EC 165: Economics of the Middle East
Why Middle East Economics?

- You woke up early to get here. Why?
- NEWS - IRAQ
  Economics & TERRORISM
  OIL, & GULF = Economics
  ISLAMIC Economics
  Holy Places - Jews, Christians, Muslims
  Economic Development Puzzle
### Human Development Indicators

**HDI, by Arab Country/Territory and Selected Regions, 1998**

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI</th>
<th>Population (million)</th>
<th>Life expectancy (years)</th>
<th>Adult literacy rate (%)</th>
<th>Combined gross enrolment rate (%)</th>
<th>GDP (billion USS)</th>
<th>GDP per capita (PPP USS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>0.68</td>
<td>28.9</td>
<td>69.2</td>
<td>65.5</td>
<td>69</td>
<td>47.3</td>
<td>4792</td>
</tr>
<tr>
<td>Bahrain</td>
<td>0.82</td>
<td>0.6</td>
<td>73.1</td>
<td>86.5</td>
<td>81</td>
<td>5.3</td>
<td>13111</td>
</tr>
<tr>
<td>Comoros</td>
<td>0.51</td>
<td>0.7</td>
<td>59.2</td>
<td>58.5</td>
<td>39</td>
<td>0.2</td>
<td>1398</td>
</tr>
<tr>
<td>Djibouti</td>
<td>0.45</td>
<td>0.6</td>
<td>50.8</td>
<td>62.3</td>
<td>21</td>
<td>0.5*</td>
<td>1266</td>
</tr>
<tr>
<td>Egypt</td>
<td>0.62</td>
<td>60.7</td>
<td>66.7</td>
<td>53.7</td>
<td>74</td>
<td>82.7</td>
<td>3041</td>
</tr>
<tr>
<td>Iraq</td>
<td>0.58</td>
<td>21.8</td>
<td>63.8</td>
<td>53.7</td>
<td>50</td>
<td>-</td>
<td>3197</td>
</tr>
<tr>
<td>Jordan</td>
<td>0.72</td>
<td>4.8</td>
<td>70.4</td>
<td>88.6</td>
<td>69</td>
<td>7.4</td>
<td>3347</td>
</tr>
<tr>
<td>Kuwait</td>
<td>0.84</td>
<td>2.3</td>
<td>76.1</td>
<td>80.9</td>
<td>58</td>
<td>25.2</td>
<td>25314</td>
</tr>
<tr>
<td>Lebanon</td>
<td>0.74</td>
<td>3.4</td>
<td>70.1</td>
<td>85.1</td>
<td>77</td>
<td>17.2</td>
<td>4326</td>
</tr>
<tr>
<td>Libya Arab Jamahiriya</td>
<td>0.76</td>
<td>5.2</td>
<td>70.2</td>
<td>78.1</td>
<td>92</td>
<td>-</td>
<td>6697</td>
</tr>
<tr>
<td>Mauritania</td>
<td>0.45</td>
<td>2.5</td>
<td>53.9</td>
<td>41.2</td>
<td>42</td>
<td>1.0</td>
<td>1563</td>
</tr>
<tr>
<td>Morocco</td>
<td>0.59</td>
<td>28.8</td>
<td>67.0</td>
<td>47.1</td>
<td>50</td>
<td>35.5</td>
<td>3305</td>
</tr>
<tr>
<td>Oman</td>
<td>0.73</td>
<td>2.3</td>
<td>71.1</td>
<td>68.8</td>
<td>58</td>
<td>15.0</td>
<td>9960</td>
</tr>
<tr>
<td>Occupied Palestinian territory</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Qatar</td>
<td>0.82</td>
<td>0.5</td>
<td>71.9</td>
<td>80.4</td>
<td>74</td>
<td>9.2*</td>
<td>20987</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>0.75</td>
<td>20.7</td>
<td>71.7</td>
<td>75.2</td>
<td>57</td>
<td>128.9</td>
<td>10158</td>
</tr>
<tr>
<td>Somalia</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sudan</td>
<td>0.48</td>
<td>29.5</td>
<td>55.4</td>
<td>55.7</td>
<td>34</td>
<td>10.4</td>
<td>1394</td>
</tr>
<tr>
<td>Syrian Arab Republic</td>
<td>0.66</td>
<td>15.6</td>
<td>69.2</td>
<td>72.7</td>
<td>59</td>
<td>17.4</td>
<td>2892</td>
</tr>
<tr>
<td>Tunisia</td>
<td>0.70</td>
<td>9.3</td>
<td>69.8</td>
<td>68.7</td>
<td>72</td>
<td>20.0</td>
<td>5404</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>0.81</td>
<td>2.8</td>
<td>75.0</td>
<td>74.6</td>
<td>70</td>
<td>47.2</td>
<td>12730</td>
</tr>
<tr>
<td>Yemen</td>
<td>0.45</td>
<td>17.1</td>
<td>58.5</td>
<td>44.1</td>
<td>49</td>
<td>4.3</td>
<td>719</td>
</tr>
<tr>
<td>Arab region</td>
<td>0.64</td>
<td>258.0</td>
<td>66.0</td>
<td>59.7</td>
<td>60</td>
<td>473.6</td>
<td>1110</td>
</tr>
<tr>
<td>Low HDI</td>
<td>0.42</td>
<td>49.7</td>
<td>50.9</td>
<td>48.8</td>
<td>37</td>
<td>197.0</td>
<td>994</td>
</tr>
<tr>
<td>Medium HDI</td>
<td>0.67</td>
<td>202.1</td>
<td>66.9</td>
<td>76.9</td>
<td>65</td>
<td>4779.8</td>
<td>3458</td>
</tr>
<tr>
<td>High HDI</td>
<td>0.91</td>
<td>6.2</td>
<td>77.0</td>
<td>98.5</td>
<td>90</td>
<td>22351.2</td>
<td>21799</td>
</tr>
<tr>
<td>South Asia</td>
<td>0.56</td>
<td>1364.5</td>
<td>63.0</td>
<td>54.3</td>
<td>52</td>
<td>670.5</td>
<td>2112</td>
</tr>
<tr>
<td>World</td>
<td>0.71</td>
<td>5819.8</td>
<td>66.9</td>
<td>78.8</td>
<td>64</td>
<td>28228.1</td>
<td>6526</td>
</tr>
</tbody>
</table>

