

# Prospects of Privatization in IRAQ, under condition of social & political instability, And the monsoons of Globalization.

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## **1-Political economy & Economization of politics:**

We use the term political economy, to refer to a body of thought in which the economic order is considered to be a part of a larger order, such that the purposes it serves are values affirmed in that wider order. Modern economics initially developed as political economy, indeed, as a branch of moral philosophy. Through the nineteenth century, most of the discussion of economic issues had this wider context. Even in the twentieth century, as long as Marxism presented itself as a serious alternative, this context could not be avoided altogether.

Nevertheless, during the twentieth century, practitioners of economics as an academic discipline, especially in the English-language world, have moved away from political economy. They have wanted to separate their discipline from the humanities, including history, and to establish it as a science modeled on the physical sciences. This has meant that it has taken increasingly mathematical form

This has been an expression of the general tendency of the academic world. Disciplines strive for precision, and this moves them away from emphasis on ever disputable presuppositions. Disciplines strive for universality, and that cuts away from interest in the concrete cultural, social, historical situations to which they are applied. Disciplines strive for objectivity, and that moves them away from explicit attention to values and purposes. Disciplines strive for autonomy, and that means that they formulate definite boundaries over against other disciplines and develop their own methodologies to deal with what lies within these boundaries.

No economist would say that the particular situation in a country where policies are to be implemented should be ignored altogether. However, attending to these particularities falls outside the discipline of economics. Also, few economists would say that the goods with which their discipline deals are the only goods to be considered. But the economist, qua economist, ignores these conditions and these other values.

Economists who ignore these conditions and values may be very modest about their claims. They may assert that they offer their science in the service of others whose job it is to consider all aspects of the situation and determine what goals are to be pursued. Economists may then advise with respect to how those goals can be attained most efficiently so far as the economy is the relevant means of attaining them. There will, of course, be many goals the pursuit of which is relatively independent of the issues on which economists are trained to speak.

When economics works in this way, it becomes a subordinate discipline to political economy or to politics in general. In this ideal situation, policy makers are equipped to engage in the discussion of overall goals and values for the society and turn for help to the specialists whose advice they need. These specialists will not advise with respect to general policy, only with respect to its implementation in the areas of their expertise.

### ***Ideas for Free ciety***

Ideas have consequences. They influence the political, economic and social systems that govern our actions and thereby affect the way we live our lives. Ideas have inspired many of the political and economic arrangements that have existed at different times in different places.

Some of these arrangements have promoted creativity, innovation, peace and prosperity, leading to improvements in quality of life and enabling people to fulfill their myriad needs and goals. Other political and economic arrangements have undermined creativity, inhibited innovation and lead to civil unrest, oppression, starvation, poverty and misery.

For most of history, in most places the latter type of arrangements prevailed and as a consequence the large part of humanity was poor, oppressed and miserable. Beginning around 1500, the political and economic arrangements in some Western European countries began to shift - and improvements in living standards began to be felt throughout those societies.

Over the course of the past two hundred years, the number of countries with such beneficial political and economic arrangements has gradually increased. As a result, this period has seen rapid improvements in technology and economic conditions. Meanwhile, the number of people living in abject poverty has been declining in absolute terms for fifty years in spite of a dramatic rise in the world population. Nevertheless, over a billion people continue to live in miserable circumstances.

The ideas that we may indicate here are designed for those who are interested in what these beneficial economic and political arrangements that lead to economic growth and have the capacity to eliminate poverty. It does not pretend to provide a definitive answer but rather to point policy makers in the right direction. The title "Ideas for a Free Society," was inspired by the observation that the political and economic arrangements that seem to be most conducive to peace and prosperity are those that exist in free societies.

In such societies, there exist certain institutions that guarantee political, economic and social freedom, and those institutions are in turn underpinned by ideas. Such ideas have been explored by individuals from many different perspectives, starting with ancient Chinese, Roman and Greek philosophers and continuing to the present day.

The contents are not intended to be a comprehensive review of the literature of the subject, which is enormous. Instead, the material will only indicate contributions by some of the primary scholars and thinkers who have developed ideas which relate to the free society. Their contributions explain some of the general intellectual concepts and challenges, and the application of these ideas to public policy. We hope that the selections indicated here will inspire policy makers to consider the advantages of the free society, to further investigate the wide array of literature on these topics, and even to put these ideas into practice.

### ***Ideas that underpin a free society***

The interest here is mostly of a philosophical nature and span writers from the 6th Century BC until the present day. They include a wide ranging debate about both the meaning of freedom and its consequences. The greatest writers and thinkers on the subject are represented.

They cover the early development of a theory of the freedom of the individual in the 17th century and the birth of modern economics in the 18th century, bringing with it the case for maximum economic freedom. Increasing numbers of thinkers and writers joined the debate through the 19th century,

and then the 20th century saw an explosion in the literature about freedom, partly as a reaction to the scale and horror of the conflicts of that period and the growth of totalitarian regimes but also encouraged and enabled by the fast improving communications which provided greater access to the debate.

Although some make a case that complete freedom without a state is possible and preferable, most of these authors argue that government is necessary at least to limit the power of individuals to coerce others. The debate generally revolves around what scope and structure of government will provide the maximum freedom to individuals, because individual freedom is thought to be the key to development and progress.

The benefits are seen to come because individual freedom not only gives individuals greater satisfaction but also means they are more likely to serve the interests of their fellow beings than those who are directed by a central authority. There is a general agreement that prosperity and economic freedom are very closely linked.

John Locke, concluded that “men would not give up the freedom of the state of nature to be ruled by absolute arbitrary power but, for peace and security, they will submit to stated rules regarding rights and property”. He was a persistent champion of natural rights - the idea that each person owns himself and should have certain liberties that cannot be expropriated by the state or anyone else.

People have two conflicting desires. They want to be led but also want to remain free so they choose a system of popular sovereignty by which they select their own guardians, but can individual freedom be sufficiently protected if it is surrendered to the power of the people at large?

### **Policies for Freedom**

Assessment is made of the primary requirements of a free society and the results attained by freer and less free societies in terms of development and prosperity.

Further texts explain how to create the institutions that underpin such a society and then there are some examples of how freedom enables people to solve their everyday problems.

Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom.

The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property.

Economic freedom is almost 50 times more effective than democracy in diminishing violent conflict between nations. The impact of economic freedom on whether states fight or have a military dispute is highly significant, while democracy is not a statistically significant predictor of conflict. In addition to its important impact on peaceful coexistence among nations, high degrees of economic freedom have other significant advantages:

- Nations in the top quintile (one-fifth) in economic freedom have an average per capita GDP of US\$25,062, compared to US\$2,409 for those nations in the bottom quintile.

- The top quintile has an average per capita economic growth rate of 2.5 percent, compared to 0.6 percent for the bottom quintile.

- In nations of the top quintile, the average income of the poorest 10 percent of the population is US\$6,451, compared to \$1,185 for those in the bottom quintile.

- Unemployment in the top quintile averages 5.2 percent, compared to 13.0 percent in the bottom quintile.

- Life expectancy is 77.7 years in the top quintile compared to 52.5 years in the bottom quintile.

- In nations of the top quintile, only 0.1 percent of children are in the labor force, compared to 22.6 percent in the least economically free nations.

