposed to create benefits for all from the proceeds of peace and prosperity realized for all. Using data on the average, per capita income levels of Palestinians and Jordanians compared to Israelis, he shows that when comparing 1994 levels with those of 2020/21, Palestinian/Jordanian levels shrank relative to Israeli levels.

On the other hand, Naqib explains that Israel has benefited greatly from the peace process, through what the American media calls “Israel’s rehabilitation” at the international level. At the regional level, Israel, the United States and their allies tried to create a new project for the Middle East. However, the resistance of the Egyptian and Jordanian people, the Al-Aqsa Intifada, and the July 2006 war in Lebanon destroyed any prospects for this project. Today, we are witnessing a second attempt to integrate the Arab region into the global economy under the leadership of Israel, within the framework of ‘The Abraham Accords’. It must be acknowledged that this second attempt has met with great success and no popular resistance. It began with the United Arab Emirates and Bahrain, and shortly after Morocco and Sudan joined them. Israel now has relations with countries in both East and West of the Arab World. Also across a short period, the volume of trade between Israel and the UAE grew to several times the size of the volume of trade between Israel and Egypt/Jordan combined.

## **What about future prospects?**

It is clear that the alliance mentioned above has in fact become unstable, with numerous factors causing its weakness, noticeably important political shifts in each of the three countries in this alliance. As for the United States, since 1860 there has never been a conflict that questioned the legitimacy of presidential elections, as happened in the 2020 elections. This is due to a larger crisis represented by a fundamental contradiction between the three values on which the United States was founded, and the repercussions of globalization on the American economy and society. These three values are the melting pot, the American dream and American exceptionalism. Globalization has replaced the melting pot with multiculturalism. As for the American dream, it began to crack open as a result of the redistribution of income resulting from the emigration of American manufacturers from the United States. Large segments of the American working class have been affected. As for American exceptionalism, it has lost its luster in a multipolar world. All this led to Donald Trump coming to power. It reflects segments of American society whose economic situation has deteriorated sharply; segments that resist accepting a multicultural society; and segments that see the rise of China as a threat to a unipolar world.

As for Israel, since 1948 there has never been a political crisis requiring five parliamentary elections across four years, as happened during 2019-22. It is evident that there is a contradiction between the existence of a state that builds its legitimacy on the basis of Zionist ideology, while also seeking to build a political system on the basis of the “nation-state”. This contradiction ended in 2018 with the adoption of the National Law, stating that “the right to self-determination in Israel is reserved for Jews only”. In the last elections, fascist-extremist, right-wing elements succeeded, upsetting some of Israel’s friends in the United States, such that they began to state that “Israel as we knew it no longer exists”.

As for the Kingdom of Saudi Arabia, never before in its history has there been a dispute over the inheritance of the King while he is still alive. Since Salman bin Abdulaziz became king in 2015, this has featured arrests, torture and assassinations. It is well-known that the past three decades witnessed two regime upheavals: bin Laden’s explosive attack against the United States, and Muhammad bin Salman’s fight against Wahhabism. The repercussions of these two dynamics still interact, causing the Saudi regime to face the most serious challenge since its inception.

These developments - which weaken the political fabric of each of the three countries individually - began to weaken the bond between these countries, given their positions on the 2020 U.S. elections, the war in Ukraine, and finally the energy prices' crisis. This does not mean that the coalition has been shattered or terminated. Rather, it is still present, strong and effective, but its member countries are suffering from political, social and economic turmoil that weaken it.

The issue of economic development in the Arab countries of the Mashreq is organically linked to resistance to the Zionist project on the basis of three pillars of development: nationalism, secularism and rational bureaucracy, which can only be built in an atmosphere of resistance to the Zionist project. Resisting Israel while achieving development requires the establishment of new political systems in two or three countries in the Mashreq. These systems should enjoy legitimacy based on a pluralistic political system that moves gradually towards building a "nation-state" and consolidating the democratic participation of citizens. It works to achieve economic integration that naturally exists among the countries of the Mashreq. At the end of his lecture, Dr. Naqib confirmed that there are four facts that make the establishment of legitimate regimes in the countries of the Arab Mashreq a historical possibility and not just a dream:

The first fact is that the current situation is unsustainable, and all indications are that a new wave of Arab Spring revolutions is imminent. One hopes that the masses have learned the lessons of the first wave and will not repeat the mistakes that led to the exploitation of the first wave in favor of Israel and reactionary forces. The second fact is that resistance in Lebanon and Palestine did not stop. Rather, it continued in the most difficult circumstances, always able to adapt and innovate with new methods. The third fact is that the reactionary US-Zionist-Arab reaction alliance is now in a period of weakness and decline. The fourth and final fact is that resistance in the West Bank in recent months has witnessed heroic deeds that are the material of legends. These extraordinary actions must lead to the creation of a new political climate with clarity of vision.