



ALMA MATER STUDIORUM  
UNIVERSITÀ DI BOLOGNA

# Debt and Power: the International Politics of Development in the Mediterranean, 1970s-1990s

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# Research Questions

## 1. History of External Debt:

- Timeline:
  - Transformative Moment.. When did External Debt become an Issue and a Tool for Change?
  - Origins
- Frameworks: Ruling Elites + Public by Discourse

## 2. Actors involved:

- State officials: What Level (Presidency, Foreign Affairs, Economy..Central Bank)
- Private Banks

## 3. Public/Private:

- What Relationship?

## 4. Negotiations: Which kind of Assets turned into Levers?

- Political Factors: Geopolitics, International Alliances...CW, Regional Conflicts with International Impact
- Economic Factors:

## 5. Conditionalities (1980s-1990s)/Implementation: Debt as a Tool for Transformation?



## Sources: Archives and Databases

- United Nations Conference on Trade and Development (**UNCTAD**): Geneva, Switzerland  
...why is it relevant? An institutional forum where the Developing Countries gathered and expressed their posture towards Developed Countries..with all due limits
- Elaboration of a collective, unitary posture: preliminary works at G77 meetings
- Negotiations with Developed Countries (Group B): Discussions, Resolutions to the UN General Assembly
- Posture of Socialist States (Group D)

..what was Middle East and North Africa (MENA) role there? Assesment of their posture and role within the G77 (Contribution, Specifics, Leadership, Alignment) and negotiations with Group B.

- UN-Economic and Social Commission for Western Asia (ESCWA), Beirut, Lebanon
- International Monetary Fund (IMF), Washington DC, USA
- World Bank (WB), Washington DC, USA

Graphics are elaborated from data of the World Bank, Debt Statistics



# Preliminary Remarks

1. **On-Going** Research Project on the International History of «Debt Crisis»
2. Offering a Glance into the International Relations of the MENA: Power and Subaltern Agency
3. Challenging the Conventional View: Creditors hold the Upper Hand vs. Historical Evidence; No Historical Research as for 1980s.
4. Need for Help in tracing **How** the Socialist States never got really paid back

## Defining External Debt

- A. Matter of Contention since 1970s between Creditors and Debtors
- B. Lack of correct and up-to-date information about the repayment obligations of the debts that they had contracted or the risks involved in further borrowing

## Basic Definition:

External loan (or foreign debt): the total [debt](#) a country owes to foreign [creditors](#). The debtors: the government, corporations, citizens. The debt includes money owed to private commercial [banks](#), other [governments](#), or IFI.

Generally, external debt is classified into four heads:

1. Public and publicly guaranteed debt
2. Private non-guaranteed credits;
3. Central bank deposits
4. Loans due to the IMF and WB



# MENA-MED: the Peculiarities within Commonalities

## 1. From Self-Sustaining Economies (Agriculture, Artisanship and Trade) to Periphery of Industrial Capitalism (XIX-XX centuries):

- Worth of Transit Trade: World Trade Routes and Bottlenecks
- Commodity Export: Cotton, Silk in XIX century, Hydrocarbons in XX century
- Assets and Liabilities of Proximity to Industrial Europe: Subalternity and Opportunities for Market Access and Political Rationales

## 2. From Political Independence to Economic Independence (1960s-1970s):

- Re-setting economic relationship and standing in world economy: from Periphery to Semi-Periphery by Sovereignty on Natural Resources and Agro-Industrial Development (State-led)
- Diversification of the Region out of Hydrocarbons Export-Earnings: Oil-Exporters vs. Non-Oil Exporters

## 3. Energy Natural Endowments: Assets and Risks of Commodity-Export Economies

- Recycling of Petrodollars within the Region: Grants and Public Loans vs. Production Difficulties by Sustaining Consumption; Political Conditionalities
- Recycling of Petrodollars to the World through Western Financial Institutions: 1974-1982 OPEC investable cash: 465,75 billions US\$, 90% in OAPEC
- Massive Buying of US and EC Treasury Bonds, 1975s-Today
- Deposits in Private Western Financial Institutions: fueling Private Loans to Developing Countries 1970s-1982
- Aid to Developing Countries: ODA
- Arms Race and Consumption within the Region: Centre of Political Gravity to the Gulf



# The Basics: Trade, Terms of Trade, Transfer of Resources North/South

## A. Origins:

External Debt Accumulation in Western Asia and North Africa (as most of Developing Countries) stemmed from Deficits in the Current Accounts of Balance of Payments: too much imports, too little exports to Industrial Countries...

- ...since independence and post-colonial Development strategies (Expansionary economic policies for Agro-industrial society + central state-building) ...
- Middle-Income Developing Countries Most Affected: Latin America, Turkey
- Then, Egypt, Tunisia, Morocco, Algeria, Jordan, Syria

## B. Factors of Crisis:

The 1970s, Three Factors for Acceleration of Debt Accumulation:

1. Rise of Oil Prices: 1969, 1973-1974, 1979; Surplus for Exporters; Deficits for Importers
2. Divergence of Economic Policies: Expansionary in G77, Contractionary in OECD...Volcker Shock of Rise of Interest Rates, 1979
3. Changes in Banking: Unregulated Euro-\$ Markets; Syndicated Loans; Fixed to Variable Int.Rate; OPEC deposits, then Shortage; High Exposure, Imprudence



# The Basics: Trade, Terms of Trade, Transfer of Resources North/South

## C. Negotiations and Solutions:

- From Collective Stand of G77 at UNCTAD and UNGA vs. Creditors (1970s-1982) to the Debtors' Fragmentation since late 1970s
- Creditors Holding the Upper Hand as for Procedures+Venues and Standards for Negotiations: Paris Club + IMF; UN marginal but needed for Debtors (DMFAS)
- but...Debt Re-Negotiations and Relief depended eventually on the Geostrategic Location of the Debtor...
  - Relevance of the Politics of Alliances: Egypt, Syria
  - Too Dangerous To Fail, for Regional Security: Egypt, Algeria
  - Omni-Balancing and Diversification proved Effective for Non-Aligned or +/- States vs. Aligned Debtors: Algeria, Syria, Egypt vs. Turkey, Tunisia, Morocco...Jordan not that lucky



# The 1980s: Crisis, Process of Power and Adaptation

## Processes at Play during the 1980s

Acknowledgment of the close interdependence of Debtors and Creditors:

- Oil Recycling and Foreign Investments: here is the MENA
- Divergent Economic Policies: G77 Expansionary vs. West Contractionary, then enforced to G77 by IMF Adjustment Policies
- Banking System at risk in the West: Innovations, Overconfidence, Imprudence

However, Creditors holding the upper hand on Crisis Management:

- Imposing the Procedures and Venues for Debt re-negotiations and Criteria for Solutions: Paris Club, IMF, then WB
- G77, UNCTAD: providing technical assistance to Debtor facing Paris Club; Urging pre-emptive, timely action, “bridging finance” during negotiations, lon-term finance for adjustment
- MENA: since 1980, fragmented from G77 as for topics of origins (oil, arms) and within as for solutions (Oil-rich focus on finance; Oil-poor on export-led development)





# Timeline of Dealing with the Crisis

**Phase One, 1972-1976:** *Is there anything to be concerned about?* Yes for G77, not at all for OECD

**Phase Two, 1976-1978:** Debating the Extent and Management of a «Looming Crisis»

**Phase Three, 1979-1980:** Negotiating General Principles and Procedures for Debt-Restructuring vs. Creditors' Unilateralism

**Phase Four, 1980-1986:** Confronting the Crisis: Connecting Creditworthiness/Development vs. Unilateral Solutions on Austerity; Ineffective for Debt Relief but Effective for «Discipline»

**Phase Five, 1987-1993:** Single Paths to Austerity, without Structural Reforms; Banking on Geopolitics (Saddam or Radical Islam) for a Few, the Others would pay back



## Phase One, 1972-1976:

### Is there anything to be concerned about? Yes for G77, not at all for OECD

#### The Venues:

- UNCTAD Board meetings, October 1970-September 1971
- Lima, G77 Meeting, November 7, 1971
- UNCTAD Third Conference in Santiago de Chile, April 13-May 21, 1972

#### Postures and Proposals:

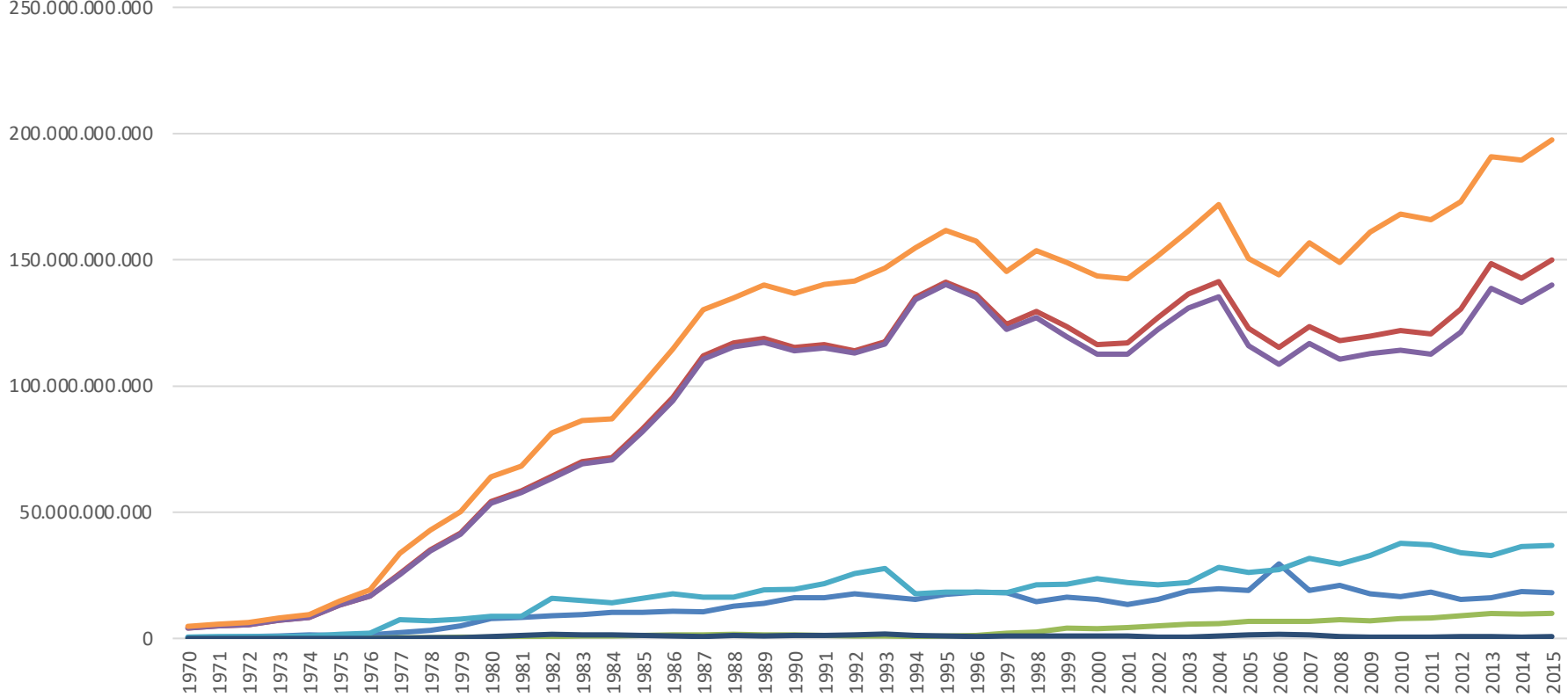
- G77: External Debt as a “matter of grave concern” for development; general problem with “external”, Terms of Trade/BoP origins. Multilateral-Cooperative Solutions: Debt Rescheduling; Loans along ODA; more SDR
- Group B: No general problem, just few cases; ok to private loans for development; management by existing institutions and procedures; some more ODA
- Group D: We are different in essence and practice. No proposals

#### MENA, Taking the Lead of G77:

- Algeria and New International Economic Order (1973-1974)
- To Re-balance and Stabilise Terms of Trade; Favouring State-led Industrialization