- Nations in the top quintile of economic freedom have an average score of 1.7 for political rights on a scale of 1 to 7, where 1 marks the highest level of freedom, and 7 the lowest level. The bottom quintile has an average score of 5.0.

The goal of the Index of Economic Freedom is to develop a systematic, empirical measurement of economic freedom in countries throughout the world.

The Index, however, is more than just a dataset based on empirical study; it is a careful theoretical analysis of the factors that most influence the institutional setting of economic growth. Moreover, although there are

many theories about the origins and causes of economic development, the findings of this study are straightforward: The countries with the most economic freedom also have higher rates of long-term economic growth and are more prosperous than are those with less economic freedom.

The seven principles for sound economic policy (are not original to Larry Reed, but have been collected by him.) They are not the only pillars of a free economy but they comprise a powerful package for government and if every legislator understood them and attempted to implement them the world would be a freer, stronger and more prosperous place

General observation indicates that those in planned and controlled economic systems experience stagnation while those in freer open societies experience growth. It then describes those institutions that have been proved to encourage growth as well as creating free, peaceful and just societies.

Harold Demsetz develops the theory of property rights to show how private property creates incentives so that those who stand to benefit from any actions also pay the costs associated with them.

In a successful economy, formal rules are aligned with informal norms and foster entrepreneurial activity by defining and enforcing property rights.

Economic policy and social reform must establish an institutional framework that allows for socially productive entrepreneurial activity to flourish by reducing the cost of engaging in such activity.

When property rights are secure and divisible, they form the basis for trade and markets and unleash entrepreneurship and economic prosperity.

Scholars and policymakers are beginning to recognize that property is a key building block of a prosperous society and must be part of any sustainable development program. However property rights reforms will fail if policy makers do not appreciate what makes property regimes function in the real world.

The special report by the World Bank analysis team looks at the factors that get in the way of economic growth.

The conclusion is that there is observational evidence to confirm that businesses in poor countries face larger regulatory burdens than those in

rich countries and heavy regulation and weak property rights exclude the poor from doing business.

Indicators on business regulations and their enforcement are compared across 145 countries and areas for reform and the reforms that are beneficial and those that are detrimental are defined and explained

The capital in capitalism is not just "money". Rather, it is a framework within which money is used. This framework includes highly developed property rights mechanisms

As the property systems of Western nations were refined they developed these mechanisms. They enabled and encouraged capital to be formed and used for wealth creation without undue risk of arbitrary loss.

In developing countries the poor do not lack entrepreneurship, and from small beginnings they often have enough resources, and even money, to make their early economic activity grow. However, without the appropriate legal and political mechanisms that enable them to rely on a formal property system, they are unable to generate capital and the larger scale prosperity that comes with it.

Five lectures delivered in Argentina by Professor von Mises in 1958 offer key insights into the role of government in policy making.

The essence of von Mises' message is that "Ideally government should be a sort of caretaker, not of the people themselves, but of the conditions which will allow individuals, producers, traders, workers, entrepreneurs, savers, and consumers to pursue their own goals in peace. If government does that, and no more, the people will be able to provide for themselves much better than the government possibly could".

If poverty is to be alleviated by government it must be aimed at people who are poor rather than part of a particular group.

A negative income tax is one way that has been proposed to do this. The danger is that whereas the great majority would willingly tax themselves to help an unfortunate minority (like free donations & Zakat among Muslims), the system may become converted to one under which the majority imposes taxes for its own benefit on an unwilling minority.

The accepted wisdom amongst development experts is that state schooling is the only way forward. However parents in their thousands are fleeing from the low quality of state education in Africa and Asia, and turning to private schools, which are producing better results at a fraction of the cost.

### **Some background of the IRAQI economy & privatization:**

Privatization is the conversion of businesses from government ownership ship to private property. This can involve the denationalization of industry as well as allowing the private sector to provide what had been considered government services.

Until the mid-1970s the proportion of economic activity controlled by the government and the share of taxes in national income tended to increase in most countries. Since then, however, challenges to this growth in the role of government have become increasingly influential, and moves to privatization have been common.

There are several types of privatization. One involves the sale to private owners of state-owned assets, and this is most correctly called privatization. Publicly owned houses may be sold to their occupants. Commodity stockpiles may be reduced or disbanded. Increasingly, however, attention has been turned to the sale of publicly owned industries, thus reversing the move to nationalization that occurred, particularly in Western Europe, around and after World War II.

Where the privatized industry operates in a competitive environment, no new problems arise. Singapore has privatized its airline system, for example, which now competes with a mixture of privately and publicly owned international airlines. Where privatization occurs but monopoly continues, however, there are new difficulties. Both Japan and the United Kingdom have privatized their telecommunications networks. Although, in certain limited areas of telecommunications, competition is possible—and has been allowed to develop in both the United States and Britain—technical and legal restrictions inhibit competition in many sectors of the industry.

Regulation is necessary, therefore, to restrict the freedom of privatized monopolies, or near monopolies, to raise prices and to exploit consumers in other ways. In the United States, which has by far the longest history of regulating private utilities, such regulation has normally limited the rate of return that they earn to what is considered a fair level. A disadvantage of this is that it may give the industry no greater incentive to increased efficiency than would exist in public ownership, since higher costs can be passed directly onto consumers. There have been experiments, therefore, with other forms of regulation, which seek to strike a balance between incentives for better performance and the ability to exploit consumers.



A further problem for such regulation is that utilities and similar industries normally operate in both competitive and monopoly markets. They may be inclined to use their monopoly power in some areas to gain unfair competitive advantages in others. Despite these difficulties, an increasingly wide range of industries, ranging from water supply to airports, are now considered candidates for privatization.

Privatization can also mean the dismantling of existing statutory restrictions on competition. State activities are often protected by legal prohibitions on competing private enterprise. German railways, for example, are entirely state-owned, and the law not only prevents competing railroads but severely restricts coach services and limits competitive trucking. The dismantling of such restrictions is seen as one method of improving the efficiency of state concerns.

Another demand of privatization is the contracting out of publicly provided services. U.S. municipalities have often entrusted activities such as refuse collection, and in some cases even fire service, to private contractors, and European countries are increasingly experimenting with similar schemes. These possibilities demonstrate that a service may be government-financed but not necessarily provided by the government; if extended more widely, the concept could yield a different view of the economic role of the state.

While the objective of privatization is often to increase the efficiency of government activities, its implementation may also have important effects on government revenue. Any savings that result from lower costs lead directly to lower tax rates. Where budgeting procedures do not distinguish between capital and current transactions, the proceeds of privatization sales provide a once-and-for-all boost to revenues. The availability of this source of funding for state activity has given an artificial attractiveness to privatization, especially in the United Kingdom. If an industry is sold for the present value of its expected earnings and if these earnings are the same in public and private ownership, privatization should have no net

impact on public finances. If it is expected to be more efficient in the private sector, government finance, on balance, gains. If it is sold for less than the maximum revenue that would be obtained—and this is often the case, either because of the difficulty of selling assets as large as nationalized industries or because the government wishes to secure a wide dispersion of share ownership—the impact is likely to be negative.

