
The Middle East within Asia

A Note on the Middle East in the context of
Asia from a historical perspective

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Introduction

- This presentation tentatively considers the relationship between the Middle East and Asia, especially East Asia in the 21st century, from the viewpoint of a historian of the Middle East. It does this by reviewing its history and introducing some opinions on this subject within the academy in Japan.

1. The Middle East: a region that disappeared from the narrative of modern economic history

- It is well known that the market economy flourished in the Middle East in premodern times. This is demonstrated by the diversity of transactions of goods and people. The market economy was based on commerce, and one of the important reasons that ensured this flourishing commerce was simply the Middle East's location between Asia and Europe.

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- However, the Middle East's economic success declined in modern times. When and why did this happen?
 - When did this happen?
 - Why did this happen?

Why did this happen?

- Of the hypotheses proposed to answer this question, three are particularly pertinent.
- (1) the change of the principal commercial route.
- (2) the defeat in the competition between the economic systems of Europe and the Middle East.
- (3) the lack of any mechanism for capital accumulation in the economic system of the Middle East.

(1) the change of the principal commercial route

- Change of trade road:
from caravan trade to sea trade
- Asia connected by sea lines
- Intra-Asian trade

(2) the defeat in the competition between the economic systems of Europe and the Middle East

- Defeat in competition of economic system:

Mercantilism vs. Islamic economy

Masters, B., *The Origins of Western Economic Dominance in the Middle East. Mercantilism and the Islamic Economy in Aleppo, 1600–1750*, New York University Press, New York, London, 1988

(3) the lack of any mechanism for capital accumulation in the economic system of the Middle East

- the absence of the influential merchant families 何世代にも渡る有力大商人家系の不在－政治の介入・社会的流動性の高い社会
- the underdevelopment of the stock company because of the lack of a concept of the “corporate body” 「法人」概念の希薄さ－株式会社の未発達
- the short-term concept of Islamic contract 短期的な契約観

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- The economic emergence of Europe and the retreat of the Middle East in modern times were probably caused by a combination of the three hypotheses mentioned above.
 - The point that should be emphasized in relation to this subject is that the three hypotheses share the same negative attitude toward commerce.

2. The Middle East in the context of modern Asian economic history

- Regardless of which hypothesis is correct, in the discussion on the transformation of the world economic system from premodern to modern times, the Middle East is absent from the narrative of modern economic history.
- This is because of two interconnected reasons.
 - (1) the lack of source material on economic activities in the Middle East, whose economy was based primarily on commerce.
 - (2) a prejudice against commerce in favor of industry in the study of modern economic history concerning the emergence and development of industrial capitalism in Europe.

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- In conclusion, the Middle East was among the losers in the economic competition of the modern age. To whom did the Middle East lose? To Europe, of course. The defeat of the Middle East by Europe is encapsulated in the term “the Western impact”.