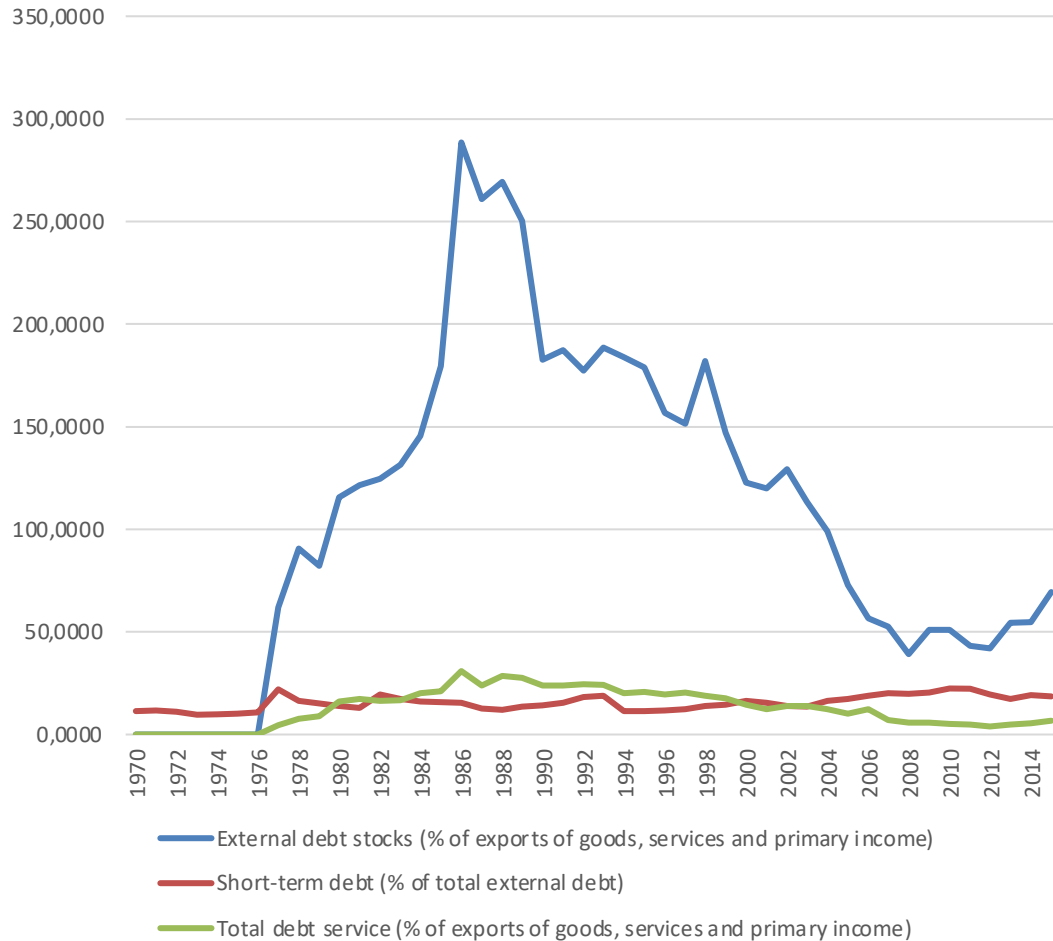


### External Debt MENA Developing

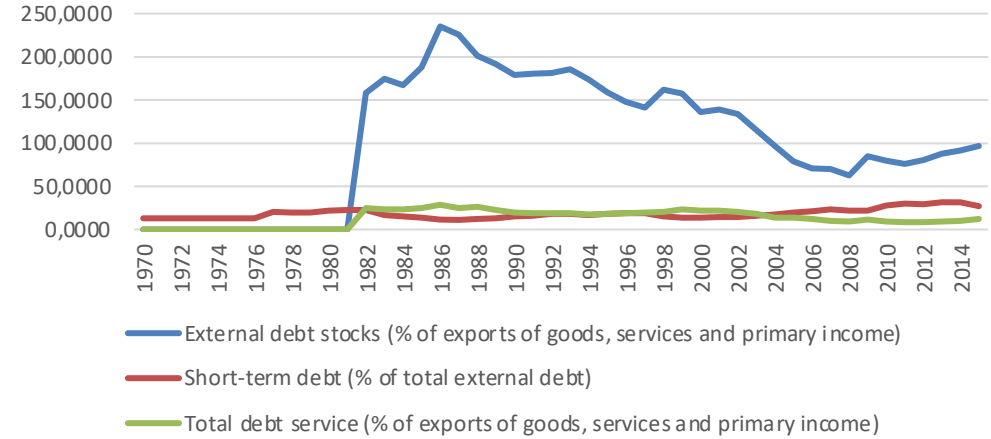


- Debt service on external debt, long-term (TDS, current US\$)
- External debt stocks, long-term (DOD, current US\$)
- External debt stocks, private nonguaranteed (PNG) (DOD, current US\$)
- External debt stocks, public and publicly guaranteed (PPG) (DOD, current US\$)
- External debt stocks, short-term (DOD, current US\$)
- External debt stocks, total (DOD, current US\$)
- Interest payments on external debt, short-term (INT, current US\$)

### External Debt MENA Developing %



### External Debt Middle Income %



### External Debt Developing %



# Phase Two, 1976-1978:

## Debating the Extent and Management of a Looming Crisis

### The Venues:

- Fourth UNCTAD Conference, Nairobi, May 5-31, 1976: Res. 94 and 98 (IV)
- UNCTAD Board, Group of Experts, July-December 1977, October 1978: res. 165 (IX)

### Postures and Proposals:

- G77: Immediate and Expanding, General Problem vs. Development; Terms of Trade/BoP deficits by Crisis in Developed Economies/Protectionism, not Opec. Debt Cancellation for LDC; Rescheduling Debts on ODA for MSA; more SDR for all; Int. Conference on Debt
- Group B: General but limited Problem, ok to Cooperation; Origins in domestic mismanagement and OPEC; more ODA and expansion of IMF-SDR (Jamaica Meeting); Debt Relief on Voluntary, Flexible Basis (EU-Nordic)
- Group D: We are different in essence and practice: No proposals but back G77

### MENA aligned with specificities:

- Algeria still for NIEO;
- Morocco, Tunisia, Egypt Israel for Export-led Growth to Europe (EC-GMP/EC-Cooperation Agreements K+Teckno)
- Iran, UAE for more ODA
- Turkey ok to B but better for NIEO



# Phase Three, 1979-1980: Negotiating General Principles and Procedures for Debt-Restructuring vs. Creditors' Unilateralism

## The Venues:

- G77 Meeting in Arusha, February 1979
- Fifth UNCTAD Conference, Manila, May 7- June 3, 1979
- UNCTAD Board 1979-1980: No Deal vs. 10/6/79 US-Federal Reserve "Volcker Shock"+15/20% short

## Postures and Proposals:

- G77: Detailing Principles and Procedures; Fast Increasing Problem for Servicing of Short-Term, Private Debts; Unctad vs. Unilateral Moves in Paris Club and IMF. Straight Cancellation for LDC, MSA; Retroactive Rescheduling for all; Public Guarantees for Private Debt
- Group B: Still Limited Problem; Private Loans Up to Debtor's Creditworthiness (FRG-led); Paris Club+IMF+Creditor's Initiatives. No to General Debt Relief, nor Conference or Commission
- Group D: We are different, but ok to some Debt Rescheduling

## MENA, Low-Profile:

- Gravely Concerned
- Maghreb leading for Calls for Cooperation with Creditors and Exp-led Growth for BoP;
- Turkey, ok to B-IMF but hope for G77



# Phase Four, 1980-1986: Confronting the Crisis: Connecting Creditworthiness/Development vs. Unilateral Solutions on Austerity

## The Venues:

- UNCTAD Board 1984, 1987; UNCTAD in Paris/London Clubs since 1981; DMFAS since 1983
- Sixth UNCTAD Conference, Belgrade, July, 1983
- UN General Assembly, December 1986

## Postures and Proposals:

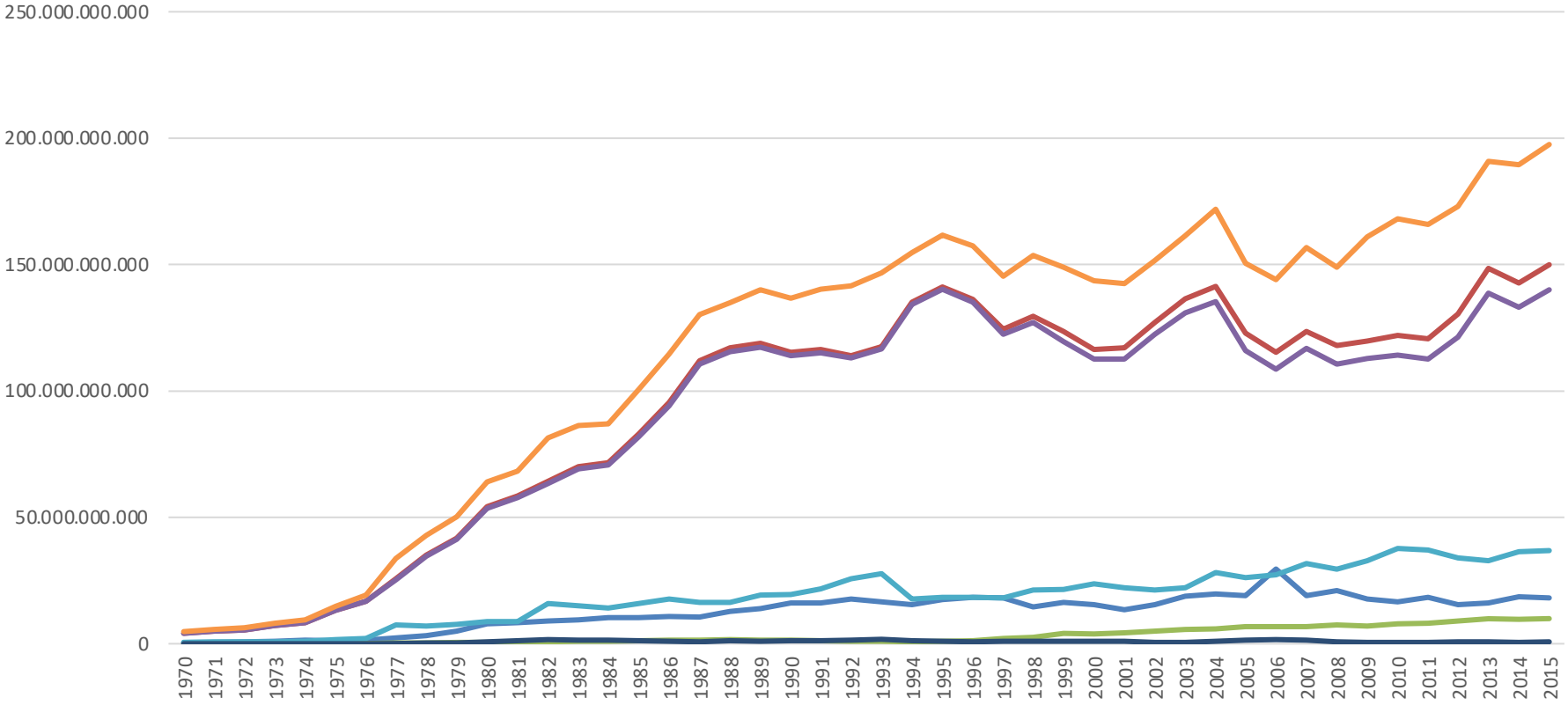
- G77: Loud on the Injustice and Extortion of Debt+Servicing vs. West Protectionism «Reverse of K-flows». But, after Mexico 1982, ready to compromise on Principles and Procedures: OK to Paris Club, IMF+WB:TDB 222, UNCTAD 161(VI): ok to Creditworthiness + Development.
- Group B: Neoliberal Counter-Revolution, “Keep your house in order”, US-led there’s no alternative (TNA) to the “tide”, “Teething Problems Hold Out Great Hopes” (FRG-EEC); Loans for Structural Adjustment; Baker Plan 1984 «Figue Leaf», Failure
- Group D: Debt Rescheduling, more aligned to G77

## MENA Keeping Fiscal Crisis Afloat :

- Concerned for Oil-prices fall since 1982;
- Fragmented for options: Iraq for more SDR, out of US\$; Tunisia, Morocco Egypt, Jordan ok to Financial Austerity and Export-led Growth for BoP; Gulf for more ODA; Iran vs. immoral consumption; Turkey Promoting IMF + Export-led Growth;
- Morocco first to Paris Club and IMF Stand-By Agreement



### External Debt MENA Developing



- Debt service on external debt, long-term (TDS, current US\$)
- External debt stocks, long-term (DOD, current US\$)
- External debt stocks, private nonguaranteed (PNG) (DOD, current US\$)
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- External debt stocks, short-term (DOD, current US\$)
- External debt stocks, total (DOD, current US\$)
- Interest payments on external debt, short-term (INT, current US\$)



# Phase Five, 1987-1993: Single Paths to Austerity, without Structural Reforms

## The Venues:

- UNCTAD-DMFAS (Debt Management Financial Assistance System) operational, 1983
- UNCTAD Seventh Geneva, 1987
- Paris Club Meetings + IMF: Single Countries

## Postures and Proposals:

- G77: Vocal vs. Pro-cyclical, Contractionary Eco Policy but Compromise (1989-1993); Pre-emptive Action, “Bridging Finance”, Long-Term Inflow of Capitals for Adjustment; Full Use of DMFAS before Paris Club+IMF (Unifying Control of Ext. Debt and Accounting); Queing to Paris Club and IMF
- Group B: Firm on Contractionary Eco Policy (Discipline of Neoliberalism) but Concerned for Private Banks Exposure (US-UK, then EEC) and Default Risks; 1989 **Brady Plan**, US\$-Treasury-guaranteed Bonds by IBRD for LM defaulted private bank loans
- Group D: Debt Crisis (Poland, GDR to EEC), Political Crisis, Fall of State-Socialism

## MENA: DMFAS, then Paris Club and IMF;

- Egypt, Tunisia 1987, Jordan, Algeria 1986:
- Gulf War 1991 Relief for Egypt+Syria, not Jordan
- Algeria engulfed in Civil War; Containment of Radical Political Islam as Bargaining Chip vs. Europe



History of IMF Lending Arrangements in MENA

	Date of Arrangement	Date of Cancellation	Amount Agreed	Amount Drawn	Amount Outstanding
<i>Algeria</i>					
Extended Fund Facility	May 22, 95	May 21, 98	1,169,280	1,169,280	525,487
Standby Arrangement	May 27, 94	May 22, 95	457,200	385,200	0
Standby Arrangement	Jun 03, 91	Mar 31, 92	300,000	225,000	0
Standby Arrangement	May 31, 89	May 30, 90	155,700	155,700	0
<i>Egypt</i>					
Standby Arrangement	Oct 11, 96	Sep 30, 98	271,400	0	0
Extended Fund Facility	Sep 20, 93	Sep , 96	400,000	0	0
Standby Arrangement	May 17, 91	May 31, 93	234,400	147,200	0
Standby Arrangement	May 15, 87	Nov 30, 88	250,000	116,000	0
<i>Jordan</i>					
Standby Arrangement	Jul 03, 02	Jul 02, 04	85,280	10,660	10,660
Extended Fund Facility	Apr 15, 99	May 31, 02	127,880	127,880	127,880
Extended Fund Facility	Feb 09, 96	Feb 08, 99	238,040	202,520	113,738
Extended Fund Facility	May 25, 94	Feb 09, 96	189,300	130,320	35,205
Standby Arrangement	Feb 26, 92	Feb 25, 94	44,400	44,400	0
Standby Arrangement	Jul 14, 89	Jan 13, 91	60,000	26,800	0
<i>Morocco</i>					
Standby Arrangement	Jan 31, 92	Mar 31, 93	91,980	18,396	0
Standby Arrangement	Jul 20, 90	Mar 31, 91	100,000	48,000	0
Standby Arrangement	Aug 30, 88	Dec 31, 89	210,000	210,000	0
Standby Arrangement	Dec 16, 86	Apr 30, 88	230,000	230,000	0
Standby Arrangement	Sep 12, 85	Dec 15, 86	200,000	10,000	0
Standby Arrangement	Nov 15, 59	Mar 15, 85	833,250	0	0
Standby Arrangement	Sep 16, 83	Mar 15, 85	300,000	300,000	0
<i>Tunisia</i>					
Extended Fund Facility	Jul 25, 88	Jul 24, 92	207,300	207,300	0
Standby Arrangement	Nov 04, 86	May 31, 88	103,650	91,000	0

Source: IMF (Amount in thousands of SDR)

Note: Seven cases are not reported here: Djibouti, 1996 SAF and 1999 PRGF; Yemen 1996 SAF and 1997 PRGF and ESAF; Egypt 1976, SAL and Morocco, 1980 SAL; and the date for Morocco second Arrangement seems to be wrong in IMF Web-page.