Iraq's economy was based almost exclusively on agriculture until the 1950s, but after the 1958 revolution economic development was considerable. By 1980 Iraq had the second largest economy in the Arab world, after Saudi Arabia, and the third largest in the Middle East and had developed a complex, centrally planned economy dominated by the state. Although the economy, particularly petroleum exports, suffered during the Iran-Iraq War—gross domestic product (GDP) actually fell in some years—the invasion of Kuwait, Iraq's subsequent defeat in the First Persian Gulf War, and the UN embargo beginning in 1990 dealt a far greater blow to the financial system. Little hard evidence is available on Iraq's economy after 1990, but the best estimates available indicate that, in the year following the First Persian Gulf War, GDP dropped to less than one-fourth of its previous level. Under the UN embargo the Iraqi economy languished for the next five years, and it was not until the Iraqi government implemented the UN's oil-for-food program in 1997 that Iraq's GDP again began to experience positive annual growth.

Oil production and economic development both declined in the aftermath of the Second Persian Gulf War, and the economy has continued to face serious problems, including a huge foreign debt, which has accumulated since the early 1980s largely through heavy war expenditures and continued high military spending. Other serious problems include a high rate of inflation; continuing political violence; an oil sector hampered by a shortage of replacement parts, antiquated production methods, and outdated technology; a population that has steadily moved away from agriculture; a high rate of unemployment; a seriously deteriorated infrastructure; and a private sector inexperienced in modern market practices. In the immediate aftermath of the 2003 conflict, the oil-for-food

program was ended, sanctions were lifted, and civil administrators appointed by the United States took over Iraq's public sector.

Oil revenues almost quadrupled between 1973 and 1975, and, until the outbreak of the Iran-Iraq War, this enabled the previous regime to set ambitious development goals, including building industry, reducing the quantity of imported manufactured goods, expanding agriculture (though Iraq has not attained self-sufficiency), and increasing significantly its non-oil exports. Investment in infrastructure was high, notably for projects involving irrigation and water supply, roads and railways, and rural electrification. Health services were also greatly improved. War with Iran in the 1980s, however, delayed many projects and heavily damaged the country's physical infrastructure, especially in the southeast, where most of the fighting occurred. There was little reprieve after the war was over, as the First Persian Gulf War further devastated Iraq's infrastructure and undid many of the advances of earlier decades. Attacks by the U.S.-led coalition mainly affected the communication and energy systems. When electricity failed, other systems were seriously affected, and a lack of spare parts led to further deterioration. In many parts of the country, these conditions persisted into the 21st century and were worsened by the 2003 conflict.

### ***State control***

Under the socialist Ba'ath Party, the economy was dominated by the state, with strict bureaucratic controls and centralized planning. Between 1987 and 1990 the economy liberalized somewhat in an attempt to encourage private investment, particularly in small industrial and commercial enterprises, and to privatize unprofitable public assets. Entrepreneurs were encouraged to draw on funds that they had managed to transfer abroad, without threat of government reprisal or interference, and the government was able to divest itself of a number of enterprises. Yet, generally speaking, the privatization policy did not do well, mainly because elements within the bureaucracy and the security service—fearing that this course of action imperiled their interests and obviated socialist policy—objected to it but also because potential investors feared that the government might arbitrarily reverse the plan. In addition, many of the public assets offered for sale were unprofitable. After Iraq invaded Kuwait, the privatization policy died out, though private enterprise continued in the form of small- and medium-sized businesses and light industries.

### **Basic elements & agreement main- standpoints:**

It is almost a commonsense now that the choice and distinction between public and private spheres & ownership that is based on ideological terms of reference, has become increasingly obsolete, and should be skipped and altered by more pragmatic criteria.

A-The first thing, I believe essential to stress, is that there will be no promising future for progress & development in Iraq without establishing,( as a principal foundation), that that target can not be attained without giving full opportunity to adopting privatization.

B-Secondly, and because of the socio-political sequence that has taken hold& dominance in Iraq (especially over the last few decades),it has become evident that (privatization) as a mechanism & approach can not be handled by endogenous private capital, but it needs, more than ever before, the pioneer ship and contribution of foreign capital.

C-In order to safeguard and maintain a serious role of private sector in Iraq, there should be a parallel tent of proper political mechanism in that country, and that could not be other than Democracy.

D-Generally, in all the (so-called) developing countries, and especially in Iraq, Democracy is not a simple (chemical) formula that might be copied (and applied everywhere), irrespective of the valid environment.

The fact that has enforced itself, so far, is that, for democracy to be valid& applicable there should be some prerequisites on the socio-political level

E- From the above-mentioned perspective, one can easily infer that a serious research on the prospects of privatization in Iraq cannot ignore the socio-political implications that involve the process. Therefore, any over passing or skipping of these facts will endanger the whole process of privatization.

Hence,( and stemming from the briefly mentioned stemming points) it is (hopefully) evident to you, that I am not going to focus on the executive measures of privatization in Iraq(assuming that all other prerequisites are proper),but I am going to indicate as well-briefly or properly- the socio-political implications, as far as they represent obstacles or hindrances before privatization.

Many economists disagree, that Democracy is a pre-requisite for privatization, and that (if any thing, it works the other way), and they mention many examples to substantiate this standpoint.

However, what we find it difficult for us to comprehend & reconcile, is this: ( Since “security is a huge concern in IRAQ”....and-as many economists indicate, that- they are not sure whether it will be possible under such conditions or would be interested...etc.),then that will put a dead lock for any prospects for both of Democracy & Privatization in IRAQ. In other words, if privatization in IRAQ is not possible without security, and since privatization is a prerequisite for democracy, then we are facing a vicious circle, almost similar to the well-known vicious circle of saving-accumulation in the theory of economic development & economic backwardness.

If we will keep our vision of democracy as the same (chemical) formula, which is valid in western countries, then that dead lock puzzle is a sure end. However, that dead lock will not only jeopardize privatization, as such, but globalization, as well.

Scientifically & logically, there should be some clue out, but this will need whole work-project, and not a simple casual research.

Meanwhile, we do like to mention that the clue out which I am indicating, should be both scientifically & humanely possible, of a sort that has no relation-whatsoever-with the so-called(constructive chaos).

We might indicate here that, even if privatization could be a big mistake creating not market but oligopoly, actually this result will be a minor issue that might take place only in the short-run, and it will be (a minor by-product), if we are to compare it with the vices of collective economic regimes.

We do not want to occupy much of your time in trifle dialogue; therefore we will have to use hints & innuendos.

However, we do care about making the case of Iraq as clear as possible, before every body that have real objective interest in the factual conditions of this country.

It is understood that scientists, more than nonprofessionals do, care about factual truth.

We feel extremely satisfied that you have come to terms on a wide range of the major issues, though some indicate that they: don't believe democracy is necessary for privatization or for increasing prosperity, but they (do believe that democracy is essential to the overall well-being of people in the long run). That means as privatization is undertaken and free markets developed; democratic institutions – like a free press, and impartial legal system, freedom of speech, etc. – must also be nurtured.

We sincerely wish that, there were such a magical mechanism (or sequence), that can ensure the indicated happy end, in IRAQ (that we know).

There is no assured empirical evidence that can guarantee that an historical correlation that took place in some western countries will repeat itself in other countries, irrespective of the social environment, that represents- in it- an historical constrain.

One of the fatal errors of the Historicism is its exaggerated reliance on the repeated patterns of human history, which trapped it into neglecting of social environment and social facts-as a by-product of the economic factor-.

