



Foreign debts, reforms and the change of the social pact in the Arab World

*The Making of the Washington Consensus in the Middle East and North
Africa. Negotiating international assets, debts and power (1979–91)*

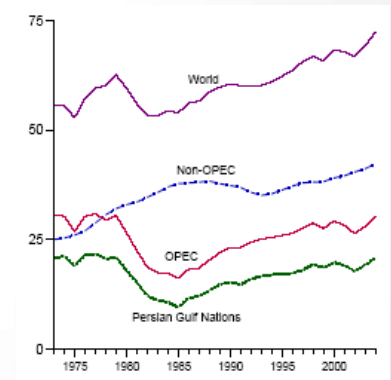
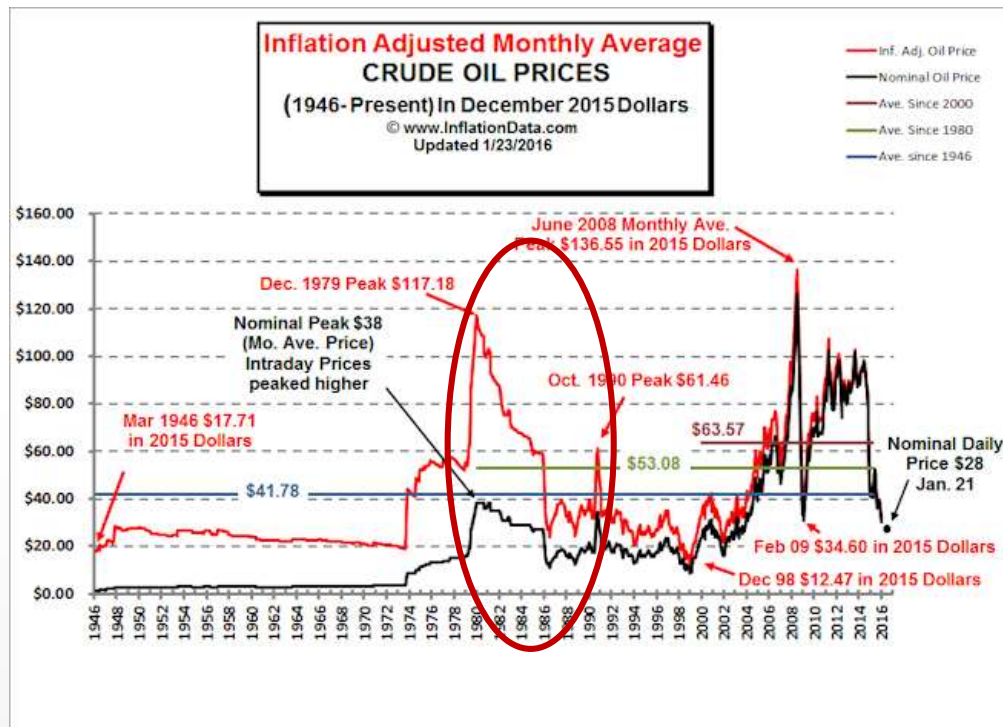
University of Bologna, October 10–11, 2018