Table 1: US aid and World Bank aid to MENA (US\$ million, 2000 price)

	US	US share	WB	WB share	Total
Africa – North of Sahara					
60–69	9995.95	39%	–49.3		25610
70–79	7545.67	16%	1051.4	2%	48466
80–89	16303.53	42%	1191.7	3%	39084
90–99	13785.49	34%	308.2	1%	41105
2000	629.13	29%	22.8	1%	2184
2001	586.09	24%	–1.0		2403
Middle East					
60–69	5056.72	42%	–76.4		11969
70–79	11554.30	22%	582.0	1%	51540
80–89	19787.32	33%	691.3	1%	60860
90–99	17554.76	44%	606.7	2%	39739
2000	1216.42	39%	47.3	2%	3141
2001	500.46	19%	57.9	2%	2674

Data Source: DAC online database



History of World Bank Lending Arrangements in MENA

Project name	Commitment US\$ Million	Country	Date of Approval
Economic Reform Support Loan	300	Algeria	31-Aug-89
Enterprise & Financial Sector Adjustment Loan	350	Algeria	21-Jun-91
Economic Rehabilitation Support Loan	150	Algeria	12-Jan-95
Structural Adjustment Loan	300	Algeria	25-Apr-96
Agricultural Industrial Imports	70	Egypt	03-Dec-74
Agricultural Industrial Imports (02)	70	Egypt	14-Jun-77
Structural Adjustment Loan	300	Egypt	21-Jun-91
Industry & Trade Policy Adjustment Loan	150	Jordan	14-Dec-89
Energy Sector Adjustment Loan	80	Jordan	07-Oct-93
Agricultural Sector Adjustment Loan	80	Jordan	08-Dec-94
Economic Reform & Development Loan	80	Jordan	24-Oct-95
Economic Reform & Development Loan (02)	120	Jordan	11-Dec-96
Economic Reform & Development Loan (03)	120	Jordan	01-Jun-99
Public Sector Reform Adjustment Loan	120	Jordan	21-Jun-01
Public Sector Reform Adjustment Loan (02)	120	Jordan	02-Jul-02
Industrial & Trade Policy Adjustment Loan	150.4	Morocco	31-Jan-84
Agricultural Sector Adjustment Loan	100	Morocco	20-Jun-85
Industrial & Trade Policy Adjustment Loan (02)	200	Morocco	16-Jul-85
Education Sector Reform Program	150	Morocco	20-Mar-86
Public Enterprise Rationalisation Loan	240	Morocco	26-May-87
Agricultural Sector Adjustment Loan (02)	225	Morocco	24-Nov-87
Structural Adjustment Loan	200	Morocco	01-Dec-88
Financial Sector Development	235	Morocco	25-Jun-91
Structural Adjustment Loan (02)	275	Morocco	30-Apr-92
Financial Markets Development Loan	250	Morocco	27-Jul-95
Contractual Savings Development Loan	100	Morocco	09-Jun-98
Post Information Technology	101	Morocco	06-May99
Policy Reform Support Loan (PRSL)	250	Morocco	01-Jun-99
Information Infrastructure Loan	65	Morocco	31-May-01
Asset Management Reform Loan	45	Morocco	05-Jun-03

History of World Bank Lending Arrangements in MENA (cont'd)

Project name	Commitment US\$ Million	Country	Date of Approval
Agricultural Sector Adjustment Loan	150	Tunisia	18-Sep-86
Industrial & Trade Policy Adjustment Loan	150	Tunisia	24-Feb-87
Structural Adjustment Loan	150	Tunisia	16-Jun-88
Agricultural Sector Adjustment Loan (02)	84	Tunisia	01-Jun-89
Public Enterprise Reform Loan	130	Tunisia	11-Jul-89
Economic & Financial Reforms Support Loan	250	Tunisia	12-Dec-91
Economic Competitiveness Adjustment Loan	75	Tunisia	25-Jul-96
Economic Competitiveness Adjustment Loan (02)	159	Tunisia	20-Apr-99
Economic Competitiveness Adjustment Loan (03)	252.5	Tunisia	20-Dec-01

Source: World Bank Project Database.

Note: Six cases are not reported here: Iran, 1957 SAL; Lebanon, 1977 SAL; Djibouti, 2001 SAL; Yemen, 1996, 97, 99 SAL.



# Phase Five 1987-1993:

## Case-Studies: Assessing the Bargaining Power of Debtors

### Israel:

- Since establishment, massive K import for industrialization+military build-up+welfare state
  - Sources: 1950s-mid-1960s FRG; since 1967-1973, USA
- 1980s, Debt Crisis, Hyperinflation
- 1984, Negotiations with US: Debt Relief vs. Contractionary+Cut-Spending, or IMF
- 1985: Emergency Stabilization Plan (ESP), Israeli and American economists. Budget cut, Upgraded independence of the Central Bank; Layoffs at the public sectors; Price and wage freeze. Economic Recession till mid-1990s
  - Concessions on Foreign-Policy: Madrid-Oslo;
  - Shift to Export-Led Economy (Techno-War?)
- Little Debt Exposure since 2000s: Domestic Austerity, Hawkish FP



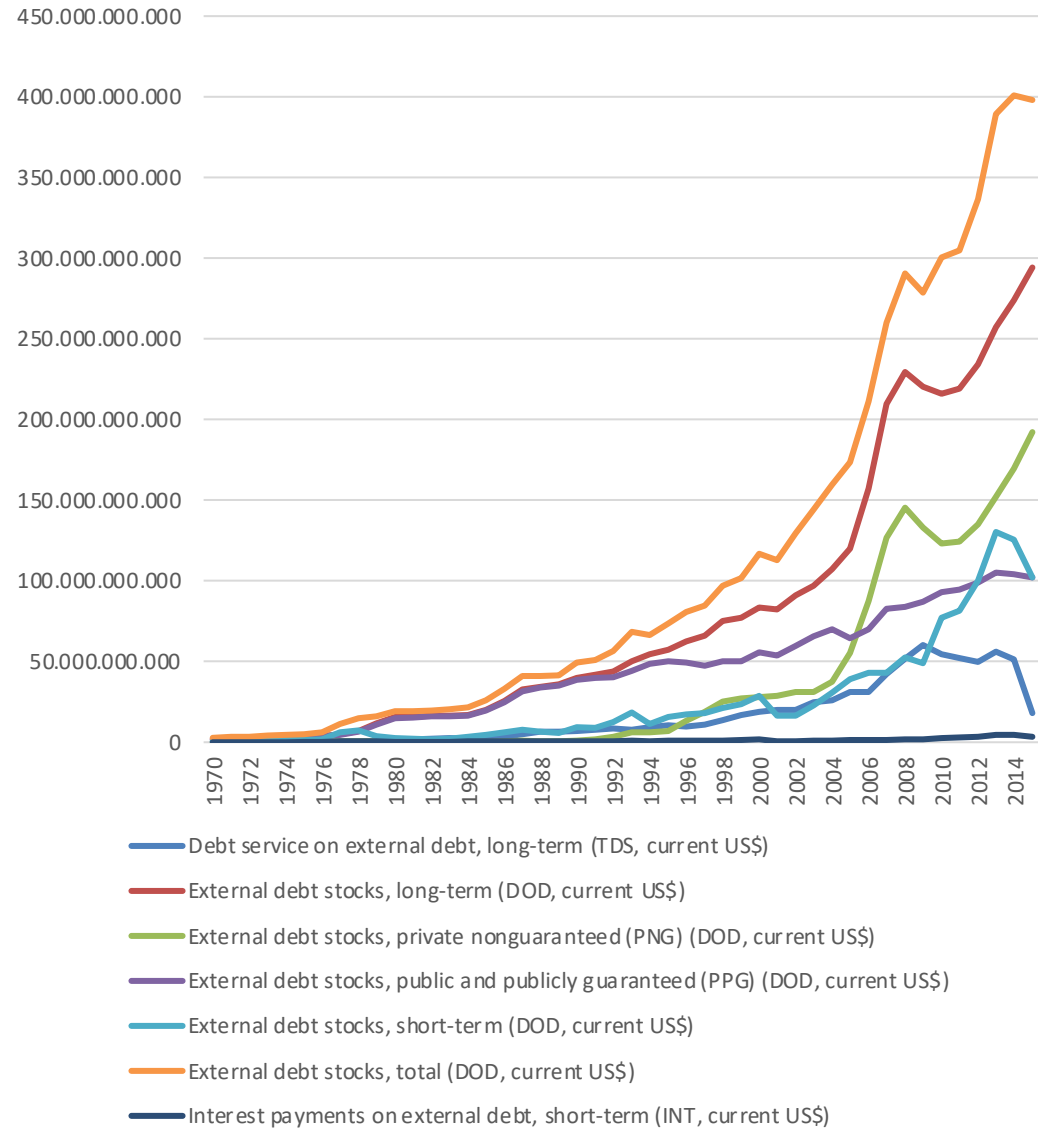
# Phase Five 1987-1991/3: Case-Studies: Assessing the Bargaining Power of Debtors

## Turkey: the Cost of Creditworthiness

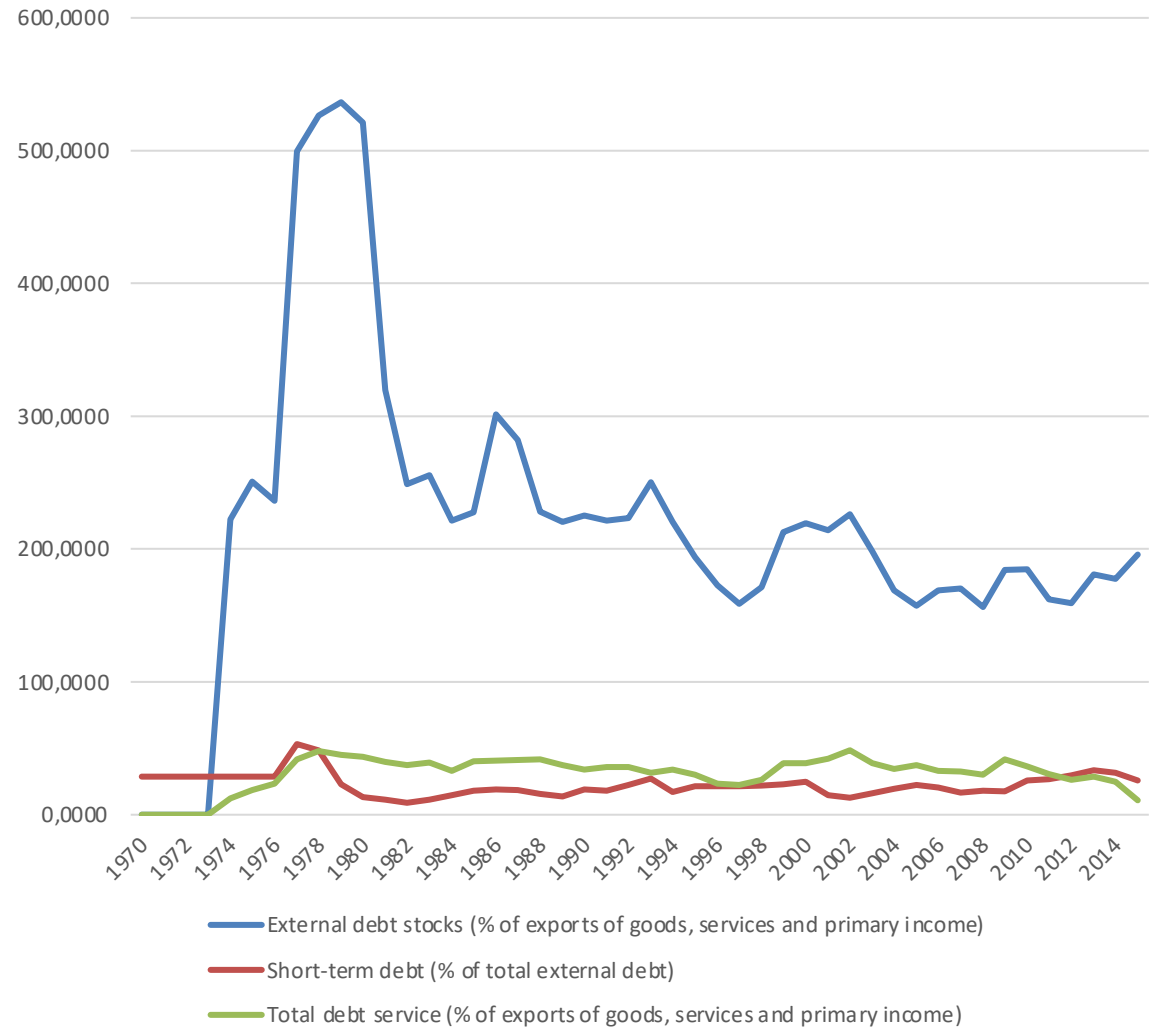
- Taking 2/3 Ottoman Debts since independence
- Collecting External Resources to finance Industrialization: steady Debt Accumulation
  - ISI 1930s-1940s
  - Embedded Liberalism of 1950s
  - ISI, 1960s-1970s
  - Neoliberal Austerity
- 1970s, Political Unrest vs. Nationalist Elites, Hyperinflation
- 1974 Cyprus Crisis, Crisis with the US and EEC
- 1978 Paris Club: Debt Rescheduling, 1,3B US\$; 1979, 1,2B US\$
- 24 January 1980, Letter from IMF: Debt Re-structuring vs. Economic Neoliberal Re-Structuring; Resistance by Politics
- 23 July 1980, Paris Club: Rescheduling, 3B US\$
- 12 September 1980: Military Coup, Institutional Re-structuring, Centralization of Decision-Making Process
- 1980s: Accommodating Neoliberalism under Turgut Ozal, Export-led Growth + Domestic Financial Austerity