To be more precise & specific, we should say that, in IRAQ, issues like free press, an impartial legal system, freedom of speech, and other democratic institutions, will be hampered by the theological institution, and sectarian attitude that, will impede-or at least thwart, the normal process of privatization in this country. we can safely say that, unless there should be a checking factor to these social constrains, no prediction will be possible, about how long we should wait for privatization & democracy in IRAQ, to be attained, if we are really serious about fulfilling this goal.

We firmly believe that any policy making for the future of Iraq is going to be a mere tinkering, unless it will take seriously, these factual considerations.

In addition, if we really care about scientific economic indices( like cost-benefit, externalities analysis..., etc), we should decide today, rather than tomorrow, what sort of measures we will take, and what sort of people we need to deal with, in order to make privatization & democracy possible and feasible in Iraq.

However, when making calculation ,we should focus on the long run, because when the priority is given for the short run, we will be so short-sighted as to misjudge the micro (vested interests),to be a real macro

broad .Only then we will realize that the best interests of all parties(Global,U.S.A,Iraq)will coincide.

Despite of seemingly pure political evidences that might be suggested by modern history of the world ; the choice between public and private activities, and sectors has never been divorced from the social and historical implications that take place at a given time in urban centers....., because these centers always take the lead & the reign in any cultural & social atmosphere

The process of Enlightenment in Europe, had started and triggered from the urban centers.

This historical fact that has led to the modern Liberal and secular regimes in Europe (and the advanced world at large), suggests that we can not expect similar Enlightenment and hence similar process of change, unless we trigger first a proper change in urban centers of the underdeveloped countries of the world.

And even in the present day underdeveloped countries, history can tell us that any epoch of relative progress in any of these countries, was linked and fermented by a push of positive change in urban centers. The history of IRAQ during the Abbasid epoch is a good example on this. Even so, when Baghdad -the main urban center- was destroyed by the Mongols invasion; the whole process was set on a counter direction, i.e. the whole country was set on retardants. This proves a decisive fact: that any change that might take place in urban centers will finally be echoed all over the country, whether the change is positive or negative.

By the same token, history confirms that the process of the Enlightenment, and the secular state that was produced by the Enlightenment, was triggered in urban areas, as a result of certain changes that took place in that areas.

## **Factors behind infringing private sector & expanding public sector in developing countries:**

An economic system represents the approach or the methodology, according which human societies may prepare and direct the available resources. Although some might think that there are wide range of varieties of economic systems or approaches, parallel to the range of variation of culture and education of human societies, but empirical facts prove that despite the range of difference of institutions and social modes of behavior that have endowed economic activities of societies, there are- still-very limited approaches or methodologies (systems) that might be distinguished. Actually, history has recorded three main economic systems namely: those that stem from social traditions, and those that are based on command-or coercion-, and those whose central organization is market; i.e. free economy.

The limited main types of economic system indicate that the basic dimension of any economic system lays in a pivotal target that all the measures should deal with, namely to coordinate between economic activities, so as to reach consistency that will enable maintaining social order and supplying the necessary goods & services.

Thus it is possible to classify the main objective of an economic system into two tasks. The first is the production of goods & services but this task needs the allocation of resources-especially the most valuable, (i.e. human resources). The second task is the subject of distribution. It is worth to note here that the proper approach of distribution should enable each social group to contribute and perform its role within an historical epoch, as to attain the best economic results. We should mention here that despite the cautions and reservation that might arise about it, the system of distribution that has been adopted in the western countries, has enabled the most active social groups, to make their best contributions, and there by, to attain the best economic results, over the last three centuries. While we can note parallel to that-in most developing countries-that the tendency to burn (or skip) historical stages of social process; under the pressure of political propaganda has ended in disabling and frustrating the contribution of the most active social group in economic progress- namely the entrepreneurs-

It is a matter of fact that the market system is apt to trigger both pressures and stimulations, but the incentives that it invokes, in relation to gains and losses, are not –usually- under the control of one person or a group of persons, but are the “outcome of the system “itself. When we consider it deeply, we will find that the “outcome of the system “is nothing



but the endeavor of individuals after getting higher and more gains, by endeavoring to supply whatever the other persons want to purchase.

There are various factors behind infringing private sector and expanding public sector, in the bulk of economic activities of the developing countries but we can sum-up the most important reasons, in the following items:-

A-The aspirations for attaining development are capable of creating such trends that are prone to follow drastic measures on the social level.

This might be accompanied by social and political unrest. But the latter will, in itself, thwart economic development, and in particular the initiation, and the contributions of the private sector.

B-As the governments of the developing countries, have found that they are obliged to ask for – and take – loans from abroad, they came to realize that they have some financial resources available to be used directly by the governments themselves, to finance public projects, rather than private, especially when the latter does not show enough propensity to invest.

C-It is worth mentioning, in connection with foreign loans, that the lending countries (& agencies), during the fifties and sixties of the last century, were inclined to demand that the government should either spend the loans on public projects, or on joint projects with the private sectors.

D-The domestic (or local) political variable: We can note, in this respect, that under the urge of winning wider political support; many governments in developing countries, have rushed, during the second half of the twentieth century, to adopt slogans that did not match with the stages of social and economic change, even from Marxist stand-point. Thus, under that same urge, many governments in developing countries found that they can expand job-opportunities, by expanding public sectors, rather than private sectors. Actually, some governments in developing countries went further and nationalized some projects of private sectors.

E-The influence of many elements- including the limited size of the infrastructure, and the prevailing social conditions that we will elaborate on further, shortly.

### ***Some main results of infringing private sectors:***

The most important outcome of infringing private sectors is sacrificing the considerations of attaining economic positive economic results in the long run. Among the most critical sacrifice, is limiting and constraining the managerial (and organizational) efficiency of private sector (which led economic progress in western countries and has taken the predominant role in that progress).

But certainly, it is also among the most critical negative results of shrinking private sector, is the decline of economic surplus as a result of sacrificing economic feasibility, and the widespread waste in utilizing

resources, in public projects of the developing countries.

It is also important to indicate that the expansion of public sectors has led, in many developing countries, to exacerbate the phenomenon of disguised unemployment, which tends to create a norm (or mode) of unsatisfactory institutional behavior among the employees, that will tend to continue (and maintain itself) over time. This latter result is among the most important causes of declining labour productivity in developing countries.

Certainly, the mistrust of private capital towards government included fears of possible confiscation of property or political revenge and imposing heavy taxes, or even the possibility of high inflation that might be created by economic policies of governments, all will push the domestic private capital to escape abroad, or in less drastic cases to hoarding, or to speculation instead of investment in productive projects.

### ***Prospects of privatization in Iraq:***

As in other developing countries, we can observe that infringing the role of private sector, has come as a result of many variables & elements, the most important among them was the implication and consequence of the political factor, including its drives and deficiency of the infrastructure, which contribute to declining marginal efficiency of capital, and hence to the decline of the propensity of private capital to invest. The latter result pushes private capital towards shrinking or limiting its activity to a narrow corner of peripheral sphere, such as speculating in exchange of bonds. But this result (in turn), will end in depriving local private sector from the possibility of developing any skill of entrepreneurship that will enable it to manage and direct economic projects, and there by, to make positive results.