* Data for 1997.

Sources:
Oil

![Oil Price Chart](chart.png)
Economics of the Middle East

- 1. Economic History
- 2. Demographics
- 3. Economics of Religion
- 4. Violence and Civil Wars
- 5. Palestine
- 6. Iraq
Section 1: Economic History

Issawi Ch #1-3

Overview

1. Pre-Biblical History: Technological progress

   A. technology, agriculture and trade routes
   B. the economics of monotheism?

3. What Went Wrong?
   - How did the leading economic region for most of the past 7 millennia become a group of “developing” countries?
   A. What went right till 1200?
   B. What went wrong since?
1. Pre-Biblical History: Technological Progress

- Hand axe and fire: East Africa (-1.5m)
- Stone tools/clothing, leaving Africa -100K
- Agriculture -10K in Mesopotamia
- Potter’s wheel, bronze, writing -3.5K to -4K Mesopotamia
- Chariot -2.5K Mesopotamia

Standard of Ur -2.5K (Iraq)
British Museum
Writing

- Critical technology: why?
- Cuneiform: Sumer ~-3000 (Southern Iraq)
  - invented for accounting, contracts
- Started out as pictographs, evolved to phonetic syllables, 600-800 symbols
  - only educated could read
- Canaanites ~-1100 drop the vowels and create an alphabet of ~22 consonants
- Phoenician traders spread it through Mediterranean
- Greeks and Hebrews adopt it:
  - begin recorded history, literature (Odyssey), science & text based religion (Bible) begin
  - ...Arabic, Armenian, Latin, English

Cuneiform tablet ~-2400

Phoenician alphabet ~-1000
The Fertile Crescent - 2000 BC
2. Biblical History I: The Fertile Crescent

- Resources: forests, farmland, water
- Climate (as in Indus and Peru)
- Geography and Trade Routes
- Technological change:
  Semi-nomadic grazing to agriculture
  Camels and trade
- Cities of Syria
- Economics of slavery
- Hebrews conquer Canaan around –1200
- Hebrew agriculture by –1000
Biblical History II: Palestine