### External Debt Turkey



### External Debt Turkey %



# Phase Five 1987-1991/3:

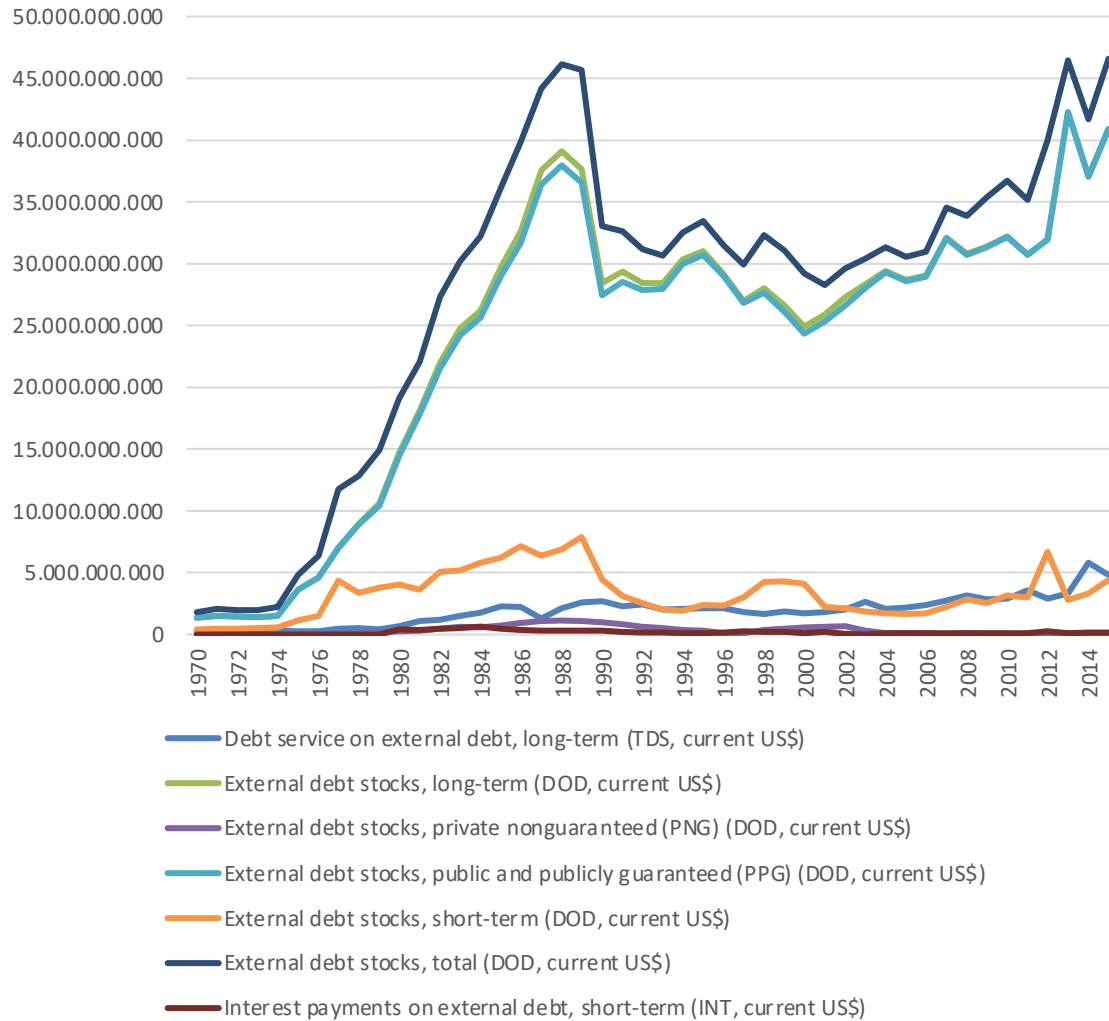
## Case-Studies: Assessing the Bargaining Power of Debtors

### Egypt: Crisis, Resilience and Geopolitics

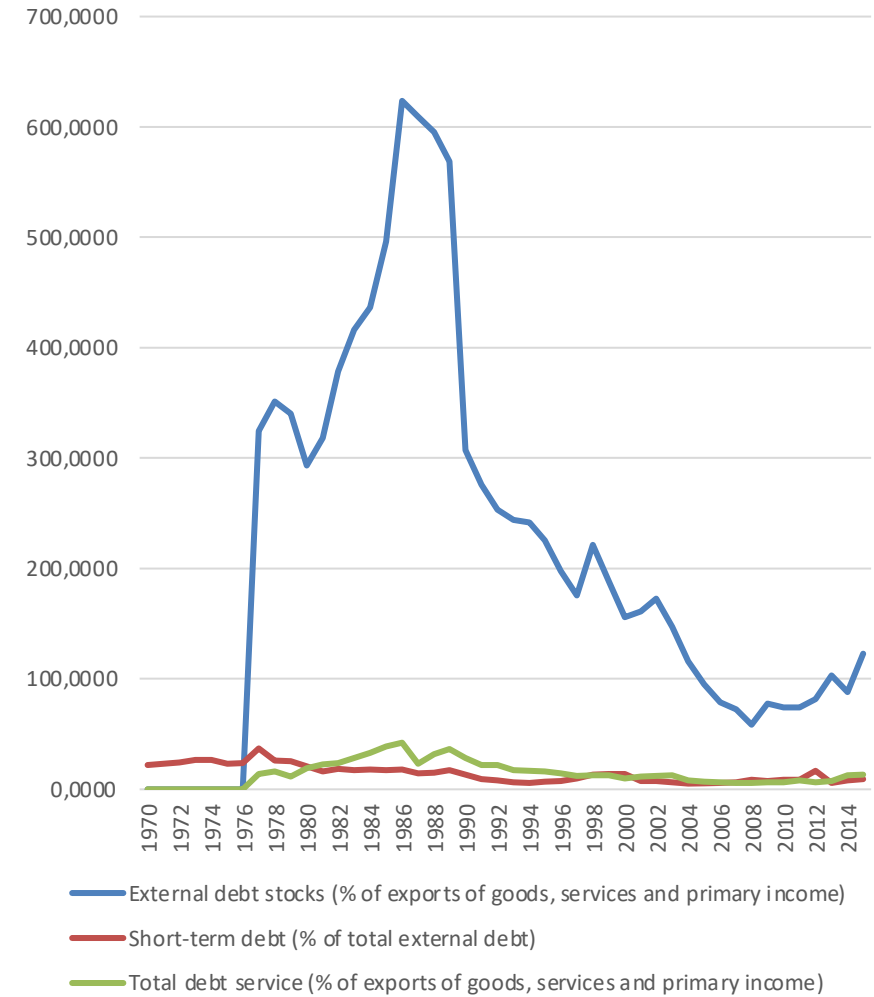
- Long History of External Debt and Int. Politics: 1880-Caisse de la Dette
  - Collecting Funds for State-led Industrialization, 1950s:
  - UK Bonds in London vs. 1956 Suez Crisis
  - Playing Off Cold War Rivalry: Suez Dam
- Soviet-led Funds for Industry + Infrastructures + Military Build-Up, 1950s-early 1970s: Political Rationale
- Turn to the Gulf since 1967-1974: Saudi Arabia, Kuwait, UAE
- Turn to the US and EEC since 1977-1980s: Camp David, Exp-led “Med-Tiger”
  
- 1980s, Public Debt Accumulation: long and short-term, mismanagement
- 1984, Back to Arab fold vs. Iran, Gulf Money back on stream...till 1986
- 1987, DMFAS + IMF + Paris (7B US\$): Ok to Contractionary Eco Policies, Austerity vs. Resisting Reforms
- 1990-1991: Gulf War, Jump on US-led Coalition vs. Cancellation of 500MUS\$ Debt + Saudi K; Pressure on Europeans to AdHoc Debt Reschedule in Paris (21B US\$), 1991
- 1990s: Internalize Neoliberal Doctrine + Adjusting Elites for Privatizations



### External Debt Egypt



### External Debt Egypt %





# Phase Five 1987-1991/3:

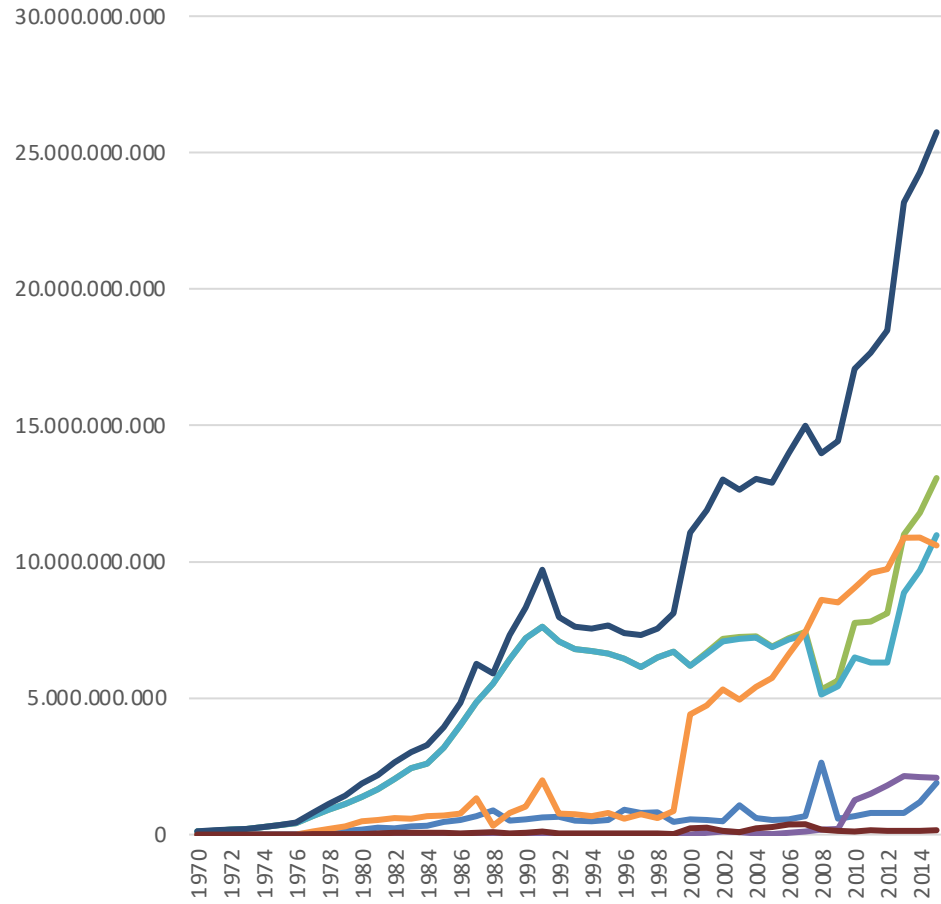
## Case-Studies: Assessing the Bargaining Power of Debtors

### Jordan: Uneasy Balancing

- Poor-Resource Country: Dependence on External Resources: British, then US + Gulf for Alliance and Keep Palestinians Quiet
- Expansionary Economic Policies for Welfare State, Military Build-Up, Industrialization, 1960s-1980s
- Financial Resources:
  - US, EEC Aid
  - Workers' Remittances
- Vs. Contractionary Int. Environment in 1980s + 1986 Fall of Gulf Capitals
- 1989 to IMF for Loans (on behalf of the West): Resisting Contractionary Policies; Paris Club, only 500M US\$
- 1990-1991: Siding with Saddam Hussein for Domestic Survival vs. West-Gulf Alignment
  - Stop Negotiations, Funding, Remittances; Economic Collapse
- 1992-1993, Back to the Fold: Ok to Contractionary Eco Policy, Reforms and Peace Negotiations with Israel 1994
- 1992, Debt Rescheduling+ Swap in Paris, 700M; 1994, 1,15B US\$

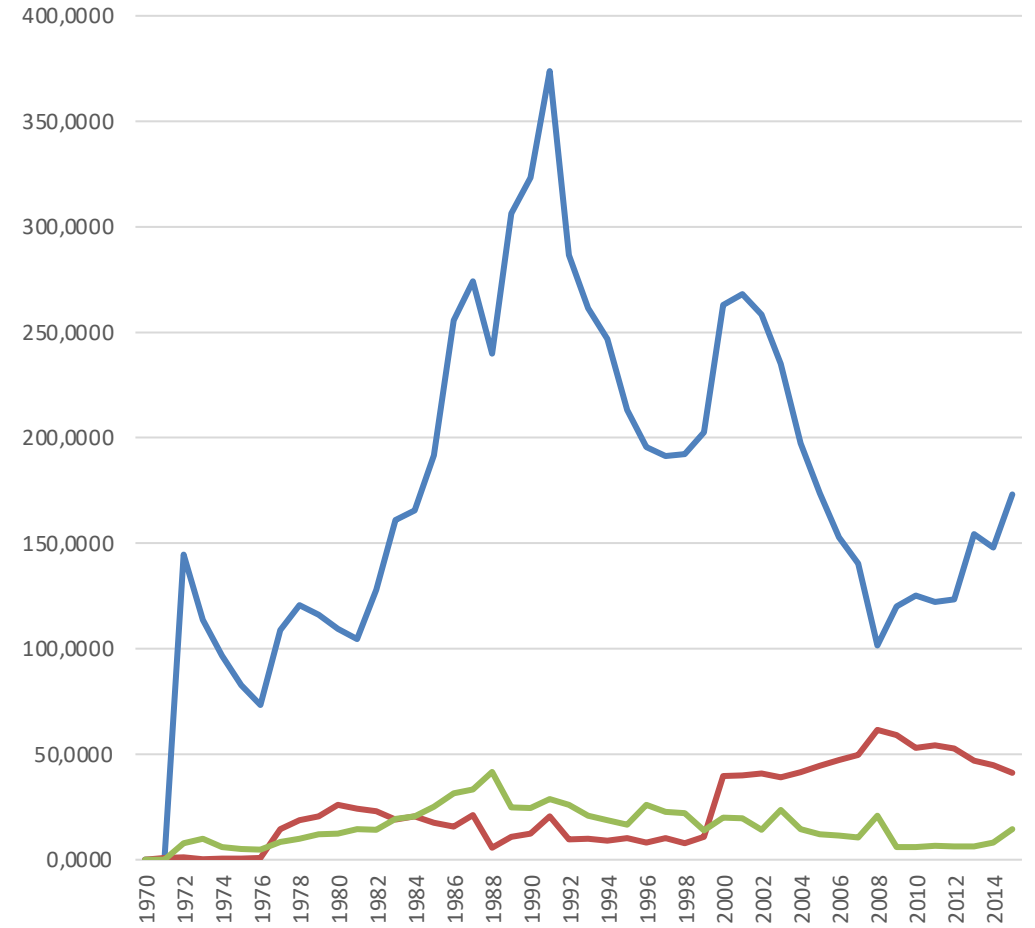


### External Debt Jordan



- Debt service on external debt, long-term (TDS, current US\$)
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### External Debt Jordan %



- External debt stocks (% of exports of goods, services and primary income)
- Short-term debt (% of total external debt)
- Total debt service (% of exports of goods, services and primary income)