Another fact that might be added in this respect, is namely that some margin of liquid capital owned by individuals in IRAQ (probably a big margin) might represent the so-called "wind-fall gains" that were proffered for some persons, prior to the fall of the previous regime, and the American occupation of IRAQ.

Irrespective of the last remark, one can say that the future contribution of private liquid capital in Iraq, in the process of privatization, will require a reasonable sum of social & political stability, and an obvious set of political system. It will also be necessary for the same purpose to rehabilitate and activate the available infrastructure in Iraq.

We believe that the first steps in the process of privatization in IRAQ will start-totally or partially-through the contribution of foreign capital ; because this will give signs of confidence to the domestic capital, concerning the economic feasibility of taking part in privatization ; and

that this progress will tend to take a lasting pace. And in general, the process of privatization (whether in IRAQ or the international level) will be overlapped with the process of globalization (i.e., the former is going to be a step towards the latter).

Obviously, globalization has come to be an indispensable target for the developed world, prior to the crisis of stagflation that has seized the leading western countries since the mid of 1970's.

### ***Privatization in IRAQ & the socio-demographic element***

It is very important to examine briefly, some of the implications of privatization, in relation to the socio-demographic variable in IRAQ.

We think that it is very important to take into consideration that one of the crucial taints of the social mentality in Iraq, is that people consider the government as the main protector or advocator of social interests. This attitude represents an extrapolation of the so-called patriarchic mentality, which is (in turn) an outcome of the tribal system. In other words, the government represents, at least from psychological point of view, the head of the tribe. This same fact has (so far) encouraged and facilitated totalitarian regimes in Iraq & in the Arab region at large.

Though this last remark might seem closer to the socio-political element, we believe-nevertheless-that it is apt to raise an important dimension, in relation to the policy (and process) of privatization in Iraq. It is important to indicate here, that any step towards privatization should be accompanied (in due time) with other official measures that are capable of proving that privatization does not necessarily means the abolishing of the protective (or patriarchic) role of the government. We can suggest in this respect enacting of legislations of unemployment subsidies & social insurance.

Generally speaking, the measures of privatization will need some steps in the sphere of mass media, which should focus on the economic virtues of privatization.

### ***SOCIAL-DEMOGRAPHIC IMBALANCE (PRIVATIZATION AND DEMOCRACY)***

When we take into consideration that the political variable has played a critical role in infringing private sector in Iraq, we are obliged to consent that the successes and activation of privatization, will decisively depend on the successes and continuity of the democratic choice on the political level-on one hand-and on creating job opportunities (and there by) absorbing some of the unemployment, on the other hand. In this respect,

we believe that the demographic imbalance is apt to raise two dimensions of consideration, one in the direct economic sphere and the other is in the social sphere (through it may contain serious economic results). But before proceeding, we need first to indicate what do we mean by demographic imbalance? In this respect, our term of reference for diagnosing this imbalance consist of the pattern of population movement that has taken place in Western Europe, (i.e. rural-urban migration).

By and large, population movement – (or rural-urban migration) in Western Europe, has been linked with expansion of industry and service in urban areas. This fact has enabled urban areas of Europe to achieve two important results:

- a Absorbing the bulk of the transferred population in real productive jobs (and under new production relations) not in peripheral activities.
- b The new production relation and the new institutions that have accompanied them have collaborated together, so as to create new modes of behavior and social values that are suitable to the mode of socio-economic relation. This socio-economic transformation, has led to either infringing or neutralizing the social values of kinship (i.e. tribal values), and to the privatization or neutralization of religious & sect affiliations. This result, in turn has facilitated the acceptance & proliferation of the so-called "Enlightenment" which has enable to public concession over democracy & secular choice.

Parallel to that, we find that in most of the developing countries (especially the oil producing), the rental structures of their economies have led to large currents of migration from rural to urban areas, without proper & enough expansion in the modern production sector of the urban areas.

Actually, the rental economies have provided financial resources that enable the expansion of job opportunities in varieties of peripheral spheres, such as military & security forces, government services, peddlers....etc. The average of incomes (that has exceeded their previous incomes in rural areas), obviously meant that it is no longer possible to adopt the so-called labour intensive techniques of production.

Within relatively few decades, and as a result of rural-urban migration, the original urban populations have come to represent minority in the bulk of the inhabitants of urban areas, (and in particular the capital). The predominant social values in urban areas have become tribal & sect oral tainted.

As far as Iraq is concerned, the nomadic culture represents an extension

or extrapolation in the rural areas, i.e. there is no clear cut distinction between rural and nomadic culture. The most critical taint of the nomads, is their inability to accustom (or adjust) themselves to laws and to civil life, their incessant risings against authority that does not match their tribal & sect oral affiliation. Thus we can conclude that the urban areas in many developing countries (Iraq in particular), have become dominated by nomadic culture & modes of behavior. Unfortunately, this mode of behaviors have become in itself an institution that will impede and thwart other institutions that are necessary for democracy and the further expansion of privatization. Ironically speaking, one can say that under such socio-political & economic environment, all sorts of (naked, priestly) powers might pervade. The whole society will be open to schisms between leaders & followers, and the possibility of taming will be extremely difficult.

### **Looking ahead: GLOBALIZATION & its Prospects:**

Globalization is the process by which the experience of everyday life, marked by the diffusion of commodities and ideas, can foster a standardization of cultural expressions around the world.

An extreme interpretation of this process, often referred to as globalism, sees advanced capitalism, boosted by wireless and Internet communications and electronic business transactions, destroying local traditions and regional distinctions, creating in their place a homogenized world culture. According to this view, human experience everywhere is in jeopardy of becoming essentially the same. This appears, however, to be an overstatement of the phenomenon. Though homogenizing influences do indeed exist, people are far from creating a single overarching world culture.

### **Emergence of global subcultures**

Some observers argue that a rudimentary version of world culture is already taking shape among certain individuals who share similar values, aspirations, or lifestyles. The result is a collection of elite groups whose unifying ideals transcend geographical limitations

One such cadre, according to political scientist Samuel Huntington in (*The Clash of Civilizations*, 1998), comprises an elite group of highly educated people who operate in the rarefied domains of international finance, media, and diplomacy. (Named after the Swiss town) that began hosting annual meetings of the World Economic Forum in 1971, these “Davos” insiders share common beliefs about individualism, democracy, and market economics. They are said to follow a recognizable lifestyle, are instantly identifiable anywhere in the world, and feel more comfortable in each other's presence than they do among their less-sophisticated compatriots.

The globalization of cultural subgroups is not limited to the upper classes. Expanding on the concept of Davos culture, sociologist Peter L. Berger observed that the globalization of Euro-American academic agendas and lifestyles has created a worldwide “faculty club”—an international network of people who share similar values, attitudes, and research goals. While not as wealthy or privileged as their Davos counterparts, members of this international faculty club wield tremendous influence through their association with educational institutions worldwide and have been instrumental in promoting feminism, environmentalism, and human rights as global issues. Berger cited the antismoking movement as a case in point: the movement began as a singular North American preoccupation in the 1970s and subsequently spread to other parts of the world, traveling along the contours of academe's global network.