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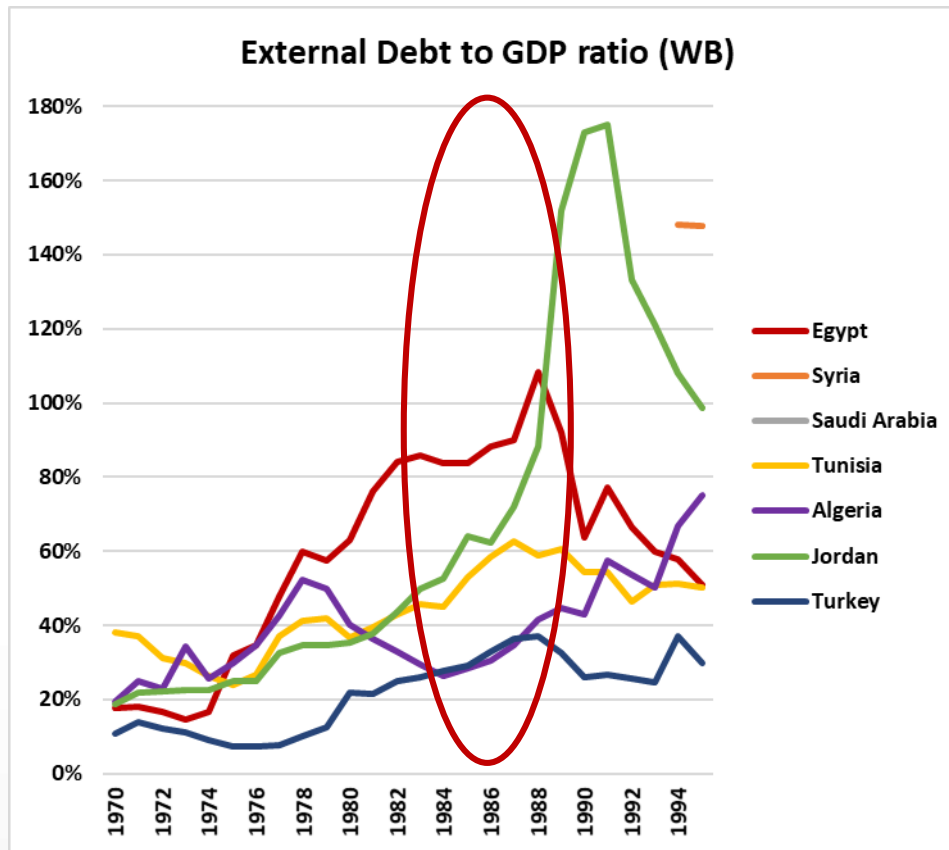
The 1980's and the Arab countries

- What really characterizes this decade comparatively to others?
- Did this decade really changed the Arab countries and rooted the “Arab Spring”?
- How internal social, economic and political issues interacted with world environment?
- Is it all about oil? Or about development paradigms?