# Phase Five 1987-1991/3:

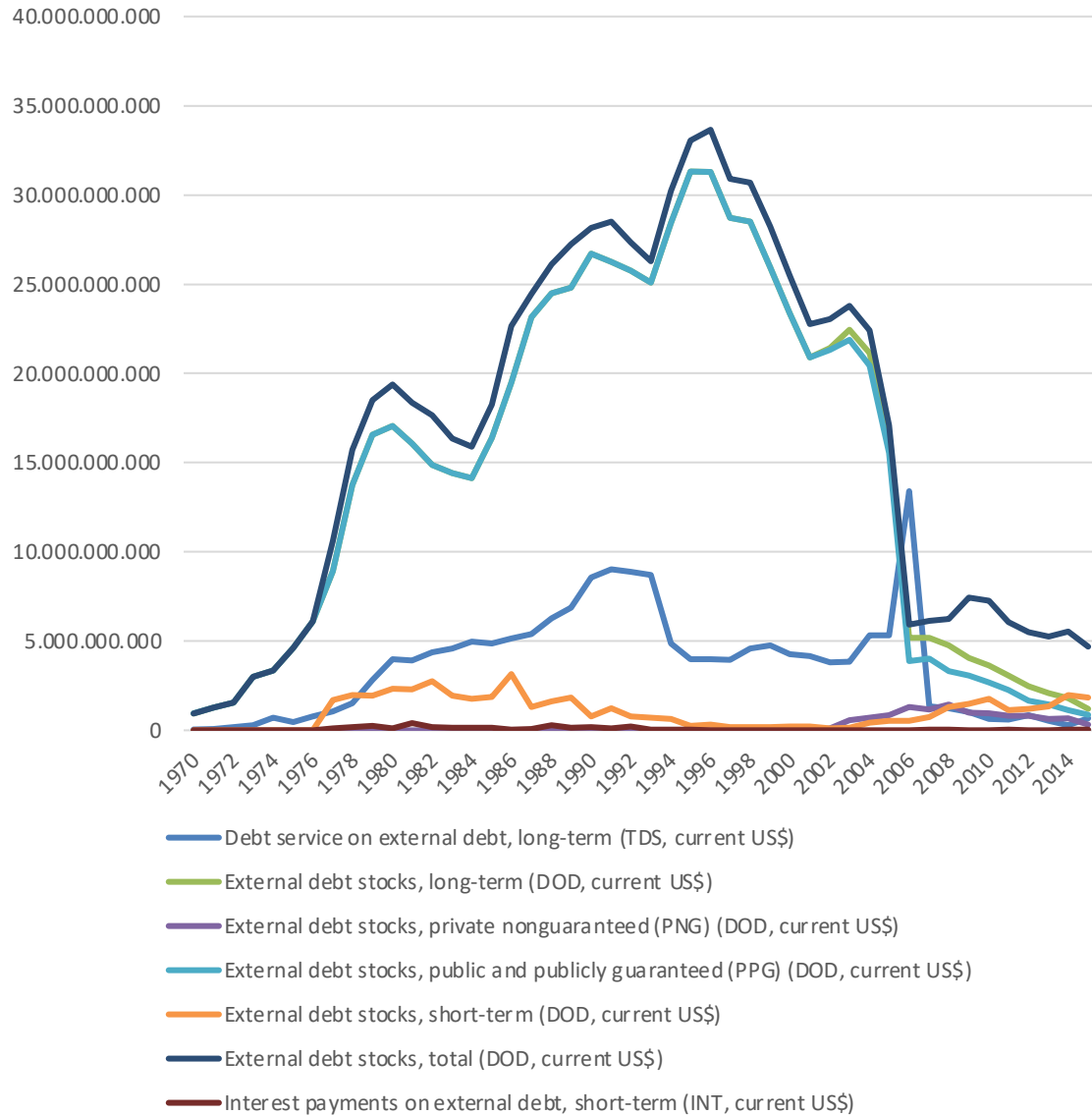
## Case-Studies: Assessing the Bargaining Power of Debtors

### Algeria: Crisis, Selling Reforms and Capitalizing on Radical Islam

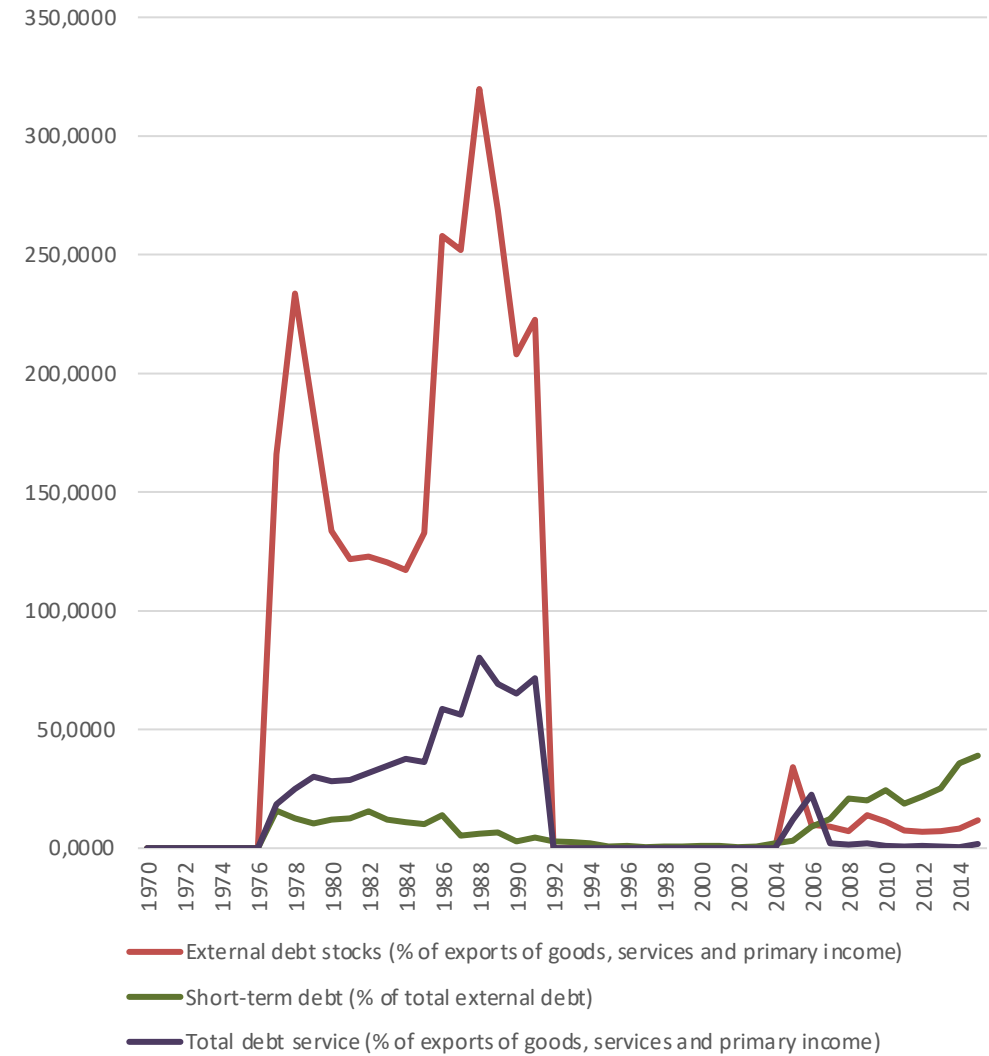
- Oil-Driven Economy:
  - 1970s, Heydays of NIEO: Stability and Balance on Trade
  - Expansionary Eco Policy: state-led “Industries Industrialisantes”, little results
  - 1980s, Fall of Oil Prices, Search for Funds: Later-Comer, short-term borrowing, high interest rates
- 1986-1989: “Sovereign Reforms” for Liberalization and Adjustment, Chadli Benjedid to the West before Berlin Wall...CW symbolism; 1988 Mass Riots, Elections, 1989-1990
  - IMF Stand-by Agreement, 1989, vs. Privatizations, Exchange Rate Liberalization; Loans, 1991; WB Loans for Reforms, 1989, 1991
- 12/1991-1999, “La Sale Guerre”: 1994, Jihadi Groups; 1997-1999, State-Military Back
  - In the midst of civil warfare: IMF Loans, 1994, 1995; WB Loans for Adjustment: 1995, 1996
  - Debt Rescheduling and Relief: 1994, 5,3B US\$; 1995, 7,3B US\$ (Arrears)
  - Ok to IMF Macro-economic Austerity, not to Eco-Liberaliazione vs. Military
- Levers: Opacity; Europe’s Exposure; Global Priority of Fight vs. Islamic Terrorism



### External Debt Algeria US\$



### External Debt Algeria US\$ %



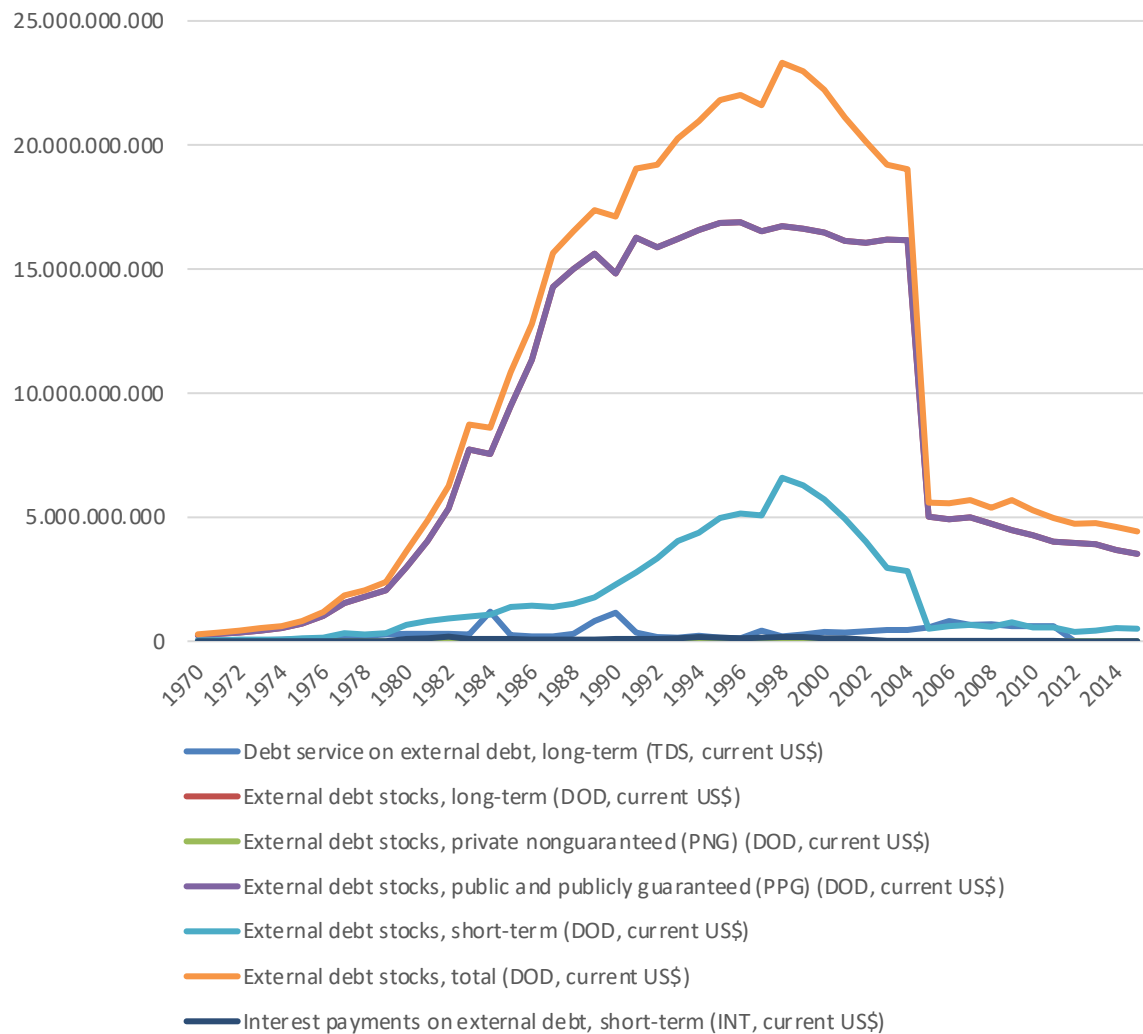
# Phase Five 1987-1991/3: Case-Studies: Assessing the Bargaining Power of Debtors

## Syria: the Art of Balancing Debt and Partners (Mirroring Syrian Society?)

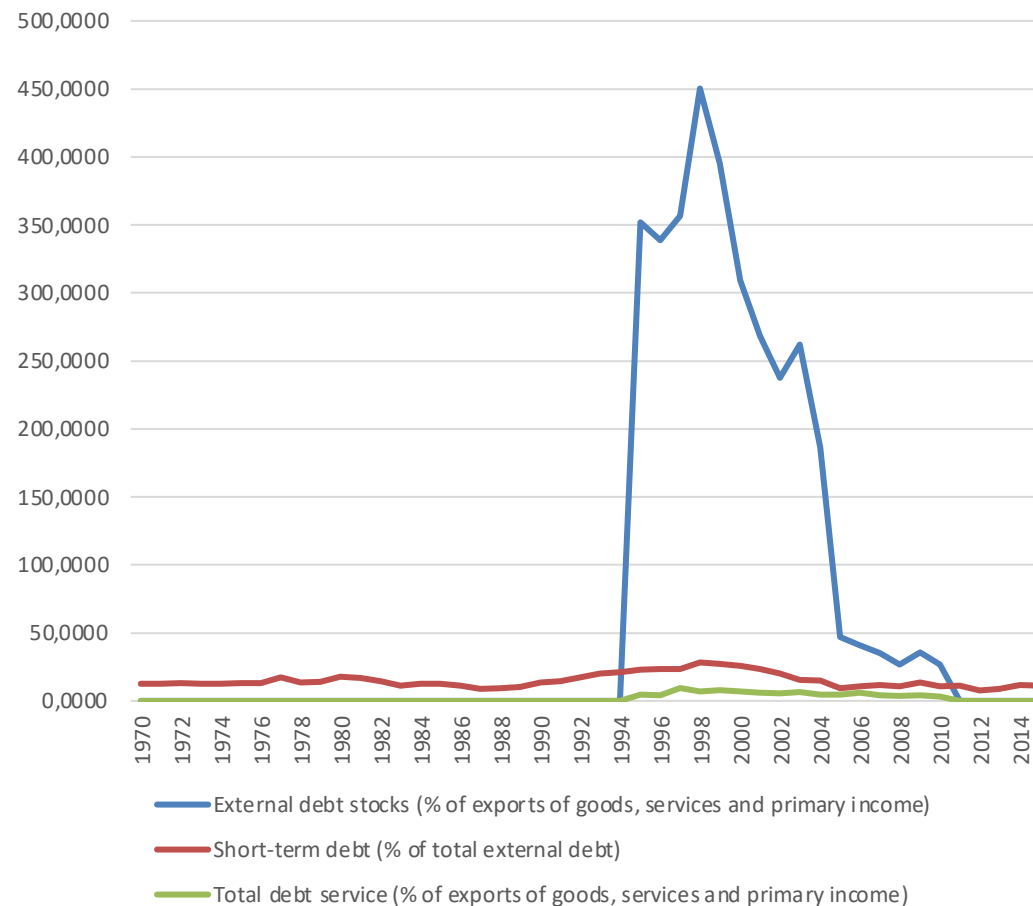
- Chronic Shortage of Capitals
  - To Capitalize Geostrategic Location: North-South, East-West Hub of Connections
  - Massive Military Build-Up and Expenditure: 30% State-Exp?
  - Complex Society matching Diversification of IR: Security in East, Trade with EC
- Transfer of Resources:...Skipping IMF Conditionality
  - Socialist States: Political Rationales + Iran since 1980s
  - Many, small External Debts from EC (France-led) and Gulf: 1B US\$ in 1976...Socialists'?
  - Workers' Remittances
- 1980s, Hard Times: Arab Isolation for Iran; Tension with West in Lebanon, 1982-1984
  - Since 1984, Self-imposed Macroeconomic Austerity, "Close the Ranks"
  - Since 1986, USSR Withdrawal of economic support; Stop Paying France' Debt
- 1987 France' "We need Damascus"; External Debt Jumped at 5B US\$
- 1990-1991, Thanks Saddam! Joining US-led Coalition vs. Gulf Capitals; US Pressure on EC for Debt-Relief, made on 1995