• Greek conquest -332

• Increased prosperity due to trade and Greek agricultural innovations → active temple culture with festivals and pilgrimages (including trade from rural areas to cities)

• By Roman times: (Herod) Galilee had agriculture, animal husbandry, fishing, vineyards, slavery
Biblical History II: Palestine

- Tenant farming, seasonal crops and labor => unemployed laborers available to rebel =
- Economic fluctuations, Roman conquest, trade create a Jewish Diaspora numbering millions
- Priestly (caste) religion dies with end of Temple period
- Synagogue tradition invented (service without sacrifice, text based, literacy required)
- Conversion to Christianity among Diaspora Jews and slaves → western spread of monotheism
- Islam would late spread monotheism south and east
UC San Diego
Winter 2008
Class: T-Th 8-9:20 (Ledden Auditorium)

TAs: Dalia Ghanem, dghanem@ucsd.edu
     Karmen Suen, ksuen@ucsd.edu

Professor Eli Berman
elib@ucsd.edu
OH: Th 9:30-10:30, Econ 218

TA Off Hrs: TBA

Economics 165
Middle East Economics

W 1-2
M 2-3
SEQ 239

The course introduces students to a number of economic topics relevant to understanding current events in the Middle East. It provides some practice in applying economic concepts to understanding history and current events.

We will cover five broad topics:
1. Economic History
2. Economic Demography
3. Economics of Religion
4. Economics, Violence and Civil Wars
5. Palestinian Economy
6. Iraqi Economy
Readings: Unfortunately, there is no textbook which fully meets the needs of a modern course. Readings are an integral part of the course and will be accessible for the most part through the library digital reserves, reserves.ucsd.edu.

Assignments, Exams and Evaluation: A ten-page paper is due Tuesday, March 11. A first draft can be submitted for comment by Tuesday, February 26. Authors of the best first drafts are eligible to give class presentations for extra credit. You are encouraged to carry out the assignment in pairs, in which case the paper should be twelve pages long.

A midterm (Thursday, February 7) is optional and will be included in evaluation only if it raises your grade. The final exam (Thursday, March 20) is compulsory. The final grade will be calculated as the maximum of a) the average grades of assignment, midterm and final, or b) the average grades of assignment and final.

How to study? Review the lecture notes (preferably with a knowledgeable friend). Check the readings. Come ask questions in office hours.
3.A. What went Right?

A. What went right? (till about 1200)

→ Gains from Trade

A.1 Ancient Times:

In –3K and –4K the leading civilizations of the west were Mesopotamia, Egypt, Syria, Iran and Anatolia

All shared climate and water resources suited for agriculture

All built diversified economies
Egypt and Mesopotamia

• Agriculture required irrigation
• Egypt had natural flooding, wind from North, single waterway
• Mesopotamia had caravan trade, more private property
  - is that why Hammurabi code developed here?
Anatolia, Syria, Iran

- Agriculture from rain rather than irrigation
- Anatolia exported minerals (copper, silver, iron)
- Olives
- Phoenicians invented cities, could sail around Africa in –600.
- Alphabet invented in Ugarit?
- Persia was largest empire in history by -500.
A.2 Greeks and Romans

• Greeks bring trade and technology
• Trade: with Europe and through Middle East to Asia
• Technology: new plants, mining, irrigation techniques (e.g., Archimedes' screw)
• Olives
A.2. Greeks and Romans II

- Romans build roads
- ~30 million in M.E., ~12% of humans
- M.E. exported wheat, manufactures, handicrafts to Rome
- Trade with India created active trading ports and cities in, including Mecca
A.3. Arab Conquest

• Muhammad born in 571 in Mecca
• Led Arab conquest of Middle East, which eventually reached Spain and India
• Population of 35-40m at peak
• Trade with unifying language, single set of laws, and no tariffs. Traders reached as far as Scandinavia and China.
• Brought Islam East to Indonesia and Malaysia.
• Brought rice, cotton, sugar cane, oranges from Asia. Coffee from Ethiopia.
• Exported silk, linen, cotton and wool goods to Europe.
The Islamic Empire in 1000

9 • The world of Islam
Economic History

2.B. What went wrong 1200-1800?