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- Yet this was unrecognized by those Asian countries that were powerful competitors to the European powers for economic hegemony in Asia. In recent years in Japan, in the field of economic history within the academy, trade and market competition among Asian countries (intra-Asian trade) is emphasized more than any Western impact as the factor that characterized the pattern of economic development in Asian countries.
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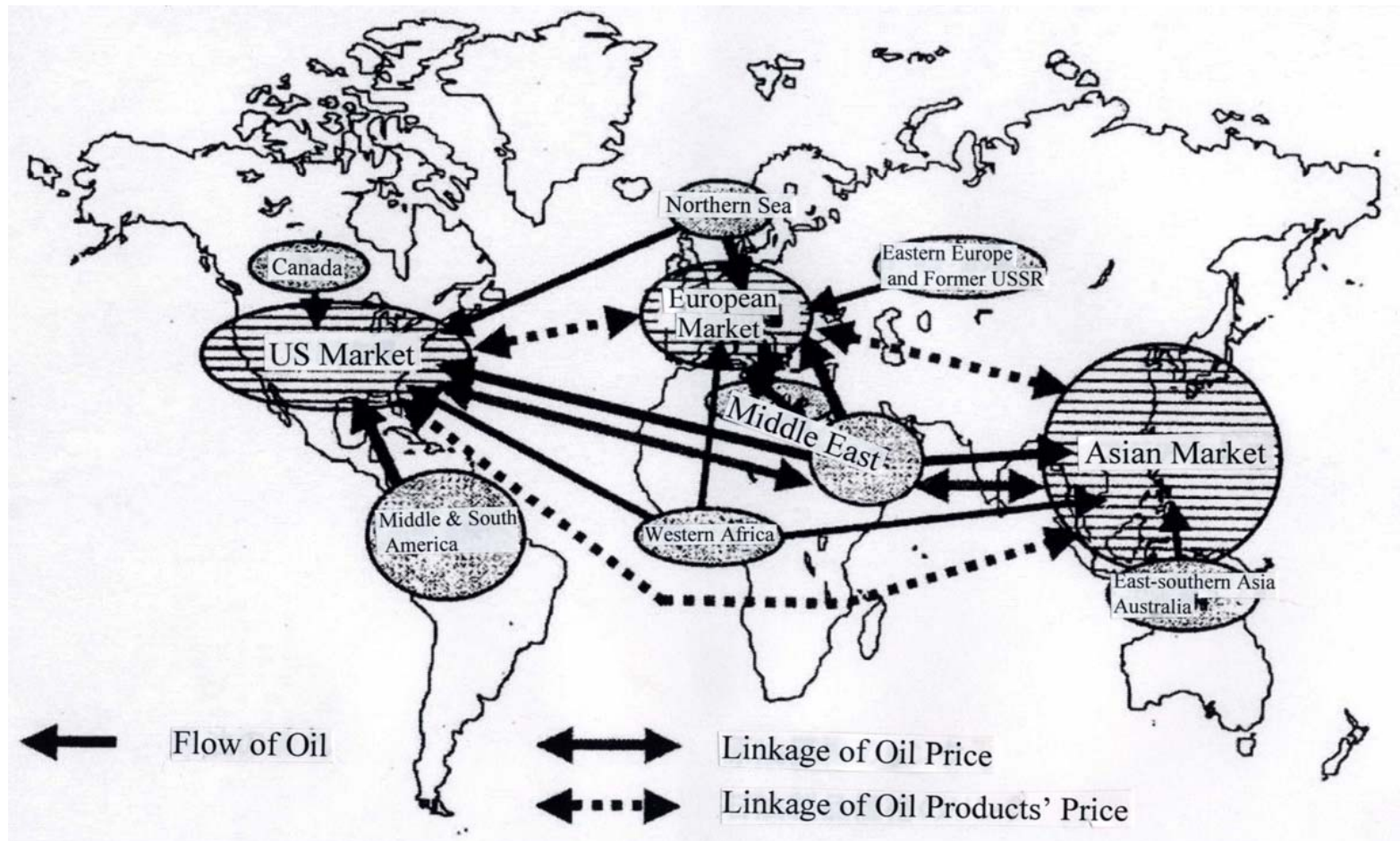
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- At any rate, the point of the discussion is, as mentioned above, the Middle East is absent from the narrative of modern economic history, whether in the context of European economy or in the context of Asian economy.

3. The Middle East within Asia in the 21st century

- Europe's economy since the Industrial Revolution has been driven by industry and initiated by capitalists and entrepreneurs. However, at the end of the 20th century, the situation changed. The world economy entered a new phase, and the world system of politics experienced a drastic transformation in the process of so-called globalization.
- The society that has emerged from this new phase is called the postindustrial society, the information society or the postmodern society. This new society is characterized by the rapid movement and transfer of goods, people, money, technology and culture beyond the borders of the states.

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- This new economy is represented by terms such as risk avoidance, monetary engineering, energy intensiveness, high consumption and so on. In summary, this process is the decline of an economy that had been driven primarily by industry since the Industrial Revolution.
 - This process was rapidly accelerated by the collapse of the USSR and the emergence of huge amounts of oil money. As a result, the world is now linked and united through the flow of oil money (Figure 1).

Figure 1
Global Linkage of Oil Market



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- The Japanese economic historian Professor Kaoru Sugihara theorized this process, which he called the “oil triangle”.

cf. Sugihara, Kaoru 2006a. “East Asia, Middle East and the World Economy: Further Notes on the Oil Triangle”, *Working Paper Series* No. 9, Afrasian Centre for Peace and Development Studies, Kyoto, Japan