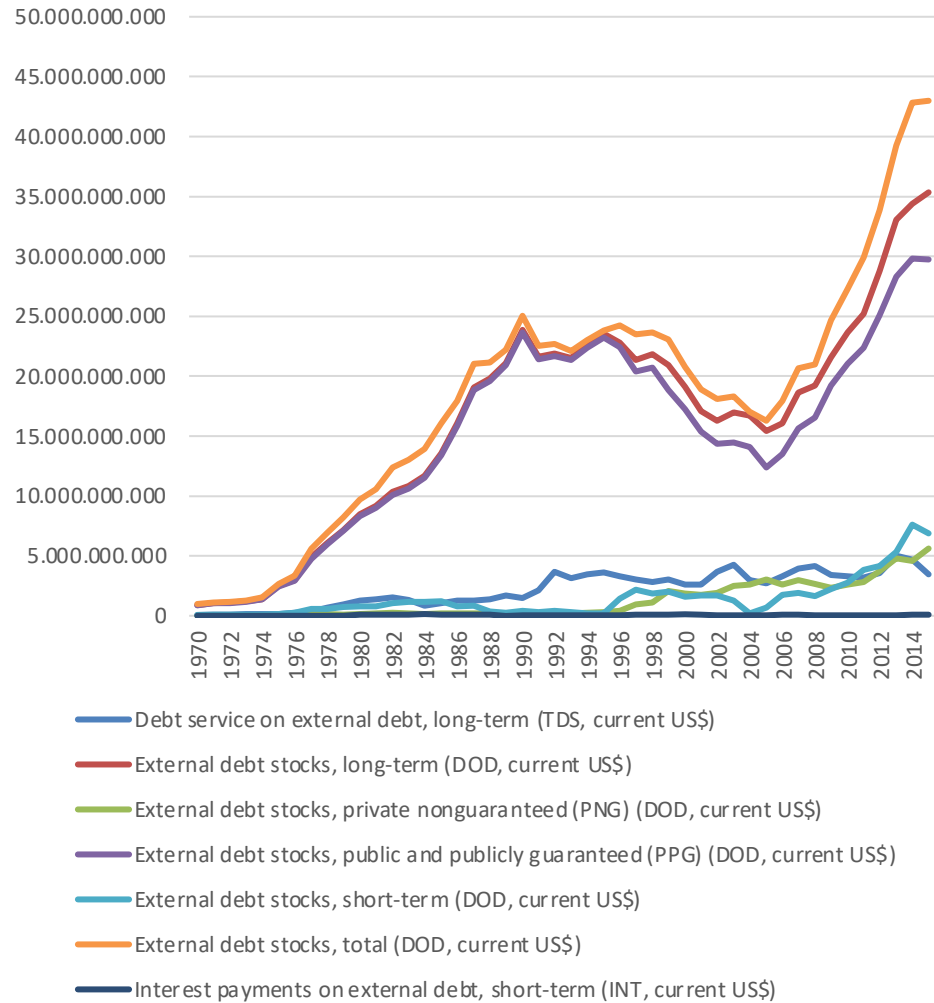
### External Debt Syria



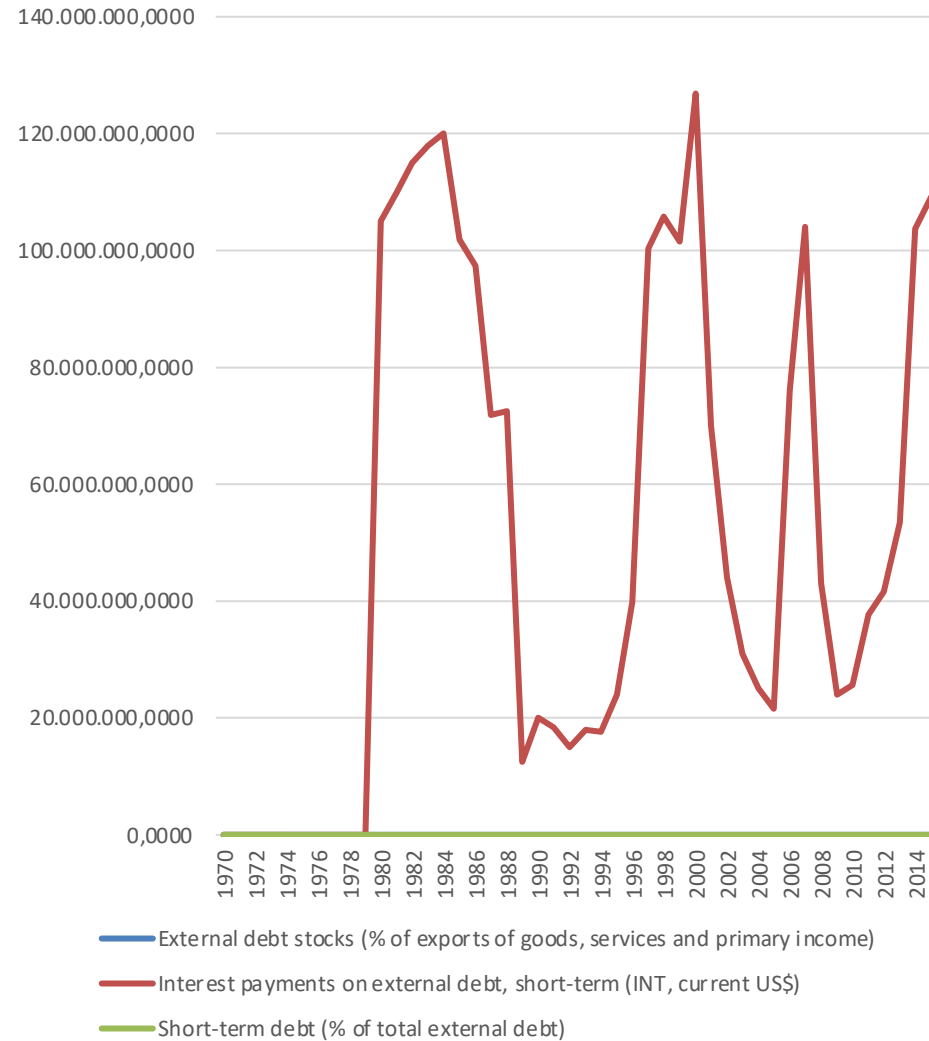
### External Debt Syria %



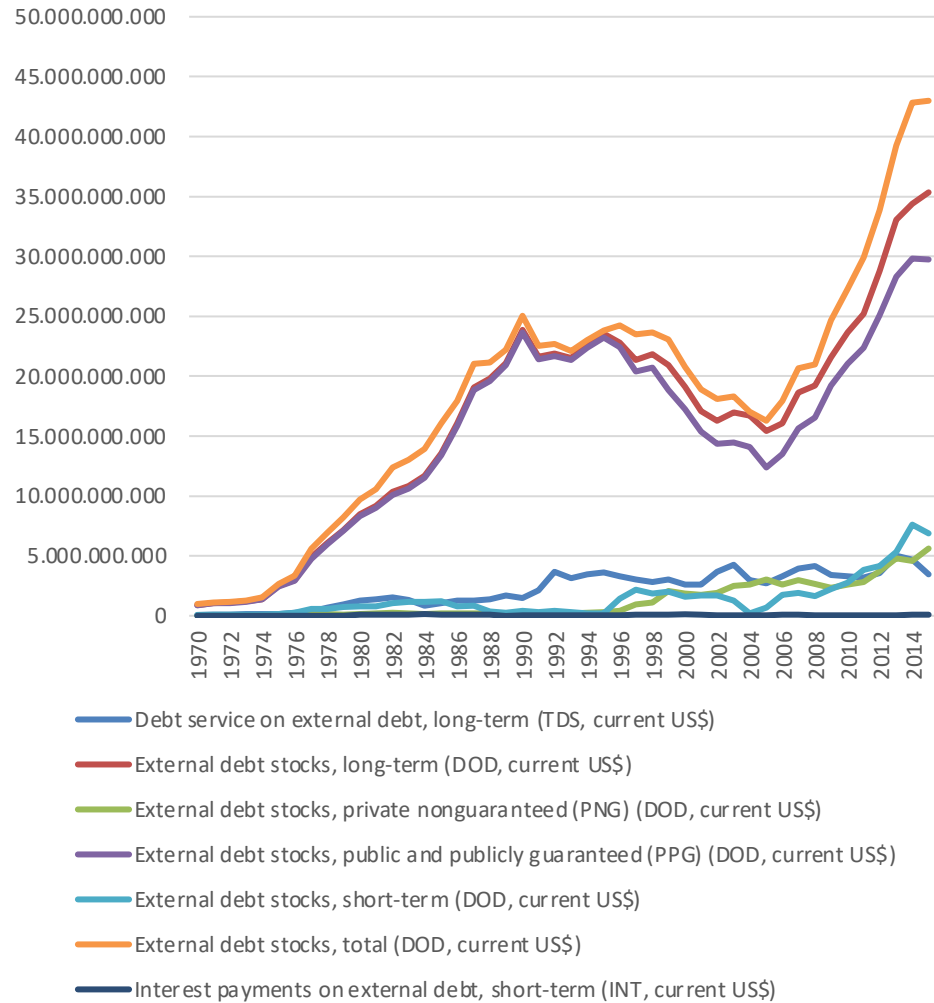
### External Debt Morocco



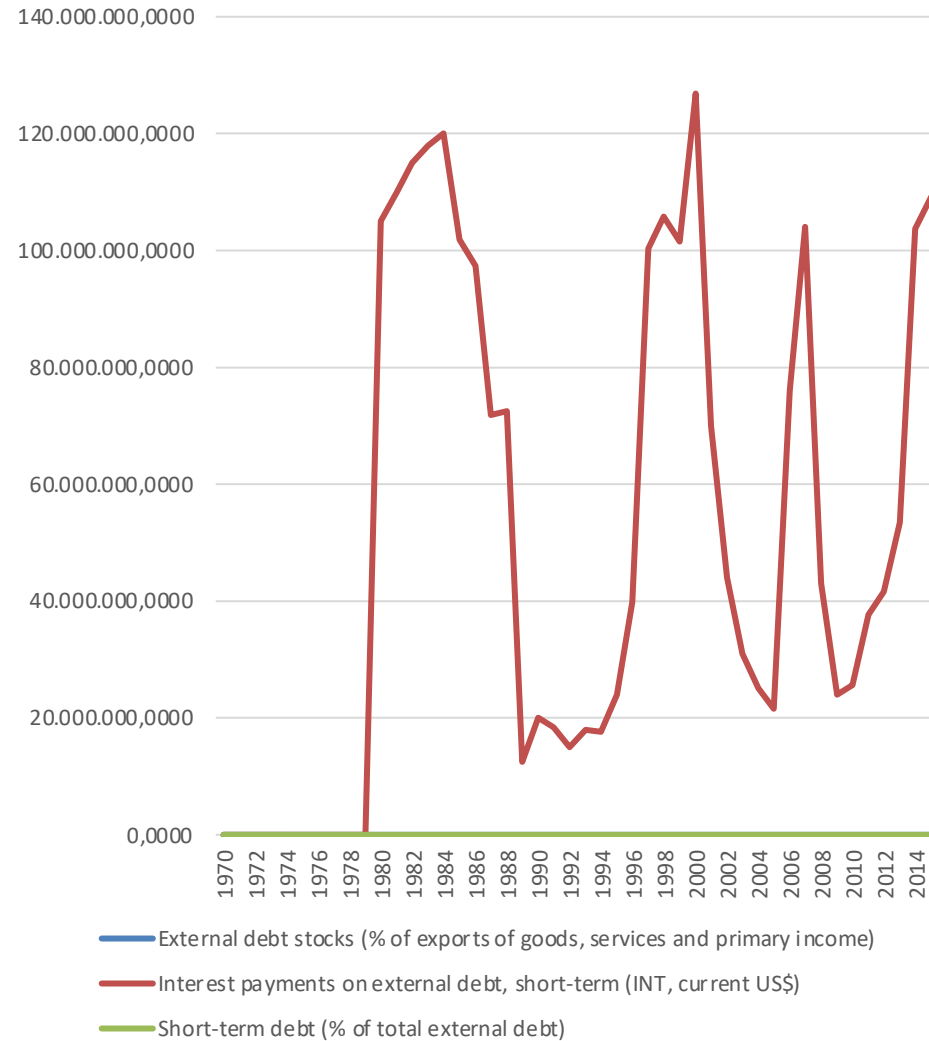
### External Debt Morocco %



### External Debt Morocco

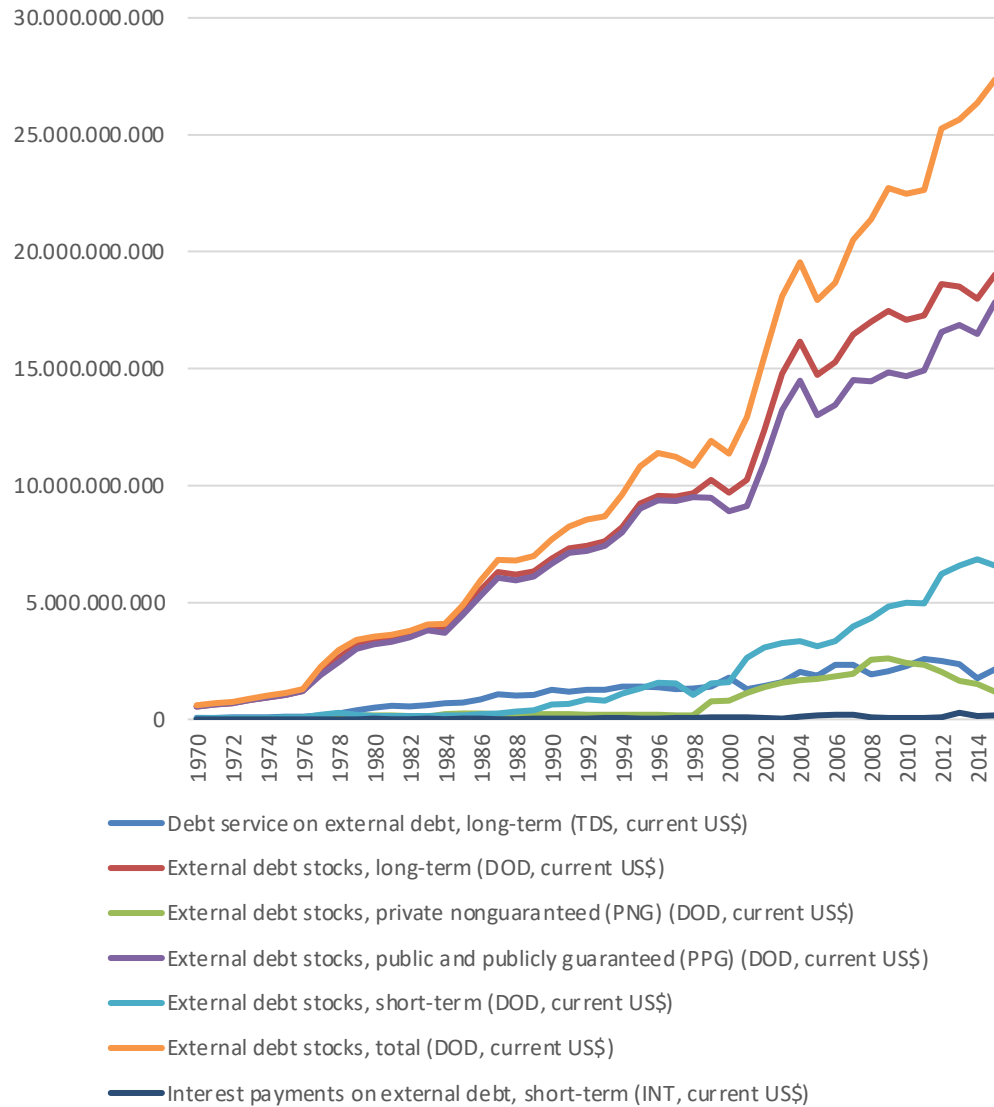