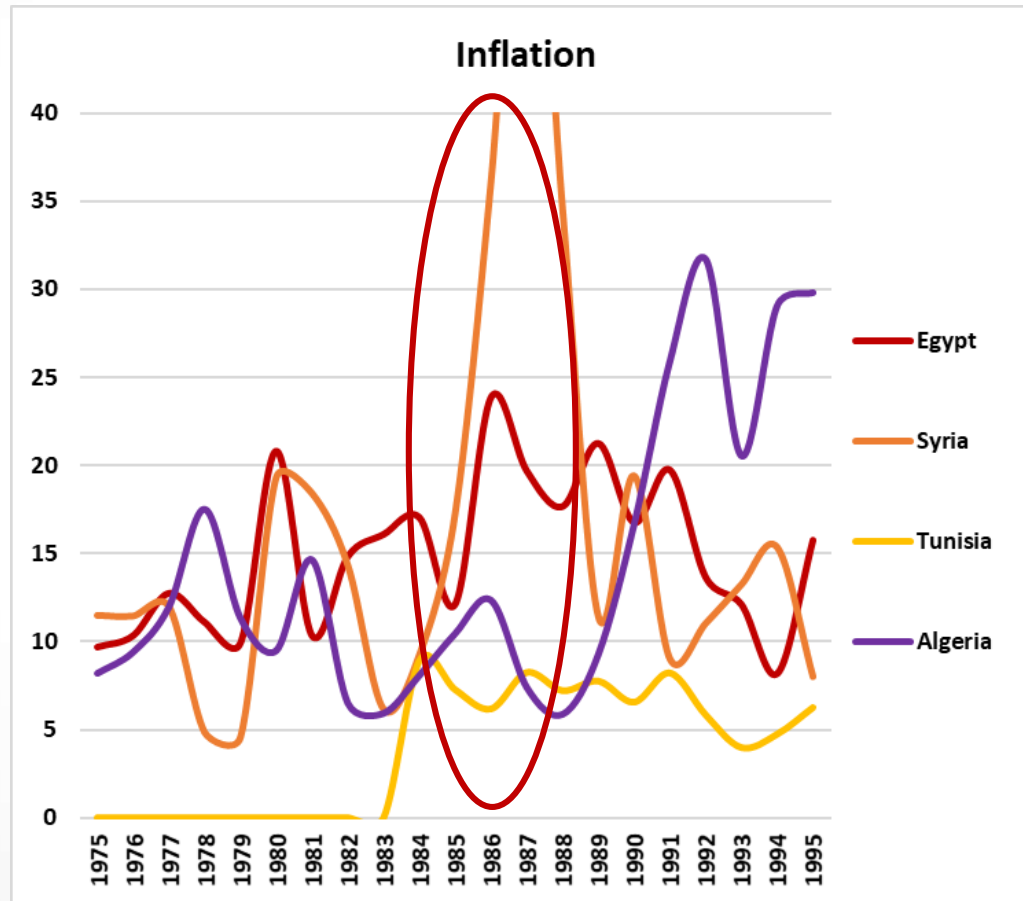
The 1980's and the Arab countries

- Why a crisis of foreign debts in the 1980's?



The 1980's and the Arab countries

- What were the causes and the consequences of inflation?





Political and social issues

	1950's-1960's	1970's	1980's	1990's
Internal politics	<ul style="list-style-type: none"> • Political instability 	<ul style="list-style-type: none"> • Stability 	<ul style="list-style-type: none"> • Extreme stability 	<ul style="list-style-type: none"> • Extreme stability
Regional politics	<ul style="list-style-type: none"> • Competition 	<ul style="list-style-type: none"> • Cohesive 	<ul style="list-style-type: none"> • Extreme divisions • Wars 	<ul style="list-style-type: none"> • Cohesive
Ideology	<ul style="list-style-type: none"> • Anti-colonial • Arabism • Modernism/ reactionary • Palestine Central 	<ul style="list-style-type: none"> • Arabism • Palestine less central • Democracy? 	<ul style="list-style-type: none"> • « Me first » • Islamism • Palestine not central • War on « communism » (Afghanistan) • Democracy? 	<ul style="list-style-type: none"> • Islamism • Palestine less central • Democracy?
Elites	<ul style="list-style-type: none"> • Urban elites • Urban → Rural, tribal elites 	<ul style="list-style-type: none"> • Rural, tribal • 'Asabiyah & clientelism • Authoritarian 	<ul style="list-style-type: none"> • 'Asabiyah • Extremely authoritarian • Clientelism 	<ul style="list-style-type: none"> • Extremely authoritarian • 'Asabiyah weakening • What's next?
Society	<ul style="list-style-type: none"> • Rural-urban migrations 	<ul style="list-style-type: none"> • Rural-urban migrations 	<ul style="list-style-type: none"> • Slowing rural-urban migration 	<ul style="list-style-type: none"> • Acceleration of rural-urban migration • Informal neighborhoods
Social contract	<ul style="list-style-type: none"> • Inclusion of rural tribal society • Enabling of base public utilities & services in rurality 	<ul style="list-style-type: none"> • Empowerment of rural-tribal origins vs old urban elites 	<ul style="list-style-type: none"> • Enabling public utilities & services everywhere 	<ul style="list-style-type: none"> • Enabling of public services & utilities everywhere