Another global subgroup comprises “cosmopolitans” who nurture an intellectual appreciation for local cultures. As pointed out by Swedish anthropologist Ulf Hannerz, this group advocates a view of global culture based not on the “replication of uniformity” but on the “organization of diversity.” Often promoting this view are nongovernmental organizations (NGOs) that lead efforts to preserve cultural traditions in the developing world. By the beginning of the 21st century, institutions such as Cultural Survival were operating on a world scale, drawing attention to indigenous groups who are encouraged to perceive themselves as “first peoples”—a new global designation emphasizing common experiences of exploitation among indigenous inhabitants of all lands. By sharpening such identities, these NGOs have globalized the movement to preserve indigenous world cultures.

Another group stems from the rise of a transnational workforce. Indian-born anthropologist Arjun Appadurai has studied English-speaking professionals who trace their origins to South Asia but who live and work

elsewhere. They circulate in a social world that has multiple home bases, and they have gained access to a unique network of individuals and opportunities. For example, many software engineers and Internet entrepreneurs who live and work in Silicon Valley, California, maintain homes in—and strong social ties to—Indian states such as Maharashtra and Punjab.

The persistence of local culture

Underlying these various visions of globalization is a reluctance to define exactly what is meant by the term culture. During most of the 20th century, anthropologists defined culture as a shared set of beliefs, customs, and ideas that held people together in recognizable, self-identified groups. Scholars in many disciplines challenged this notion of cultural coherence, especially as it became evident that members of close-knit groups held radically different visions of their social worlds. Culture is no longer perceived as a knowledge system inherited from ancestors. As a result, many social scientists now treat culture as a set of ideas, attributes, and expectations that change as people react to changing circumstances. Indeed, by the turn of the 21st century, the collapses of barriers enforced by Soviet communism and the rise of electronic commerce have increased the perceived speed of social change everywhere.

### ***The persistence of local culture***

The term local culture is commonly used to characterize the experience of everyday life in specific, identifiable localities. It reflects ordinary people's feelings of appropriateness, comfort, and correctness—attributes that define personal preferences and changing tastes. Given the strength of local cultures, it is difficult to argue that an overarching global culture actually exists. Jet-setting sophisticates may feel comfortable operating in a global network disengaged from specific localities, but these people constitute a very small minority; their numbers are insufficient to sustain a coherent cultural system. It is more important to ask where these global operators maintain their families, what kind of kinship networks they rely upon, if any, and whether theirs is a transitory lifestyle or a permanent condition. For most people, place and locality still matter. Even the transnational workers discussed by Appadurai are rooted in local communities bound by common perceptions of what represents an appropriate and fulfilling lifestyle.

We now have a name for the dominant reality of the post-cold-war epoch: globalization. Thomas Friedman rightly describes globalization as an all-embracing phenomenon shaped by global capitalism. He approaches the topic in a remarkably comprehensive fashion, offering an overview of six no longer separable dimensions: politics, culture, technology, finance, national security and ecology

Friedman, a foreign-affairs columnist for the *New York Times*, has a very readable, journalistic style. Brilliantly selected anecdotes and personal reminiscences communicate what is going on around the world. Much of his account is neutral. He describes globalization and allows readers to respond favorably or unfavorably, to be excited or appalled. Whereas the cold war was fought over the views of Karl Marx and Geoffrey Keynes, "who each in his own way wanted to tame capitalism," the current era unleashes capitalism to perform its essential work for re-shaping & re-adjusting the world-wide economy.

Demonstrations in Seattle and Prague, passage of NAFTA and GATT, talk of multinational businesses and multinational markets—the third millennium opened as the era of globalization. Growing in popular use during the 1990s, this term describes a world with porous borders. Today money, goods, and services readily cross national boundaries. Instantaneous messages and enormous libraries of information flash across the Internet. Television, telephones, and wireless communications link people everywhere. Political, economic, and environmental developments have planetary impact: Global warming exemplifies this situation both as an effect and as a name.

Unique as the modern world seems to be, globalization has been developing for a long time. The pace of trade, travel, and communication is much faster now, but people have always spread out, always dealt with others outside their own societies. Such interactions have been critical to history. Only the speed of change has changed.

#### Globalization Begins: Out of Africa

The first and perhaps most crucial globalizing process was the migration of human beings from the birthplace of the species to other continents. For several million years, humans stayed in Africa, their original homeland. About 1.5 million years ago, *Homo erectus*, an ancestor of modern human beings, walked out of Africa and established communities throughout much of the Eastern Hemisphere. About 100,000 years ago, *Homo sapiens*,



our own species, also left Africa. By about 10,000 BC *Homo sapiens* was present throughout virtually the entire habitable world.

#### Shipping and Shopping in Ancient Times

Soon after people settled down to work the land, they began to trade with other societies, nearby and far away. The wheel and sailing vessels, both invented about 3500 BC, sped travel throughout the Eastern Hemisphere. By 100 BC heavily traveled trade routes such as the famous Silk Road carried goods and ideas between China and the Roman Empire.

#### Food for Mind and Body

Profits on trade in luxury goods justified the costs and risks of long-distance shipping in the ancient world. In addition to Chinese silk, merchants exchanged African gold, Roman glassware, and spices from Southeast Asia and India. Awareness of these desirable commodities increased demand and so multiplied the traffic. And the goods carried information: regional clothing and cooking styles, and techniques of metalwork and decoration reached people on the other side of the globe from their points of origin.

New food crops providing improved nutrition for everyone followed along the roads and sea-lanes that served privileged classes. After the 8th century AD, plants such as sugarcane, eggplants, artichokes, melons, and oranges spread from India and southeast Asia to the Mediterranean region and north Africa, where they enhanced diets and led to rapid world population growth.

#### Death and Religion

Material well-being was not the only cargo carried by caravans and caravels. Early traders and travelers transmitted diseases such as measles, which came from China to the Roman Empire as early as the 3rd century AD. In the 14th century plague spread throughout the Eastern Hemisphere.

With these new fears came new consolations. Buddhism, Christianity, and Islam all spread from their points of origins and attracted converts in foreign lands. Missionaries and scholars found protection among commercial voyagers and a welcome for strangers in the centers of exchange.

### **Exploration, Exploitation?**

As means of transport improved, the hope of gain opened new trading and migration routes. After Vasco da Gama led Portuguese vessels around the Cape of Good Hope, Atlantic ports could trade with the Indian Ocean

directly. Following the voyages of Christopher Columbus and Ferdinand Magellan, Spanish treasure galleons crossed the Atlantic and Pacific oceans on regular schedules. On islands from New Zealand to Hawaii, Europeans encountered the descendants of daring mariners who had colonized this region centuries earlier.

The rapid discovery of so many new opportunities led to aggressive forms of competition. Armies and navies battled to defend monopolies claimed by monarchs and their favorites, and by such new business organizations as the East India Companies. In the Western Hemisphere, the Aztec and Inca empires fell to Spanish invaders. France and Britain contested control of North America until American colonists took much of it for themselves. Waged always with an eye on commercial advantage, conflicts between these three European Atlantic powers—Spain, France, and Britain—were the first true world wars. Still closer to our own time, the interests of trade led to the Opium Wars in China and to the arrival of Matthew Perry's U.S. gunboats in Tokyo Bay.

Though these conflicts were terribly destructive, they were part of the process that has brought about modern society. Trade, travel, and communication take place at a much faster rate today than in times past, but contemporary interactions emerged directly out of cross-cultural contacts and exchanges with deep historical roots.