### External Debt Morocco %

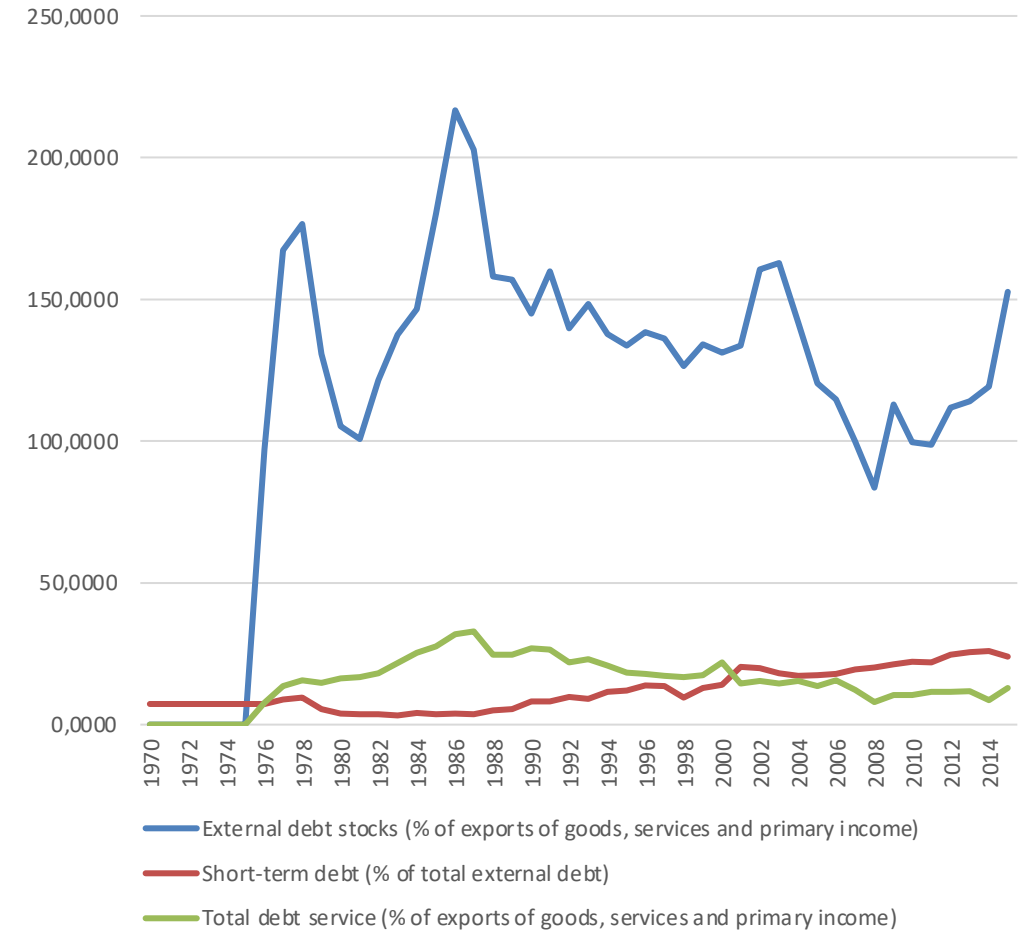




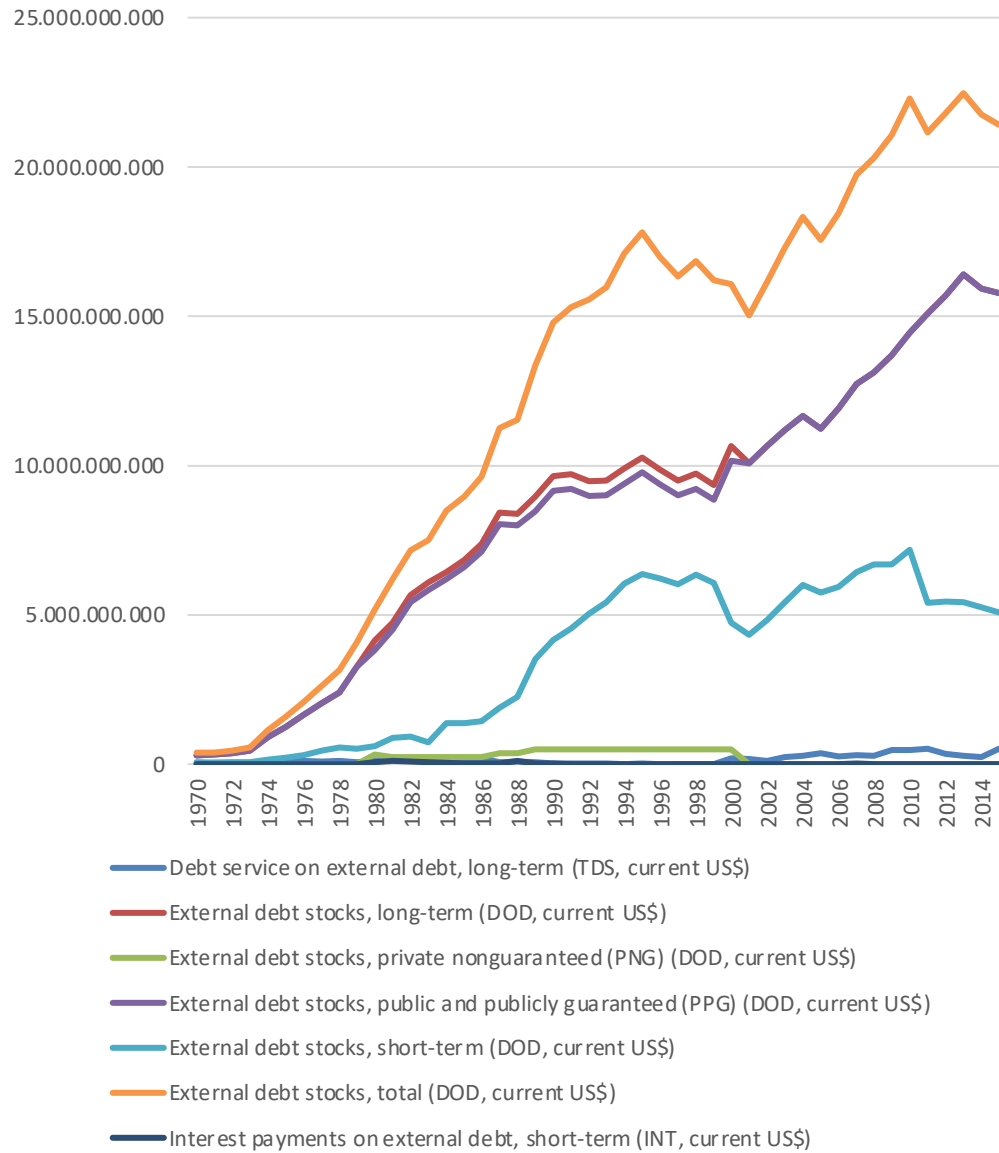
### External Debt Tunisia



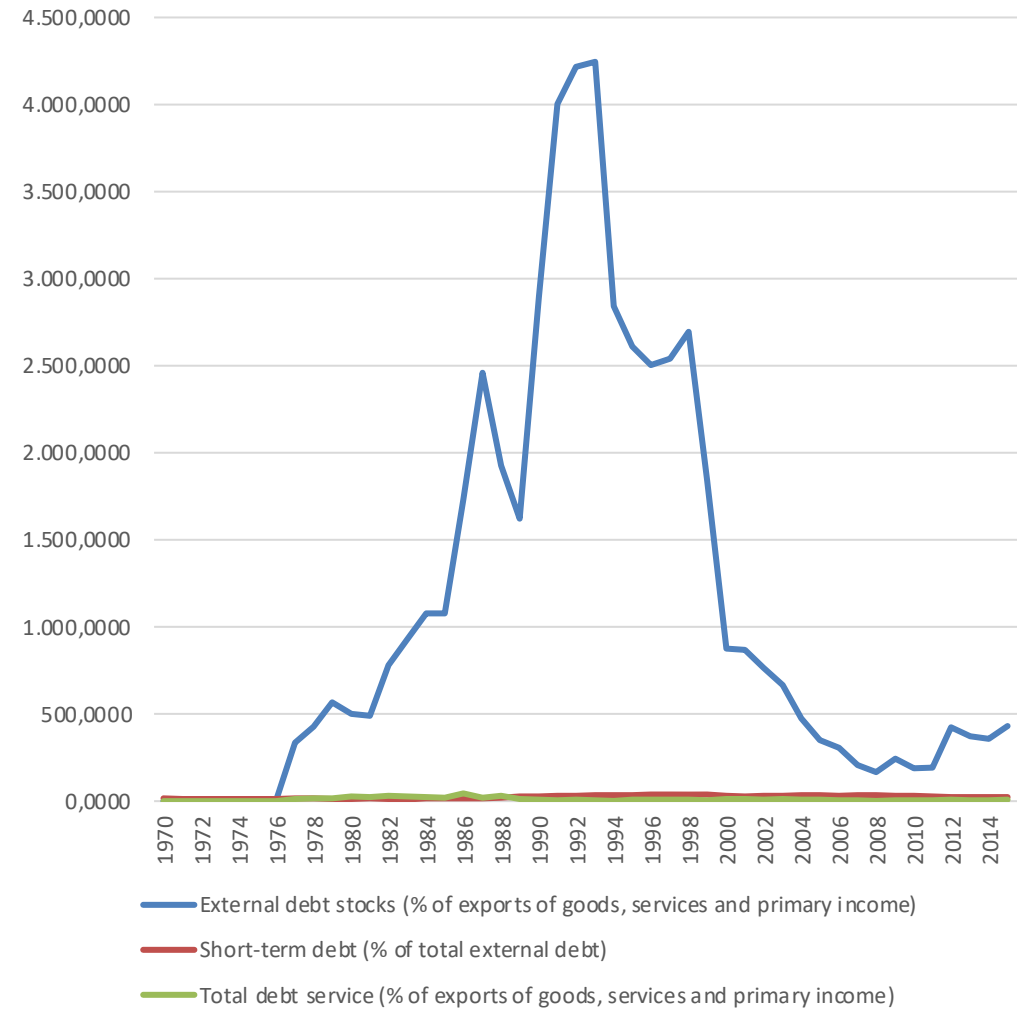
### External Debt Tunisia %



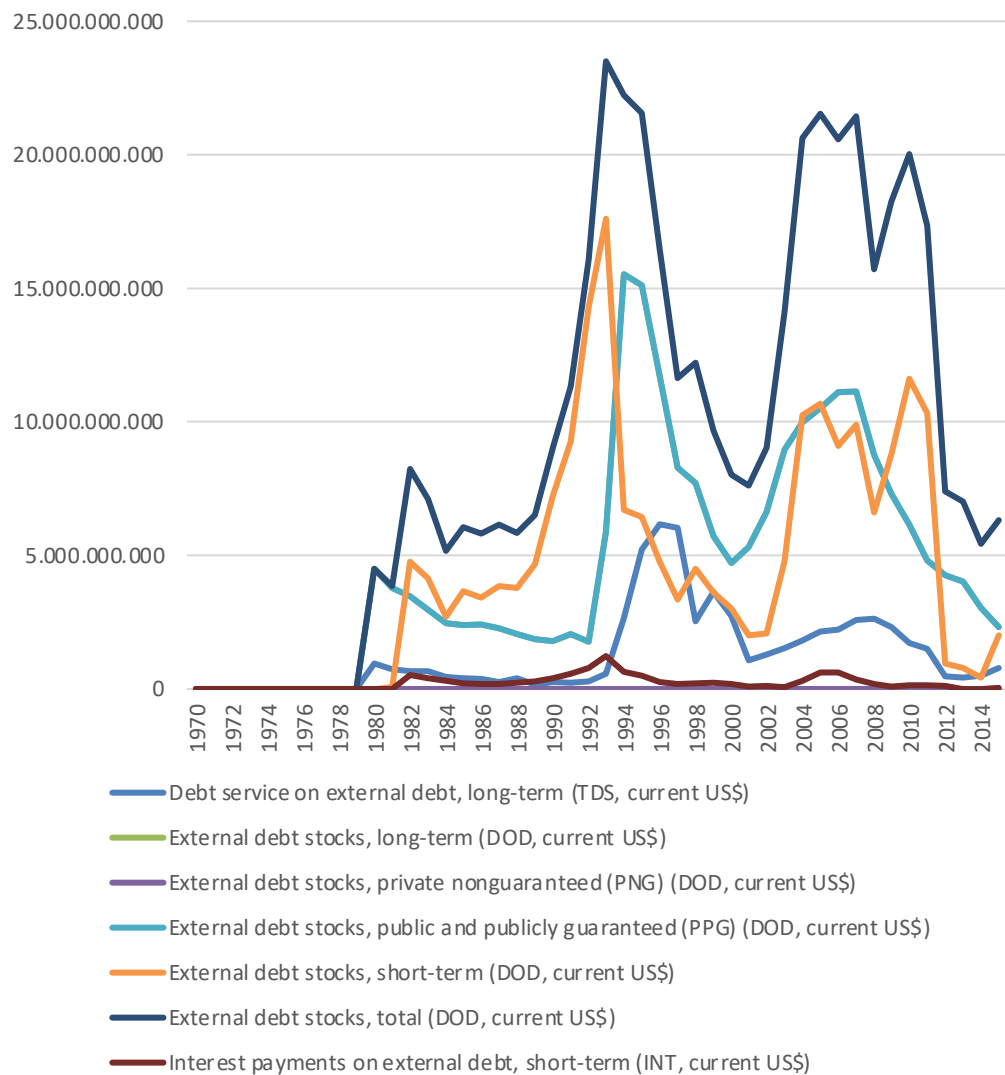
### External Debt Sudan



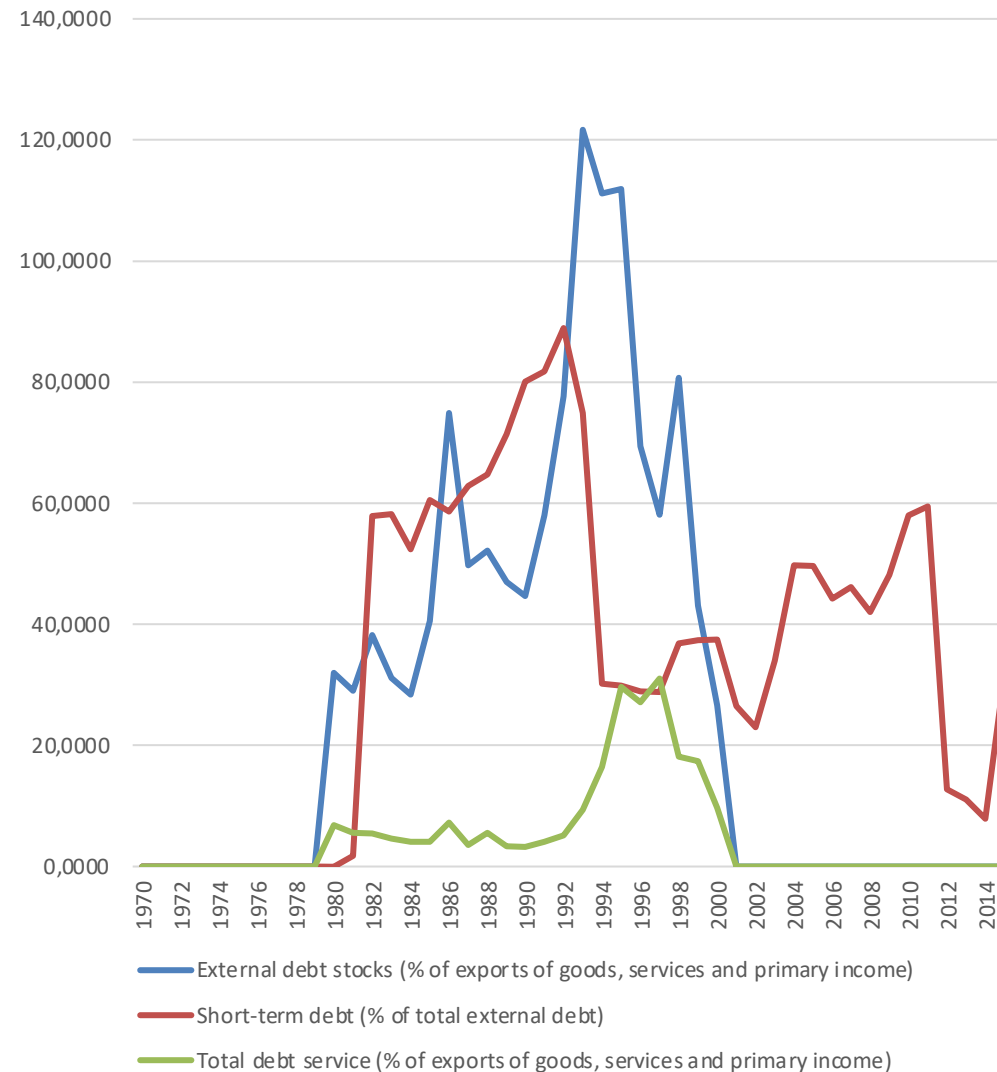
