

Corruption in the Middle East

Martin Beck

Corruption is one of the most prominent issues in political debates all over the Middle East. This is, at first glance, surprising since the Middle East— notwithstanding some extreme cases such as Iraq and Sudan—in general appears to be a world region where governments' performance in containing corruption is regular and even good if compared with some other corruption-prone areas such as Central Asia and Sub-Saharan Africa. Does the heated political debate on corruption in the Arab world reflect political hysteria? In the following, it will be argued that this is not the case. Rather, the thesis of the present article is that in the Arab Middle East, when compared to the Western world, corruption in the public sector plays a systemically different role in the politico-economic systems.

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The starting points of the present short paper are two observations that reflect more or less common wisdom. Firstly, corruption is a world-wide phenomenon. It is present even in Scandinavian countries which usually perform best in assessments on corruption and pertinent indices. However, corruption is very unevenly distributed among nation states. Secondly, although definitions vary to a certain degree, a widespread consensus exists that corruption is a negative phenomenon. Thus, corruption is a highly normatively-loaded term which is why definitions normally entail pejorative terms such as “deviation” or “abuse”. For example, Joseph S. Nye (1967: 419) defines corruption as “behavior which deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains; or violates rules against the exercise of certain types of private-regarding influence.” The leading International Non-Governmental Organization dealing with corruption—Transparency International—defines corruption as “the abuse of entrusted power for private gain.” (Transparency International 2012).

Neither of the two definitions confines corruption to the public sector. However, most studies and political debates on corruption focus on practices such as bribery, nepotism, cronyism, patronage etc. committed by representatives of the public sector. Accordingly, the present analysis on corruption in the Middle East also focuses on the public sector, i.e. the abuse of entrusted power in the public sector for private gain.

Transparency International has published annual reports on the *perception* of corruption in the public sector since 1995. Although there are methodological problems to conclude from *perceptions* on corruption (based on expert interviews mainly from the business sector) to the *reality* of corruption in a given country, for heuristic purposes the corruption perception index of Transparency International may serve as an approximate value of corruption.

According to Transparency International’s Corruption Perceptions Index 2012, the Arab Middle East is a world region in which performance in terms of containing corruption is regular, if not good, rather than bad when compared to other developing areas. There are eight Arab countries that score better than the global average (Qatar, United Arab Emirates, Bahrain, Jordan, Oman, Kuwait, and Saudi Arabia) and ten that score worse (Tunisia, Morocco, Algeria, Egypt, Lebanon, Syria, Yemen, Libya, Iraq, and Sudan). That appears to make corruption in the average significantly less of a problem

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in the Middle East than in Eastern Europe and Central Asia as well as in Sub-Saharan Africa. There are certainly other indices according to which the performance of the Middle East (at least before the Arab Spring) has been much worse, particularly in terms of political rights and civil liberties as measured, for instance, by Freedom House. However, since long before the Arab Spring but accelerated by it, “corruption” has been used as a central political slogan of the opposition against ruling authoritarian regimes in the Middle East.

Thus the question arises why corruption is so prominent in the political arena of the contemporary Arab Middle East, even in countries that—like Jordan—are apparently less corrupt than the global average. Does the heated political debate on corruption in the Arab world reflect political hysteria? In the following, it will be argued that this is not the case. Rather, the thesis of the present contribution is that in the Arab Middle East, when compared to the Western world, corruption in the public sector plays a totally different role in the politico-economic systems.

The politico-economic systems of the Middle East are highly state-centered. Most of the state bureaucracies of the Middle East are receivers of high rent income: In the case of the oil-producing countries rents are derived from the export of hydrocarbons. The state bureaucracies of those Middle East states whose oil and gas exports are minor or that even have to import energy sources—such as Tunisia and Jordan, respectively—enjoy the receipt of political rents donated by Western actors—mainly the US and the EU—and from the Gulf, mainly from Saudi Arabia. Since rents are at the free disposal of the recipient, they single out the (semi-)rentier—in the present case Middle Eastern state bureaucracies—as a powerful actor. Thus, in (semi-)rentier systems the economies depend to a high degree on the state and are characterized by a public sector by far outweighing the private sector.