Economic policy issues

	1950's-1960's	1970's	1980's	1990's
Economies	<ul style="list-style-type: none"> • Relatively wealthy • WWII accumulations • Growth by base development 	<ul style="list-style-type: none"> • 1st Oil shock 	<ul style="list-style-type: none"> • 2nd Oil shock • 1st Oil prices collapse 	<ul style="list-style-type: none"> • Stagnated Liberalization • 2nd oil prices collapse
Foreign aid	<ul style="list-style-type: none"> • average 	<ul style="list-style-type: none"> • High 	<ul style="list-style-type: none"> • Very low 	<ul style="list-style-type: none"> • No
Foreign debts	<ul style="list-style-type: none"> • Average 	<ul style="list-style-type: none"> • Average 	<ul style="list-style-type: none"> • Debt crisis 	<ul style="list-style-type: none"> • Debt relief
Infrastructures	<ul style="list-style-type: none"> • Bring education, health, electricity, roads, etc. everywhere 	<ul style="list-style-type: none"> • Bring education, health, electricity, roads, etc. everywhere 	<ul style="list-style-type: none"> • What's next? • High military and security spending 	<ul style="list-style-type: none"> • What's next?
Agriculture	<ul style="list-style-type: none"> • Agrarian reform 	<ul style="list-style-type: none"> • What's next? 	<ul style="list-style-type: none"> • What's next 	<ul style="list-style-type: none"> • Food security
Industry	<ul style="list-style-type: none"> • Capitalist accumulation • Nationalizations 	<ul style="list-style-type: none"> • Public industrialization 	<ul style="list-style-type: none"> • Crisis of public industrialization • Encourage private sector 	<ul style="list-style-type: none"> • Encourage private sector • Encourage foreign investments
Natural resources	<ul style="list-style-type: none"> • Foreign development 	<ul style="list-style-type: none"> • Nationalizations 	<ul style="list-style-type: none"> • Nationalizations • New foreign dev. 	<ul style="list-style-type: none"> • Nationalizations • Foreign dev
International environment	<ul style="list-style-type: none"> • The « 30 glorious years » of growth and welfare state 	<ul style="list-style-type: none"> • The economic crisis of the 1st oil shock 	<ul style="list-style-type: none"> • Margaret Thatcher and Ronald Reagan neo-liberalization 	<ul style="list-style-type: none"> • Neo-liberalization and new world poles (EU, China)

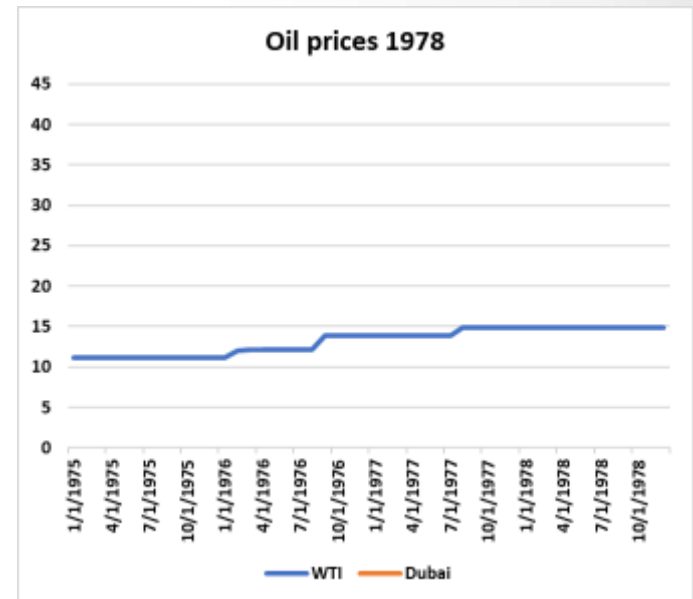


Financial issues

	1950's-1960's	1970's	1980's	1990's
Economies	<ul style="list-style-type: none"> • Relatively wealthy • WWII accumulations • Growth by base development 	<ul style="list-style-type: none"> • 1st Oil shock 	<ul style="list-style-type: none"> • 2nd Oil shock • 1st Oil prices collapse 	<ul style="list-style-type: none"> • Stagnated Liberalization • 2nd oil prices collapse
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Foreign debts	<ul style="list-style-type: none"> • Average 	<ul style="list-style-type: none"> • Average 	<ul style="list-style-type: none"> • Debt crisis 	<ul style="list-style-type: none"> • Debt relief
Budget revenues	<ul style="list-style-type: none"> • Moderate taxation 	<ul style="list-style-type: none"> • Low taxation • Oil based 	<ul style="list-style-type: none"> • Low taxation • Oil based 	<ul style="list-style-type: none"> • Low taxation (encouraging private) • Oil based
Redistribution	<ul style="list-style-type: none"> • 1st social security systems • investments 	<ul style="list-style-type: none"> • Public hiring • Subsidies 	<ul style="list-style-type: none"> • Public hiring • Removing subsidies partially • High military spending 	<ul style="list-style-type: none"> • Stopping public hiring • Removing subsidies
Inflation	<ul style="list-style-type: none"> • Low 	<ul style="list-style-type: none"> • high 	<ul style="list-style-type: none"> • Very High 	<ul style="list-style-type: none"> • Very High
State efficiency	<ul style="list-style-type: none"> • High 	<ul style="list-style-type: none"> • Low 	<ul style="list-style-type: none"> • Inefficient 	<ul style="list-style-type: none"> • Inefficient
Financial policies	<ul style="list-style-type: none"> • Adapted • Creating Central Banks • Banking system depth 	<ul style="list-style-type: none"> • Low banking system depth 	<ul style="list-style-type: none"> • 1st structural adjustments • Low banking system depth 	<ul style="list-style-type: none"> • Structural adjustments with low taxation • Low banking system depth