### ***Seeds of Globalization***

The term "globalization" refers to the increasing interconnectedness of nations and peoples around the world through trade, investment, travel, popular culture, and other forms of interaction. Many historians have identified globalization as a 20th-century phenomenon connected to the rise of the Western-dominated international economy. However, extensive interaction between widespread peoples, as well as travel over vast distances across regions of the world, has existed for many centuries. By 1000, the seeds of globalization had already taken root in the eastern hemisphere, particularly in the lands bordering the Indian Ocean and South China Sea. These were the most dynamic regions in the world at that time, and their interactions were extensive.

To understand how globalization first took root between 1000 and 1500, one must focus on contact between distant peoples in Asia, especially contact carried on through long-distance trade. Interregional trade has been a major force throughout world history because it fosters other forms of exchange, including the spread of religions, cultures, and technologies. For many centuries, the most outstanding example of overland interaction was the Silk Road, a trade route through Central Asia. Maritime trade

flourished as well; the Indian Ocean became the heart of the most extensive seagoing trade network in the premodern world. Islamic merchants dominated this network, spreading their religion far and wide. Islamic expansion established a huge cultural region that stretched across the entire eastern hemisphere. Trading ports such as Melaka in Malaya became vibrant, globalized centers of international commerce and culture. Chinese ships would later follow this trading network in undertaking the greatest oceanic explorations in world history to that point. This exploration confirmed the crucial role played by this Afro-Eurasian maritime commerce and the dynamism of some Asian civilizations. The exchanges across Asia at this time, including the spread of Islam, were significant enough that we can speak of a globalized economy and culture.

### **Trade and Interregional Contact**

One characteristic of globalization in the modern age has been expanding commerce between countries around the world. The roots of this phenomenon reach far back in history. Long-distance trade routes grew out of the transportation systems that developed out of the need to move resources by land and sea. In turn, trade and expansion led to increased contact between different civilizations and societies. This contact enabled Indian influence, including that of Buddhism, to spread over the land and sea trading routes into Central Asia, Tibet, China, Japan, and Southeast Asia between 200 BC and AD 1500.

From around 200 BC to around AD 1000, the most significant example of interaction and long-distance trade was the Silk Road, which stretched across central and southwest Asia, linking China to India, western Asia, and the Mediterranean. Along the Silk Road, goods, people, and ideas traveled thousands of miles between China, India, and Europe. Silk, porcelain, and bamboo from China were carried west across the deserts, mountains, and grasslands to Baghdad and the eastern Mediterranean ports, and then shipped by sea to Rome.

The maritime system established on the Indian Ocean grew more important between 1000 and 1500, eventually surpassing overland trade. The oceanic routes between Southeast Asia and the Middle East greatly expanded. Traders from Arabia, Persia, and India visited the East African coast, and many Asians and Africans enjoyed a long period of lucrative and relatively free seagoing trade.

### ***The Silk Road and the Mongol Empire***

Between 1250 and 1350, the Mongols established and controlled the largest land empire in world history. This empire stretched from Korea to Vienna, placing a huge bloc of the world's population under Mongol control. The Mongols brutally conquered Siberia, Tibet, Korea, Russia, much of Eastern Europe, Afghanistan, Persia, Turkey, and parts of Arab civilization in the Middle East. Western Europeans were too remote and underdeveloped to give reason for conquest and thus did not suffer the ravages experienced by other peoples. In 1279, China, a more formidable foe and tempting prize than Western Europe, was added to the Mongol-ruled realm.

One cannot underestimate the importance of the Mongol era to world history or its role in establishing an early form of globalization. In the 20th century, globalization enabled Western technology to reach other parts of the world. Some historians consider the Mongols the great equalizers of history because during their rule, they permitted the transfer of technology from the more developed East Asia to the more backward Western Europe. They did this by reopening and protecting the Silk Road, however briefly. During the Mongol era, Chinese inventions such as gunpowder, printing, the blast furnace, silk machinery, paper money, and playing cards found their way to Europe, as did many medical discoveries and such domesticated fruits as the orange and lemon. The Mongols paved the way for greater global communication, opening China's doors to the world. One Chinese monk, a Nestorian Christian, became the first eastern Asian visitor to Rome, England, and France. In addition, some Chinese people settled in Persia, Iraq, and Russia. This movement was possible because travel from one end of Eurasia to the other was easier than ever before.

Furthermore, the Mongols unwittingly set in motion changes that would later allow Europe to catch up with and eventually surpass China. Some of these changes were based on European improvement of such Chinese inventions as printing, gunpowder, the stern-post rudder, and the magnetic compass. For example, in about 1050, the Chinese invented movable type. The Europeans later developed a better technology, and in the 1450s Johannes Gutenberg used movable type to produce multiple printings of the Bible. Likewise, the Chinese invented the first

flamethrower. By the 13th century the flamethrower had evolved into a primitive gun—one major reason the Mongols took so much longer to conquer China than other civilizations. As these weapons were transported to Europe during the Mongol Era, and then improved, late medieval European warfare became far deadlier than it had been before. Today's globalized world has been characterized by a brain drain, or exodus of talented people from various continents to Europe and North America. The world in the 14th century witnessed the same phenomenon; however, the flow moved the other way, from west to east. In China, the Mongol administration relied on a large number of foreigners who came to serve in what was effectively an international civil service. These included many Muslims from West and Central Asia as well as a few Europeans who found themselves drawn to the fabled Cathay, as they called it. One such person was the Italian traveler and author, Marco Polo. Polo claimed to have spent seventeen years in China, mostly in government service. Eventually he returned home to tell unbelieving Europeans of the wonders he encountered or heard about from other travelers. Polo's reports seemed incredible because at that time China was well ahead of other Eurasian civilizations in many fields.

For these reasons, the Mongol Empire was one of the most important land empires in history. Yet in spite of the success of Mongol civilization during the 1200s, their empire would prove short-lived. Unlike other empires, the Mongols never took advantage of the maritime commerce developing at the time.

### **The Globalization of Islam and the Indian Ocean Maritime Trade System**

Between the 8th and 15th centuries, Islam ventured out of its Arabian heartland in the Middle East to become the dominant religion in many parts of Africa and Asia and in Iberia. Muslim groups emerged in such different and geographically distant locations as China and the Balkans. In the process, an interlinked Islamic world called *dar al-Islam* (the Abode of Islam) emerged, a world that was joined by both a common faith and trade connections. The dar al-Islam stretched from Morocco to Indonesia. This global Islamization spread Arab names, words, alphabet, architecture, social attitudes, and cultural values to peoples around the world. The great 14th-century Moroccan traveler Ibn Battūta spent decades touring the extensive dar al-Islam. He traveled from Mali in Africa and Spain in the west to Southeast Asia and the coastal ports of China in the east. Whereas the Christian Marco Polo was always a

stranger in his travels, everywhere Ibn Battūtah went, he encountered people who shared his general worldview and social values.

Muslim-dominated trade routes, which ultimately reached from the Sahara to Spain to the South China Sea, fostered travel. The key to their success was a more complex and increasingly integrated maritime trade throughout the Indian Ocean. This trade network linked China, Japan, Vietnam, and Cambodia in the east through Malaya and the Indonesian archipelago. From there it crossed into India and Sri Lanka, and then moved westward to Persia, Arabia, the East African coast as far south as Mozambique, and the eastern Mediterranean, finally connecting to Venice and Genoa.