The rentier state approach, as outlined by Hazem Beblawi and Giacomo Luciani (1987), applies to both oil-exporters and oil-importers in the Arab Middle East since they are recipients of extraordinary high economic and political rents, respectively. In the case of oil-exporters, rent income received by the central state bureaucracies has been extremely high and has by far outweighed income generated by the private sector since the 1950s (in most of the Gulf states) and the 1960s (in the case of North African oil producers), respectively. Although there have been attempts of diversifying the economies, none of the policies have touched the supremacy of the public sector whereas the private sector has remained small and weak. In Algeria and some Gulf countries, there have been attempts to diversify the economy. Yet, the public sector has always been taking a leading role. Despite some official claims to strengthen the private sector, there are no indicators that the private sector will be able to serve as the engine of economic development in the foreseeable future (Hvidt 2013).

The cases of the semi-rentier states such as Jordan or Egypt are more complex. Contrary to the oil-rentier states where rents are by far the most important source for the state budget, political rents and other sources of rent income are significantly lower. However, in many cases they still make up for more than 30% of the state budget. In Egypt, for instance, rent and foreign financing added up to approximately one third of overall state expenditure in the period between 1980 and 2004 (Richter

2007: 188). A look at the historical developments of the politico-economic systems of the Arab semi-rentier states shows that rent income has been crucial ever since they entered the political stage as actors with (limited) autonomy after the era of classic imperialism and colonialism. Spearheaded by the Egyptian Revolution of 1952, the Arab world managed to liberate from the tied bonds of imperialism that the monarchies had been exposed to. The Egyptian and the other Arab revolutions of this period were “Revolutions from above” (Trimberger 1978). Thus, representatives of the state bureaucracy took the lead both in political and economic affairs. Moreover, the monarchies—such as Jordan—which managed not to fail adapted to the new paradigm of state-centered development of the politico-economic development.

In (semi-)rentier states, the state bureaucracy and the public sector are *systematically* superior to the private sector and the civil society. They are in the center of economic activities, both in terms of attracting income (external economic and political rents) and spending it: Rather than heavily collecting taxes from the society, the state re-allocates financial means and subsidizes different segments of society. The private sector is much too weak to finance the state via taxes. Rather, the private sector heavily depends on subsidies and protection from the state in general. The leadership of the state in the Middle East represents a powerful elite and the whole of the public sector appears as the institution its leadership is based on. If a member of the public sector in a production state takes advantage of its position by accepting bribes etc., he or she behaves in an anti-systemic way. Yet, if a member of the public sector in a (semi-)rentier state does the same, he or she just converts the superiority of his or her position into material benefits, albeit such a behavior is in most cases illegal and considered negative by the general public. In other words, such a behavior is not anti-systemic in the way it is in a production state since the public sector in a (semi-)rentier state is actually a tool to dominate the private sector and the civil society.

It is telling how Middle Eastern regimes react to the demand of abolishing corruption. Rather than establishing the principle of the rule of law, occasional anti-corruption campaigns are launched. However, their scope and intensity remains limited since the state elites are hesitant to risk the alienation of the public sector (Gillespie/Okruhlik 1988), whose loyalty is indispensable for maintaining their privileges. In other words, to *systematically* contain corruption would endanger the survival of the regimes.

Since corruption as a pillar of the politico-economic systems of the Middle East is endemic rather than anti-systemic, the demand to curtail corruption has become a major slogan for those who advocate regime change. Two kinds of oppositional groups and two approaches can be identified: firstly, people representing the general civil society, explicitly referring to universal values such as good governance; secondly Islamists, referring to values embedded in Islamic culture.

Notwithstanding major differences between the Arab uprisings and the Iranian Revolution of 1979 (where just the beneficiaries of corruption but not corruption itself was transformed), the newly elected governments in Cairo and Tunis have yet to prove that they are willing and capable to curtail corruption in a systematic way. Due to the lack of competitiveness of the non-oil exporting Middle Eastern economies on a

global scale, containing corruption in an effective and visible way could serve two major purposes: firstly, stimulating growth in the private sector including the “informal sector”; secondly, convincing civil society that regime change is to their immediate benefit.

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