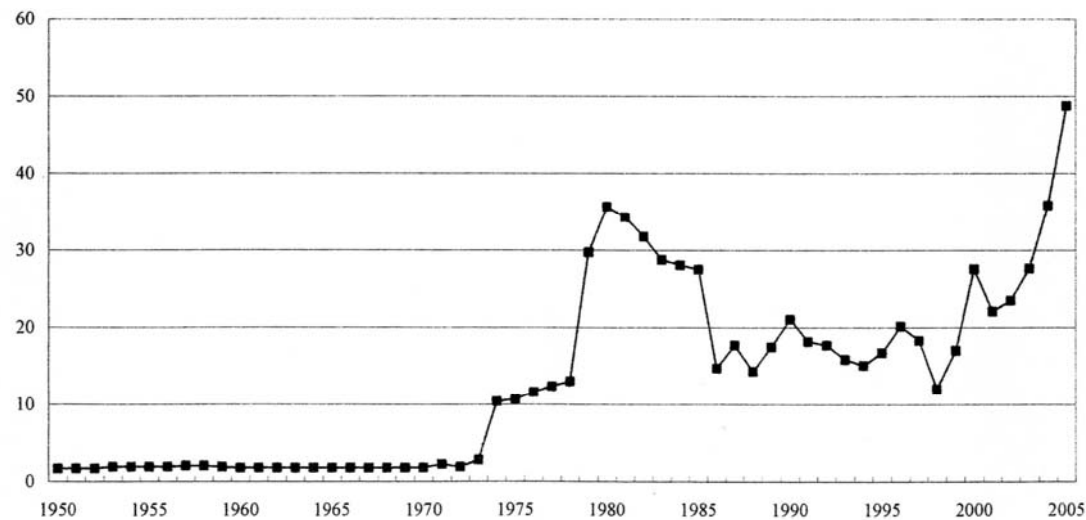
- His argument is summarized as follows.
- The oil triangle means the world-scale pattern of settlement between East Asia, the Middle East and the West. It has been a part of the foundation of the world economic order since the 1970s. The epoch-making event was the oil crisis in 1974.

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- In this oil triangle, oil is exported from the Middle East and other oil-producing nations to East Asia, which then exports manufactured goods to the West (the United States and Europe), while the West exports arms and monetary services to oil-producing nations. In this way, the East Asian economies have grown and their trade deficit with the oil-producing nations has been offset by their trade surplus with the West.
 - Two events contributed to the formation of the oil triangle. The first event is, of course, the emergence of vast quantities of oil money since 1974. The oil money has been accumulated as the price of oil has risen (Figure 2).

Figure 2

Crude Oil Prices, 1950–2005

(US dollars per barrel)

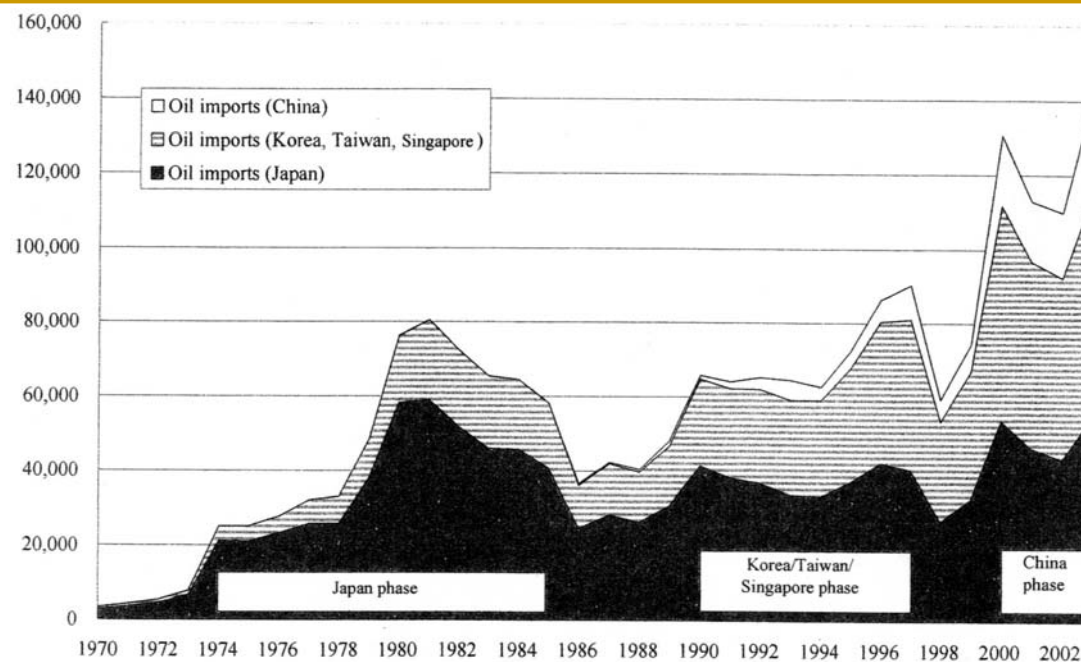


Sources: For 1950-1971, Jenkins 1985, 20; For 1971-1985, *BT Statistical Review 2003* (Arabian Light); For 1986-2005, IEA, *Monthly Oil Prices* (U.S.A.).