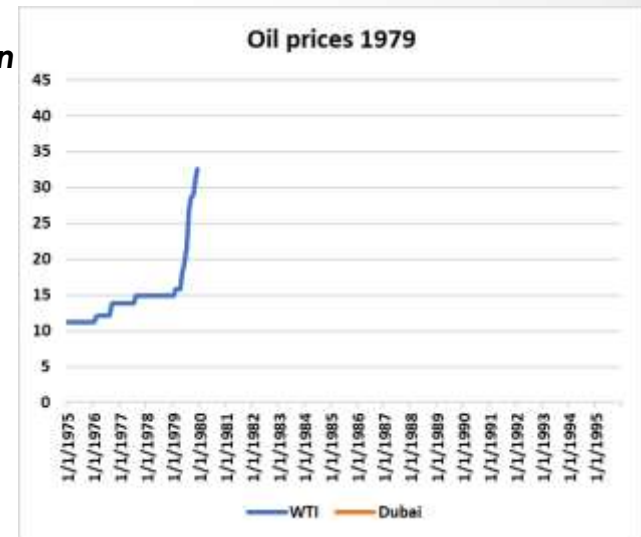
The year 1978

- **January 7, Iran: startup of Iran unrests.**
- **January 21, Algeria: Nationalization of 5 French oil companies.**
- **January 26, Tunisia: “Black Thursday”, general strike. UGTT remains independent.**
- **March 14, Lebanon: Israel invades South Lebanon.**
- **July 2, Lebanon: fighting between Syrian army and Lebanese forces.**
- **July 9, Egypt: Sadat creates his political party.**
- **July 10, Mauritania: Coup d’Etat.**
- **August 31, Lebanon-Libya: Moussa Al Sadr disappears in Libya.**
- **September 8, Iran: “Black Friday”.**
- **September 17, Egypt : Israel-Egypt Camp David Accord.**
- **October 6, Iraq-Iran: Ayatollah expelled from Iraq, founding asylum in France.**
- **November 5, Egypt: Arab Summit in Baghdad decides to move Arab League headquarters to Tunis.**
- **December 19-26, Turkey: Massacre of Kurdish Alevi in Marash.**