The Strait of Hormuz on the Persian Gulf and the Strait of Melaka in Southeast Asia were the major pillars of what became the most important mercantile system of the premodern world. It was through this mercantile system that the spices of Indonesia and East Africa; the gold and tin of Malaya; the batik and carpets of Java; the textiles of India; the gold of Zimbabwe; and the silks, porcelain, and tea of China made their way to distant markets. When many of these products reached Europe, people there yearned to find their sources in the East, sparking the European age of exploration. Maritime trade flourished, especially in the 14th century after the Mongol empire ended and the spread of the Black Death, the bubonic plague, throughout Eurasia disrupted overland trade. The maritime network reached its height in the 1400s and 1500s, when Muslim political power was reduced but its economic and cultural power remained strong.

### ***Islam and the Rise of Melaka***

Various states around the Indian Ocean and South China Sea were closely linked to maritime trade. For example, East African city-states such as Mombasa and Kilwa, with their mixed African-Arab Swahili culture, thrived for many centuries. Merchants in India, including many Jews and Arabs, maintained close ties to Western Asia, North and East Africa, Southeast Asia and China. No political power was dominant along the maritime trading route. Its vigor depended on cosmopolitan port cities such as Hormuz on the Persian coast, Cambay in northwest India, Calicut on India's southwest coast, and Melaka near the southern tip of Malaya. Of all the cities, historians probably know the most about Melaka, and this city well illustrates premodern patterns of globalization. Southeast Asia had long been a cosmopolitan region where peoples, ideas, and products met. Some rulers of coastal states in the Malay Peninsula and Indonesian archipelago, anxious to attract the Muslim traders who

dominated interregional maritime commerce and attracted by the universality of Islam, adopted the faith.

The arrival of Islam in Southeast Asia coincided with the rise of Melaka, which became the region's political and economic power. Melaka became the main base for the expansion of Islam in the archipelago, as well as the last stop on the eastern end of the Indian Ocean trading network. Melaka's pivotal role in world trade was confirmed by an early 16th-century Portuguese visitor, who wrote that it had "no equal in the world" and proclaimed its importance to peoples and trade patterns as far away as Western Europe. "Melaka is a city that was made for merchandise, fitter than any other in the world..." he wrote. "Commerce between different nations for a thousand leagues on every hand must come to Melaka.... Whoever is lord of Melaka has his hands on the throat of Venice."

During the 1400s, Melaka was a flourishing trading port attracting merchants from many lands in Asia and Africa. More ships dropped anchor in Melaka's harbor than in any other port in the world; seagoing merchants were attracted by its stable government and free trade policy. Among Melaka's population of 100,000 to 200,000 people were about 15,000 foreign traders, among them Arabs, Egyptians, Persians, Turks, Jews, Armenians, Ethiopians, East Africans, Burmese, Vietnamese, Javanese, Filipinos, Chinese, Japanese, and Indians from all over the subcontinent. On the city's streets, some 84 languages were spoken.

Melaka had a special connection to the Gujerati port of Cambay, which was nearly 3,000 miles away, because merchants from Gujerat in northwest India were Melaka's most influential foreign community. Every year trading ships from around the Middle East and South Asia would gather at Cambay and Calicut to make the long voyage to Melaka. The ships carried grain, woolens, arms, copperware, textiles, and opium for exchange. Melaka had become one of the major trading cities in the world, a multiethnic center of globalized culture and commerce, much like New York, Los Angeles, or Hong Kong are today.

### **Ming China and the World**

The extent of globalization by the early 15th century is suggested by the great Chinese voyages of discovery. The emperor of the Ming dynasty,

Yonglo (or Yung-lo), dispatched a series of grand maritime expeditions to southern Asia and beyond, expeditions that were the greatest the world had ever seen. Admiral Zheng He (or Cheng Ho), a Muslim whose father had visited Arabia, commanded seven voyages between 1405 and 1433. These voyages were huge undertakings, with the largest fleet including 62 vessels carrying nearly 28,000 men. (By contrast, a few decades later, Christopher Columbus would sail forth from Spain in three small vessels crewed by a hundred men.) The massive Chinese junks were far superior to any other ships of the time. In fact, the world had never before seen such a large-scale feat of seamanship.

During these extraordinary voyages, ships carrying the Chinese flag followed the maritime trade routes through Southeast Asia to India, the Persian Gulf and Red Sea, Arabia, and down the East African coast as far as Kilwa in Tanzania. Melaka became their southern base, and Melaka's rulers made occasional trips to China to cement the alliance. Had the Chinese ships continued, they would have had the capability of sailing around Africa to Europe; however, Europe offered few products the Chinese valued. The Chinese expeditions expressed the exuberance of an era of great vitality. Although the Chinese traveled mostly in peace and fought only a few military actions, some 36 countries, including a few in western Asia, acknowledged allegiance to China. In this period, China was the greatest power in a globalizing hemisphere.

Historians still debate the reasons for Zheng He's great voyages. Some see diplomacy as the primary goal, with the recognition by so many foreign countries reaffirming the emperor's position. Others point to commercial motives, since the voyages came at the time Chinese merchants were becoming more active in Southeast Asia. In the early Ming period, China remained the most advanced civilization in the world. Commercially vibrant and outward-looking, Ming China could have opened greater communication between the continents and become the dominant world power well beyond eastern Asia. However, it never did. The grand voyages to the west and the commercial thrust in Southeast Asia came to a sudden halt when the Ming emperor ordered a return to isolationism and recalled all Chinese people living outside the empire.

How can we account for this stunning reversal that, in the perspective of later history, seemed so counterproductive? Perhaps the voyages were too expensive even for the wealthy Ming government. The voyages were not cost-effective because the ships returned chiefly with exotic goods, such as African giraffes for the imperial zoo, rather than mineral resources and other valuable items. It seems that the full possibilities of globalization were not apparent to Chinese leaders. Furthermore, in the Chinese social



system, merchants lacked status. And unlike Christian Europe, China had little interest in spreading its religion and culture. The Mongols were regrouping in Central Asia, and the Ming court was forced to shift its resources to defend the northern borders. As a result, the oceans were left open to the Western Europeans, who improved upon Chinese and Arab naval and military technology and soon challenged Arabs, Indians, and Southeast Asians for supremacy in the Indian Ocean trading system.

### **The End of the First Globalized System**

By the end of the 1400s, the reputation of such cities as Melaka, Canton, Calicut, and Hormuz as treasure troves of Asian luxuries had reached Europe. Anxious to gain direct access to Asian trade, the Portuguese finally made their way to India in 1498 and Melaka in 1509, inaugurating a new era of European activity in Asian history. Indeed, the Portuguese seized Melaka in 1511. Despite Portugal's superiority in ships and weaponry, its standard of living was probably inferior to that of people in the more developed societies of Asia. This no doubt contributed to the tendency of Europeans to use armed force to obtain their commercial and political goals. This tendency ensured that the globalization of the world over the next five centuries would be under the auspices of Western Christians rather than the Muslims, Indians, and Chinese who established the basic framework between 1000 and 1500.

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