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- The second event is the rapid economic growth in Asia, sometimes called “a miracle”. Since the 1970s, economic development in Asian countries has been based on the oil imported from the Middle East. The expansion of the oil triangle consists of three phases according to which Asian country experienced the economic growth: the Japan phase (1974–1985), the Korea/Taiwan/Singapore phase (1990–1995), and the China phase (2000–2004). **Figure 3** shows the volume of oil imported in each phase.
 - The debts of Asian countries to the Middle East resulting from the import of oil were balanced by the export of industrial products to the West (the USA and the EU), as shown in **Figure 4**.
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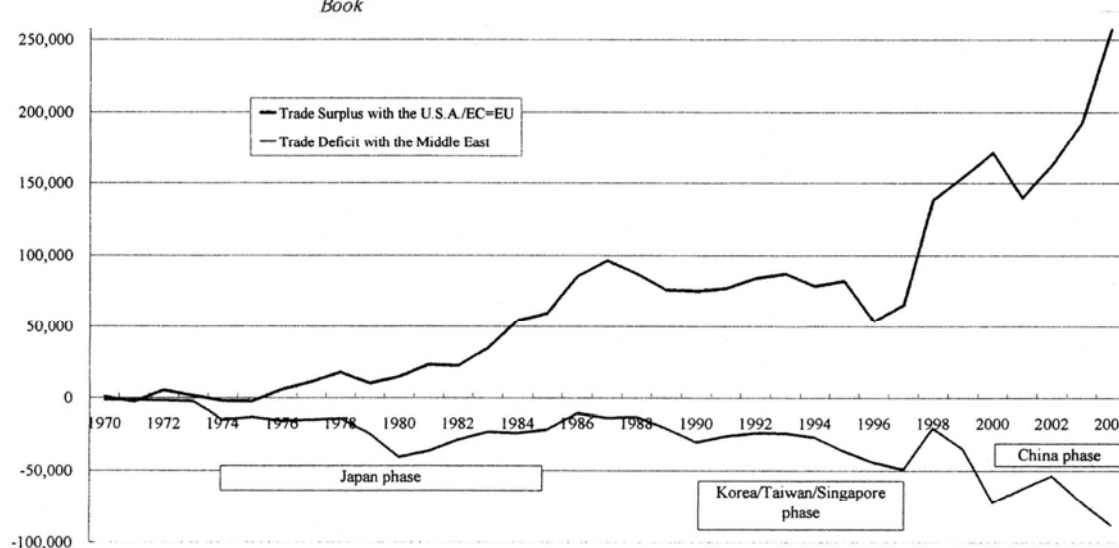
Figure 3
Oil Imports to East Asia,
1970-2003

(\$ million)



Sources: Takanaka 2000. U.N. *International Trade Statistics*. *Taiwan Statistical Data Book*

Figure 4
East Asia's Trade
Balances
with the U.S.A./
EC=EU and
the Middle East,
1970-2004



Sources and Notes: IMF, *Direction of Trade Statistics Yearbook*.
Data for Taiwan are from *Monthly Statistics of Exports and Imports*.
East Asia refers to Japan, South Korea, Taiwan, Singapore and China.

The oil triangle is depicted in Figure 5 for the Japan phase and Figure 6 for the three phases.