### External Debt Sudan %



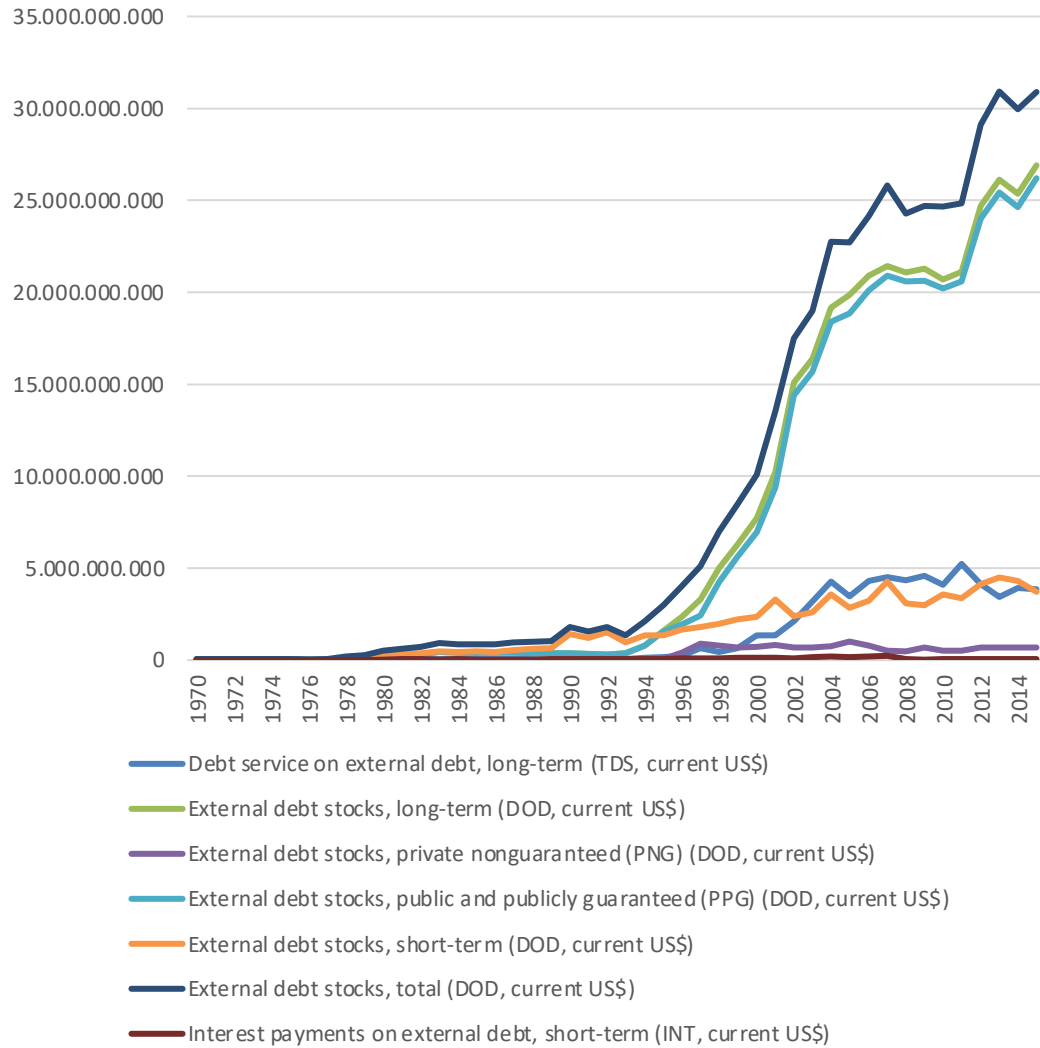
### External Debt Iran



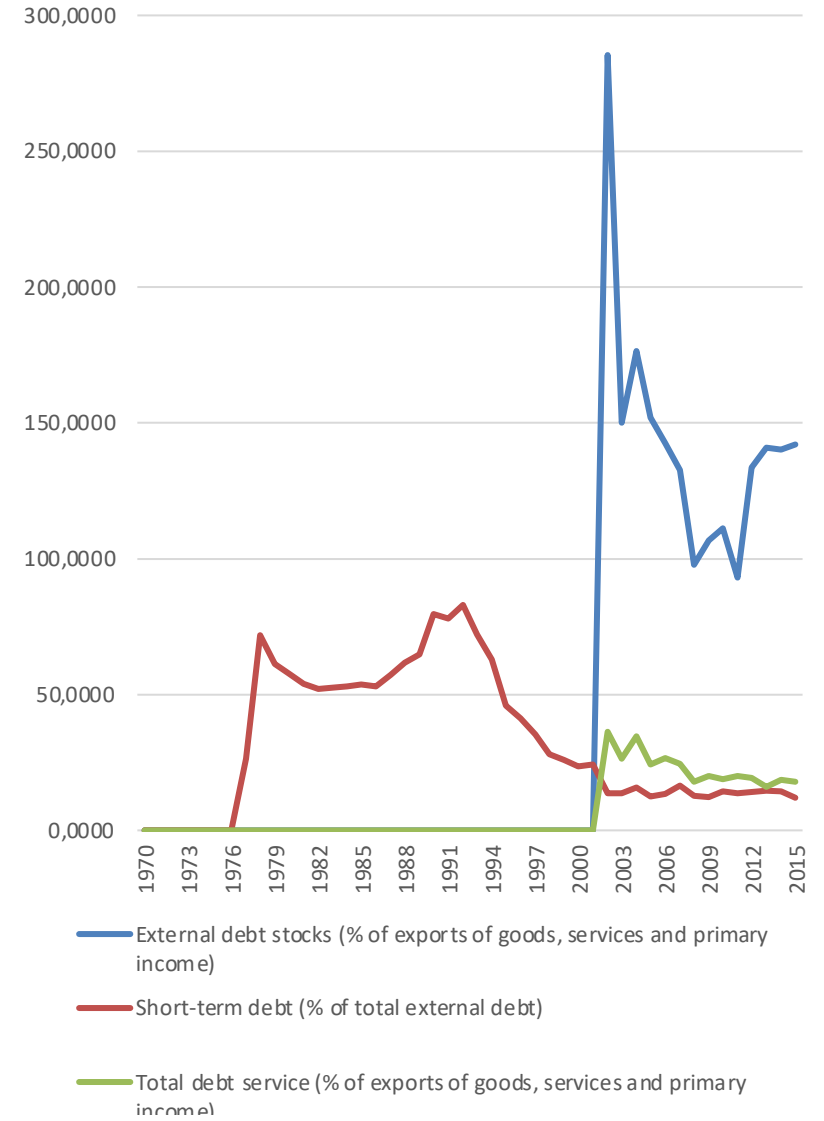
### External Debt Iran %



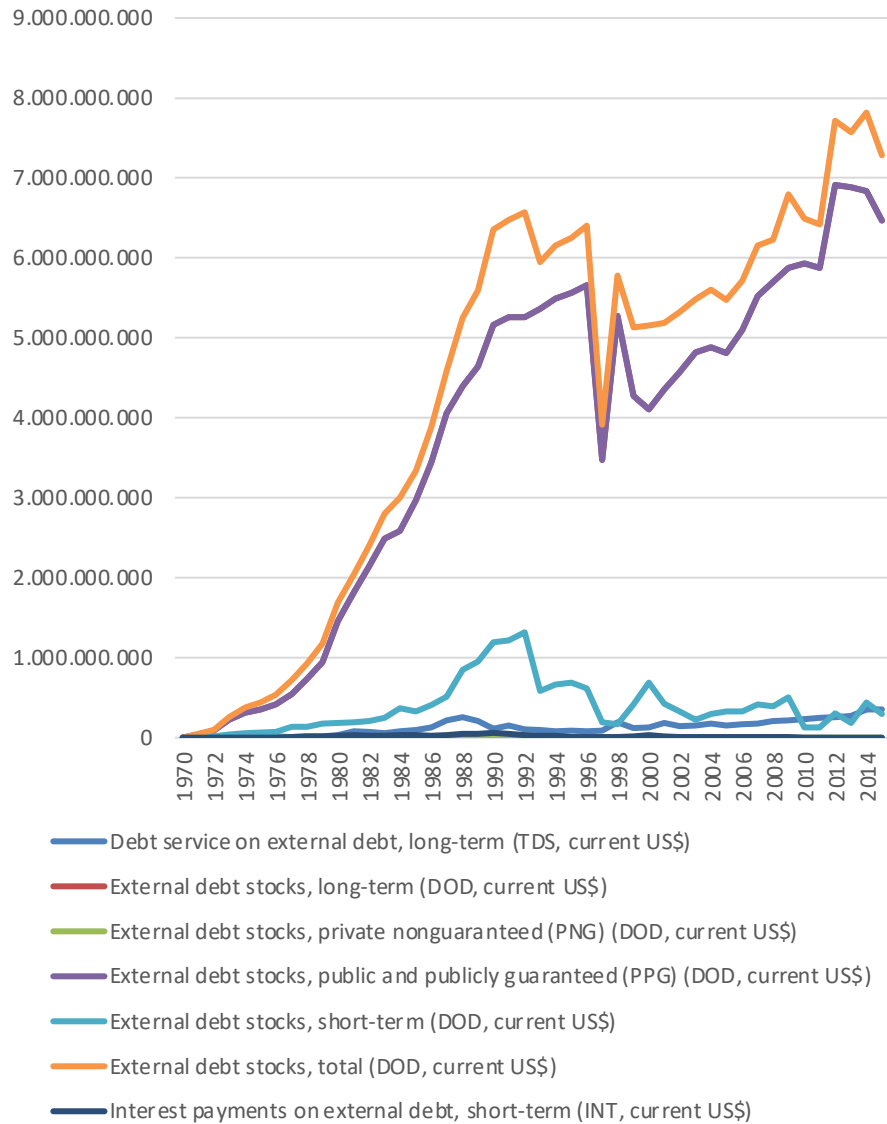
### External Debt Lebanon



### External Debt Lebanon %



### External Debt Yemen



### External Debt Yemen %