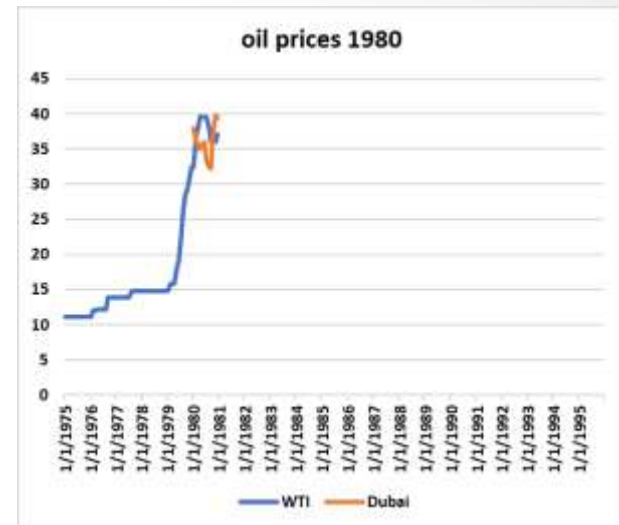
The year 1979

- **January 16, Iran: The shah leaves Iran to Egypt.**
- **January 28, Morocco: War in Sahara, Polisario takes Moroccan Tan-Tan.**
- **February 1st, Iran: Khomeini returns to Iran.**
- **February 9, Algeria : death of Boumedien, Ben Jedid President.**
- **February 23, Iraq-Saudi Arabia: Treaty to defend Saudi Arabia against Iran or USSR.**
- **February 23-March 5: Internal war in Yemen.**
- **March 26, Egypt: Israel-Egypt peace treaty.**
- **March 27, OPEP: Second Oil shock.**
- **April, Iran: Revolt in Khouzistan.**
- **May 4, UK; Margaret Thatcher Prime Minister**
- **May 13-15, Lebanon: inter-Christian war.**
- **June 16, Syria: Islamist attack on the military academy.**
- **July 16, Iraq: Saddam Hussein President of Iraq.**
- **June 16, Iran: nationalization of the industry.**
- **August 5, Mauritania: peace treaty, withdrawal from Rio d'Oro, recognizing SADR and annexation by Morocco.**
- **October 25, Yemen: Treaty between USSR and South Yemen.**
- **November 4, Iran: Crisis of the hostages of the American Embassy.**
- **November 20, Saudi Arabia: Hostages in Mecca.**
- **November 25-28, Saudi Arabia: 1st Ashoura celebration and repression.**
- **December, Iran: Revolt in Tabriz.**
- **December 27, Afghanistan: USSR intervention in Afghanistan.**



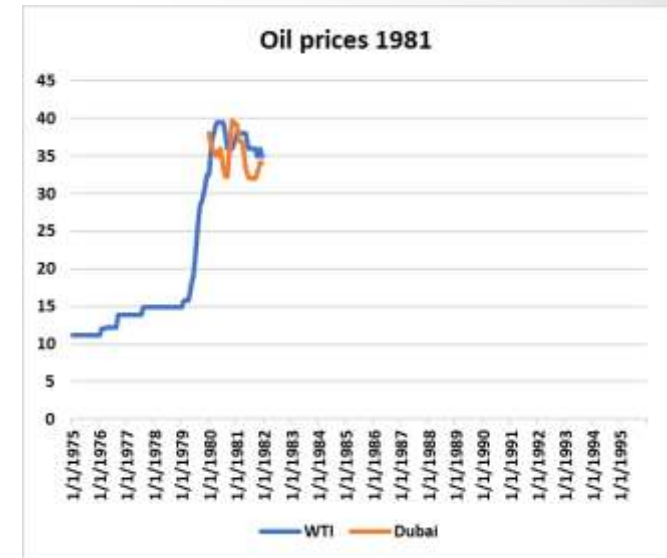
The year 1980

- **January 4, USSR: US embargo on cereals.**
- **February 26, Egypt-Israel: Resume diplomatic relations.**
- **March 8, Syria: Islamic revolt in Aleppo and Jisr Ash Shughur.**
- **April, Iraq-Iran: expulsion of Iran Shi'a and execution of Sadr.**
- **May 22, Egypt: Islam becomes main source of constitution.**
- **May-June, Turkey: anti-Alévis attacks.**
- **June 27, Syria: Massacre of Palmyra. Muslim brotherhood banned.**
- **July 27, Egypt & Iran : Death and funerals of former Iran Shah.**
- **July 30, Palestine: annexation of East Jerusalem.**
- **September 22, Iraq-Iran: startup of the war.**
- **November 4, US: Ronald Reagan President**
- **November 12, Iraq: signature of Damascus agreement by Iraqi opposition.**
- **November-December, Iraq-Iran: destruction of oil terminals, both sides.**