Figure 5

The Japanese Oil Triangle, 1974–1985

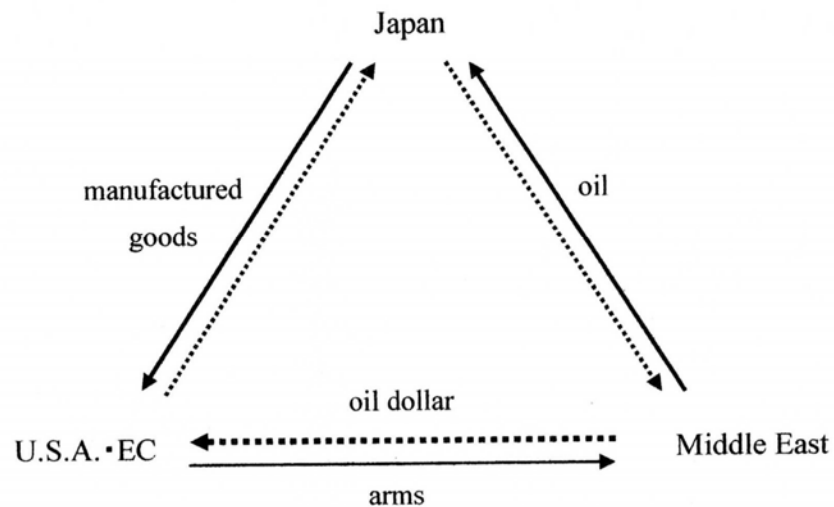
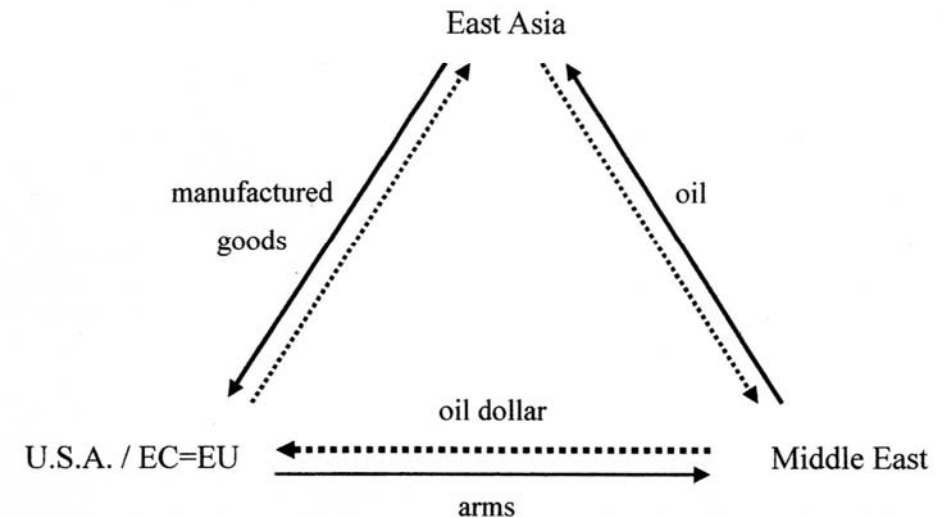


Figure 6

The East Asian Oil Triangle, 1974–2003



Concluding remarks

- In his another essay, Sugihara furthered his argument.

cf. Sugihara, Kaoru, “Higher Oil Prices Can Benefit E. Asia”, *Glocom Platform*, Japanese Institute of Global Communications, 2006

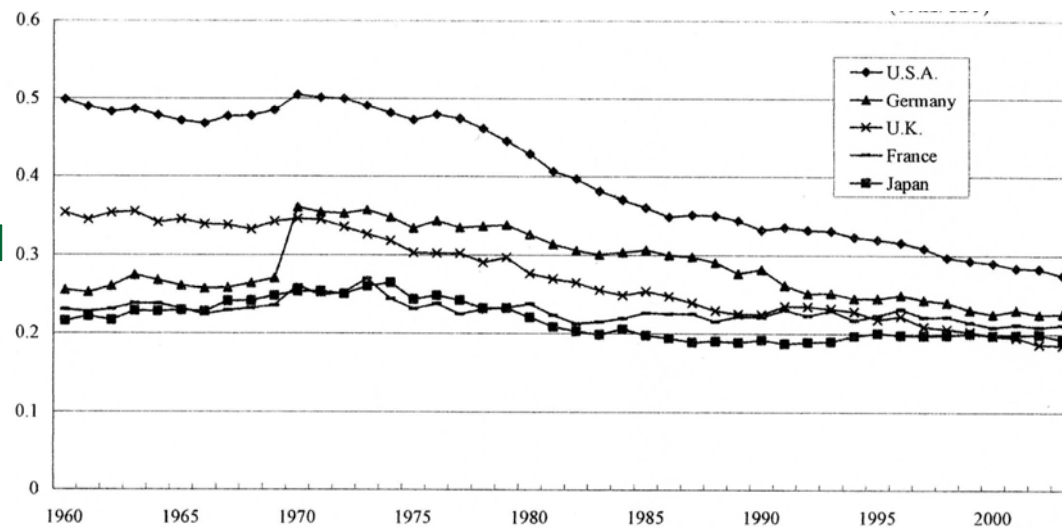
http://www.glocom.org/opinions/essays/20060529_sugihara_higher/index.html

- He mentions, “In a market economy, higher oil prices stimulate the development of alternative energies and energy-saving technologies. Global competition under a free trade regime is the principal driving force for fuel-efficient economic growth.”