1. Trade in 1000
2. European Trade
3. European Technological Progress
4. Deteriorating terms of trade
5. Wars and domestic turmoil
1. Trade in 1000

A. Theory: Gains from Trade, Tarrifs, Technology

B. Gains within empire – food from Egypt and Mesopotamia, textiles and handicrafts from Syria

C. Gains outside empire – textiles exported (e.g., silk, linen, cotton, wool, “gauze”, ceramics, glassware, paper “magazine”) to EU (for food), India & China (for spices), Africa (for raw materials and slaves)
Gains from Trade I

- PPC of M (Mesopotamia)

Egypt

Different technologies give comparative advantage

PPC expanded by trade
Gains from Trade II

\[
\text{IF WE INSIST ON BALANCED TRADE, THEN BOTH COUNTRIES CONSUME AT } G. \quad \text{IF } P_F \times X_F = P_C \times I_E
\]
Gains from Trade III
2. European Trade

A. Europeans dominated transportation in the Mediterranean by 1050. Including inland trade by 1700 - why? Greif on organizational structure Kuran on legal advantages

B. Shipbuilding leads to direct EU sea trade with West Africa (Portugal) India (Portugal, then Dutch, then British)

East Africa (Portugal then British)
New World (Spain, Portugal, Dutch, British)
Lesson 4: History – Technology, Trade, and Recovery

Where are we?

- A. Biblical History
- B. What Went Wrong?
  B.1 Trade in 1000
  B.2 Europeans dominate trade
  B.3 Technology
  B.4 Trade
  B.5 Domestic turmoil
- C. From 1800 to the Present: Recovery
- (next.. D. Oil)
B.3 Solow Growth Model

- The Solow Growth model
  - appropriate for mobile factors

Technology, Capital Accumulation

\[ Y = F(K, L) \]

Production Function, C.R.S.

\[ Y = \frac{F(K, L)}{L} = \frac{Y}{L} = F \left( \frac{K}{L}, 1 \right) = \frac{f(K)}{L} \]

A - Rich country - more capital
B - Poor country

\[ r = \frac{\partial F}{\partial K} - \frac{\partial F}{\partial KL} \]

financial markets clear.

\[ r_B > r_A \] should drive capital accumulation and growth in \( Y/L \) as poor country gets richer.

\( \Rightarrow \) Convergence in \( Y/L \) across countries
\( \Rightarrow \) Countries generally get richer over time.

C - Poor country with poor technology

Technology transfer should give

\( \Rightarrow \) Convergence \( \uparrow \) \( Y/L \)
Solow model implies convergence
& ↑ y/l over time
B. 3 European Technological Progress

A. Agricultural revolution in EU
   Crop rotation
   Arab empire lost cartels in sugar (to France) and coffee (Dutch East Indies)
B. Harnessing water power with watermills widespread by 1000 in EU,
   .. wind power with windmills (invented in Asia but adapted in EU),
   .. Eventually led to steam power
   ➔ EU gains comparative advantage at textiles 19th century
- note that new technology complements EU environment, substitutes for EU shortcomings
3. European Technological Progress (cont.)

B. Harnessing water power with watermills widespread by 1000 in EU,
.. wind power with windmills (invented in Asia but adapted in EU),
.. Eventually led to steam power
→ EU gains comparative advantage at textiles 19th century
- note that new technology complements EU environment, substitutes for EU shortcomings
B. 4. Deteriorating Terms of Trade

A - Production n1000: Middle East (M) exports (C) clothing, textiles

M.E in 1000

C - Consumption in 1000

M.E in 1000

B

D

E

F

倦

E in 1000

TERMS OF TRADE = \frac{P_X}{P_E}

TECH DID NOT DECLINE in M.E., BUT PRICE OF EXPORT DID!

M.E. BECOMES

AN IMPORTER OF

CLOTHING, TEXTILES,

MANUFACTURED GOODS.

EUROPE IN 1500

AFTER IND. REV.