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- Sugihara implies in this sentence that the oil triangle, which is the global economic order today, will bind Asia to the Middle East and the U.S. ever more deeply. He optimistically foresees that the higher oil prices in recent years will not damage the East Asian economy but rather will benefit it, because East Asia is at the forefront of the energy-efficient economies.
 - In fact, as shown in [Figure 7](#) and [Figure 8](#), energy efficiency in East Asia has been high in spite of the rapid economic growth since the 1970s, and in 2000, energy efficiency in East Asia is at the same level as that of industrial countries.
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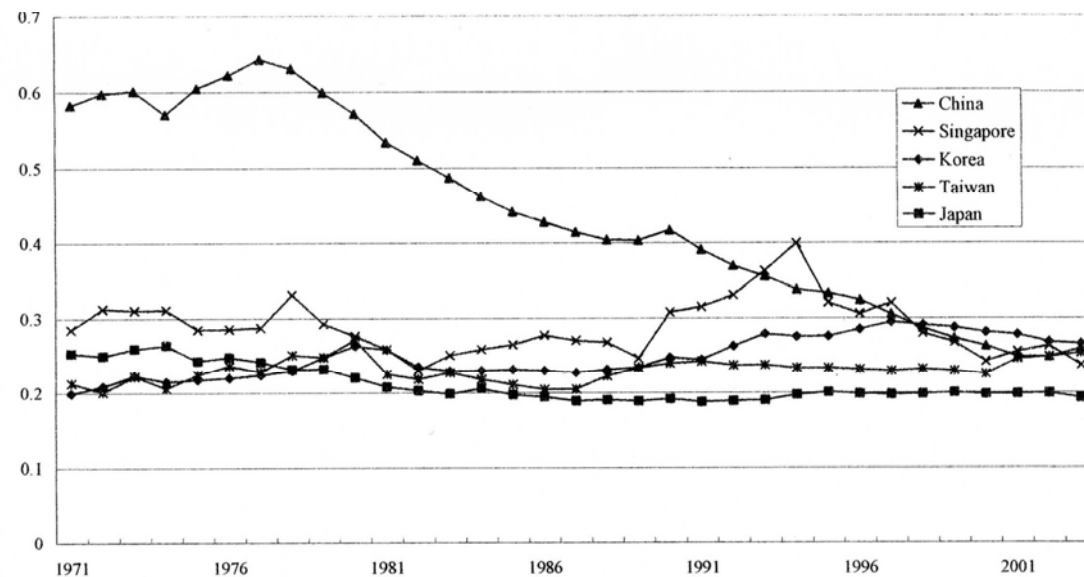
Figure 7
Energy Efficiency of Industrial
Countries, 1960–2003

(TPES/GDP)



Sources: For TPES, IEA, *Energy Balances of OECD Countries*.
For GDP, Maddison 2003. IMF, *International Financial Statistics Yearbook*.

Figure 8
Energy Efficiency of East
Asian Countries, 1971–2003



Sources: For TPES, IEA, *Energy Balances of OECD Countries*. Do., *Energy Balances of Non-OECD Countries*. For GDP, Maddison 2003. IMF, *International Financial Statistics*. ADB, *Key Indicators*.

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- It is beyond the scope of this presentation to discuss whether or not his argument is correct. Here, it is sufficient to point out that the importance of the Middle East will certainly increase in international politics and economy.

cf. Dethloff, Jonathan 2006. "Comment on Professor Kaoru Sugihara's Article 'Higher Oil Prices Can Benefit East Asia'", Glocom Platform, Japanese Institute of Global Communications,

http://www.glocom.org/debates/20060620_dethloff_comment/index.html

- Therefore, one of the most important challenges that Asia, especially East Asia, will face in the 21st century is how to maintain the oil triangle as the global economic order.