EUROPE IN 1000

70% in 1500

e.g., French trade with ME declined from 50% to 6% of total trade between early 17th and late 18th century
B. 5. Wars and Domestic Turmoil

- Population does not recover from Bubonic Plague, why?
- Wars with Crusaders, Mongols, Tartars, Turkish-Persian conflict
- Internal mismanagement reduces irrigation, esp. in Iraq
- Military rulers stifle middle class
- Static legal system: e.g., Waqf and inheritance laws
C. From 1800 onwards: Recovery

1. 1800-1913: Slow growth
2. 1913-1950: Industrialization
3. 1950-1970: Separate paths
1. 1800: Low point

\[ \downarrow \]
Population decline since Middle Ages

\[ \downarrow \]
Cultivated area (Why?)

\[ \downarrow \]
Stagnated technological progress
   (Ali finds no Egyptian foreign language speaker)

\[ \downarrow \]
International trade

\[ \downarrow \]
Human Capital

**Causes?** Government breakdown, Deterioration of terms of trade (ToT)
1. Egypt in 1800

• Highly productive agriculture
• Good transport system (Nile and Canals)
  – Not developed since ancient times
• No financial and commercial institutions
• Inefficient tax system
• Low cultural development
  • 5% literacy rate, lack of printing technology, lack of knowledge of European languages and recent scientific developments → No technological transfer
1. 1800-1913: Engine of Growth

• International trade:

  – Exports: Crops (cotton, sugar, silk, opium, tobacco)

  – Imports: Textiles, cotton and sugar (Turkey, Iran), coffee and tea.
    • No capital goods imported! (except in Egypt)
1. 1800-1913: Factors of Recovery

- Communications (industrial revolution):
  - Steam navigation, railways, telegraph.

- Trade reform:
  - Increased competition, lower tariffs
  - Technological transfer, investment (foreign traders)

- Government reforms:
  - Modernized legal system to allow commercial loans and contracts.
  - Agricultural and commercial codes reformed.
1. 1800-1913: Uneven development

- Egypt: (most developed) Export oriented
  - Population increased, rise in income per capita.
  - Agricultural development: \( \uparrow \) Cultivated area, irrigation, market oriented.
  - Communications: railroads, ports, dams and canals (Aswan dam, Suez Canal) allowed transportation and agriculture to expand
  - Education: technical and secondary schools, publishing.
  - BUT Lack of manufacturing industry:
    - Political pressure (low tariffs, British rule), low human capital.
1. 1805-1849: Muhammad Ali

- **Push for modernization and industrialization:**
  - State control of agriculture and trade: State monopolies
    - Control over growers: oversee crops (cotton, sugar), buy directly from growers.
    - Control over trade: Sell directly to foreign buyers
  - State-owned Industry:
    - High tariffs and quotas to protect industry
    - Self-perpetuating lobby, unresponsive to technological change
    - Technical schools to develop human capital

- **Breakdown of the system:**
  - Foreign pressure (British empire), own imbalances.
    - Lower tariffs, end of trade monopolies
    - The problem with the self-perpetuating lobby
Monopolies, State Revenue and Tarriffs

• [Monopoly Derivation & Graph]
• How much can govt. extract from monopoly?
• How much consumer surplus is lost?
• 3 reasons developing countries have more monopolies [back to Adam Smith]:
  • Why do monopolies lobby harder for tarrifs?
  • Why are state monopolies and tarrifs self-sustaining?
1. 1800-1913: Uneven development

• Turkey: (development from 1840s)
  – Wars: Less integration in international trade, less industrialization.
  – Intellectual progress similar to Egypt.
  – Less integrated in foreign trade.

• Iran: (Slowest development)
  – Less development of communications
  – Little change in agriculture (not market oriented)
  – Little intellectual interaction with other countries
2. 1913-1950: Industrialization

• Deterioration of Terms of trade after WWI.
• Disruption of imports due to Wars.
  – WWII:
    • Egypt: Trade with Europe interrupted.
    • Iran: British and Soviet occupation. Economic disruption.
    • Turkey: Neutral. Trade with both sides.

• Push for industrialization
  • Iran, Turkey: Government sponsored (Import Substitution industrialization (ISI)).
  • Egypt: Capital privately owned, more open to trade.
2. Import substitution & industrialization

- **Key elements:**
  - Directed investment: Government directs investment to certain target industries.
  - Protection from imports: High tariffs or low quotas on close substitutes.

- **Mixed Results:**
  - Rapid growth of protected industries.
  - Lack of competitiveness.
  - Increase in Government debt (unfavorable ToT, little domestic savings).
  - Faster industrialization in Turkey and Iran.
2. 1922-1952: Slowdown in Egypt

- Slow increase in cultivable land
- Deterioration of Terms of Trade (fall of cotton prices)
- Acceleration of Population Growth (From 13 to 26m)
- 1930-1950: Moderate Industrialization
  - ISI (fiscal independence, end of tariff restrictions, shortage of capital goods)
  - Local entrepreneurial and capitalist class (Education improvements, “Egyptianization” measures)
- Overall decline in standard of living
III. 1913-1950: Growth & Industrialization

- Iran grew faster, Turkey overtook Egypt.

<table>
<thead>
<tr>
<th></th>
<th>IRAN</th>
<th>EGYPT</th>
<th>TURKEY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1925</td>
<td>1950</td>
<td>1925</td>
</tr>
<tr>
<td>Population (millions)</td>
<td>12.5</td>
<td>19.3</td>
<td>14</td>
</tr>
<tr>
<td>Imports (millions of dollars)</td>
<td>88</td>
<td>191</td>
<td>250</td>
</tr>
<tr>
<td>Railways (Km)</td>
<td>250</td>
<td>3,180</td>
<td>4,555</td>
</tr>
<tr>
<td>Automobiles</td>
<td>4,450</td>
<td>38,300</td>
<td>17,740</td>
</tr>
<tr>
<td>Students in schools</td>
<td>74,000</td>
<td>743,000</td>
<td>635,000</td>
</tr>
<tr>
<td>Energy consumption</td>
<td>-</td>
<td>4.51</td>
<td>-</td>
</tr>
</tbody>
</table>
3. 1950-1970: Separate paths

- Egypt: Slow growth (4%)
  - 1952 Nasser revolution:
    - Factors: Unequal distribution of land, decline in standard of living.
    - Successful land reform, crop intensification.
    - Industrialization (nationalization of industries, ISI)
    - Moderate social development (Education, health)
  - Wars (Israel, Yemen): Hike in military spending (20% GNP).

- Modest development, macroeconomic imbalances (high government debt)
3. 1950-1970: Separate paths

- **Turkey**: Fast growth (6.4%)
  - Government and private investment (entrepreneurial class).
  - Skilled labor force, expansion of middle class.
  - Migration to Europe: Remittances, skill transfer.

- **Iran**: Fastest growth (9.6%)
  - Mix of public and private investment.
  - Expansion of entrepreneurial and salaried middle class.
  - Large contribution of oil revenues in late 1960s.
  - Richest of the three countries at the end of the period.
# 3. 1950-1970: Separate paths

<table>
<thead>
<tr>
<th>1972</th>
<th>IRAN</th>
<th>EGYPT</th>
<th>TURKEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (millions)</td>
<td>31.2</td>
<td>34.8</td>
<td>37</td>
</tr>
<tr>
<td>Per capita GNP ($)</td>
<td>490</td>
<td>240</td>
<td>370</td>
</tr>
<tr>
<td>Imports (millions of dollars)</td>
<td>2,410</td>
<td>899</td>
<td>1,508</td>
</tr>
<tr>
<td>Railways (Km)</td>
<td>4,944</td>
<td>5,500</td>
<td>8,133</td>
</tr>
<tr>
<td>Automobiles (thousands)</td>
<td>481</td>
<td>206</td>
<td>372</td>
</tr>
<tr>
<td>Students in schools (thousands)</td>
<td>4,820</td>
<td>5,708</td>
<td>6,720</td>
</tr>
<tr>
<td>Energy consumption (coal Kg)</td>
<td>490</td>
<td>240</td>
<td>370</td>
</tr>
</tbody>
</table>
3. Summary: Key Features

• Resources
  • Land and location (Egypt), agriculture and mineral (Turkey), oil (Iran).
  • Early (Egypt) vs. late (Iran) exploitation of resources

• Social and Political Structure:
  • Low education levels, lack of strong entrepreneurial class. Foreign capital and expertise (Europeans, Armenians, Jews)
  • Weak governments (Egypt, Iran), wars and uprisings (Turkey).