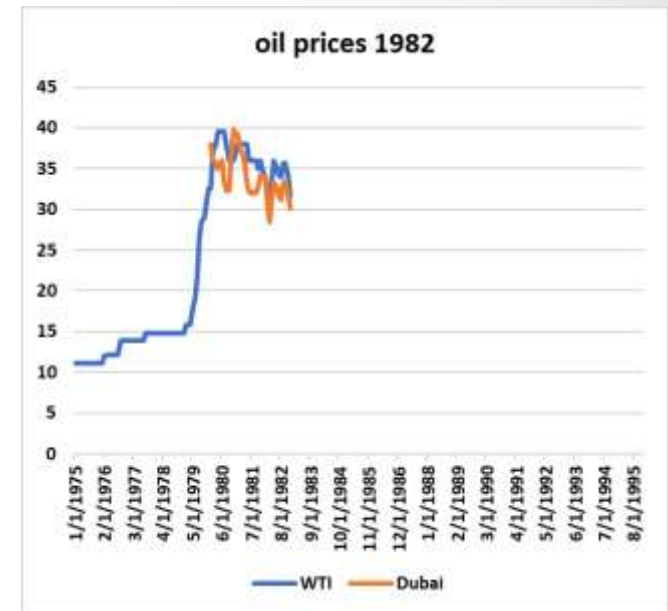
The year 1981

- **January 15, Iraq: The Iraqi army invades Kurdistan Iran.**
- **January 20, Iran: Liberation of US hostages.**
- **April 23-26, Syria: Hama insurgency and crushing.**
- **May 25, GCC: Creation of the GCC.**
- **June 7, Iraq: The Israelis destroy Osirak.**
- **June 17, Egypt: clashes between Muslims and Copts.**
- **July 17, Lebanon: The Israelis bomb Beirut.**
- **July 24, Lebanon: US brokered ceasefire between Israel and the Palestinians.**
- **August 5, Palestine: Saudi Fahd plan for Israeli-Arab peace in Fes Summit.**
- **August 30, Iran: Killing of President and Prime Minister in a terrorist attack.**
- **September 3, Egypt: Crack on Islamists and Copts.**
- **September 4, Lebanon: Assassination of French ambassador Delamarre.**
- **October 6, Egypt : Assassination of Anwar Sadat, replaced by Husni Mubarak.**
- **November 25, Palestine: PLO rejects Fahd plan.**
- **December 14, Syria: Israel annexes Golan heights.**



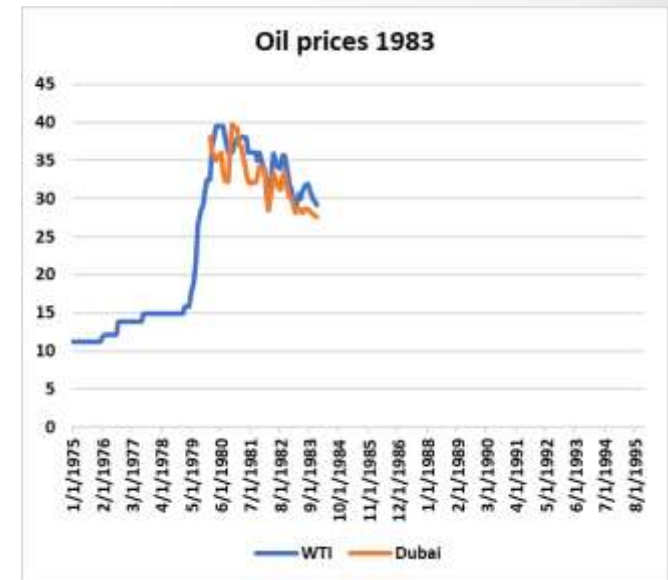
The year 1982

- February 3-24, Syria: Massacre of Hama.
- March, Iraq-Iran: The Iranians take back Dezful and Shush in Khuzistan
- April, Syria-Iraq: Syria closes Iraqi pipeline to the Mediterranean.
- April, Egypt: Restitution of the Sinai by Israel.
- May, Iraq-Iran: The Iranians take back Khorramshahr.
- June, Lebanon: Attack in London on Israeli ambassador. Israel invades Lebanon (Peace in Galilea). Siege of Beirut. Syria loosed hundreds of aircrafts.
- June 10, Iraq-Iran: Saddam Hussein declares unilateral ceasefire.
- June 13, Saudi Arabia : Death of king Khaled, replaced by Fahd; Sultan crown prince.
- August-September, Lebanon: The PLO evacuates Beirut to Tripoli and Tunis.
- September 14, Lebanon: Assassination of Bashir Gemayel.
- September 15-16, Lebanon: Massacres of Sabra and Chatila.
- October 9-13, Jordan-Palestine: reconciliation between Arafat and King of Jordan. Closing of the "Black September" episode.
- October 18, Turkey: New Constitution.
- November 11, Lebanon: Israeli headquarter in Lebanon destroyed by Hezbollah.
- December 13, Yemen: Earthquake in North Yemen, 2000 killed.



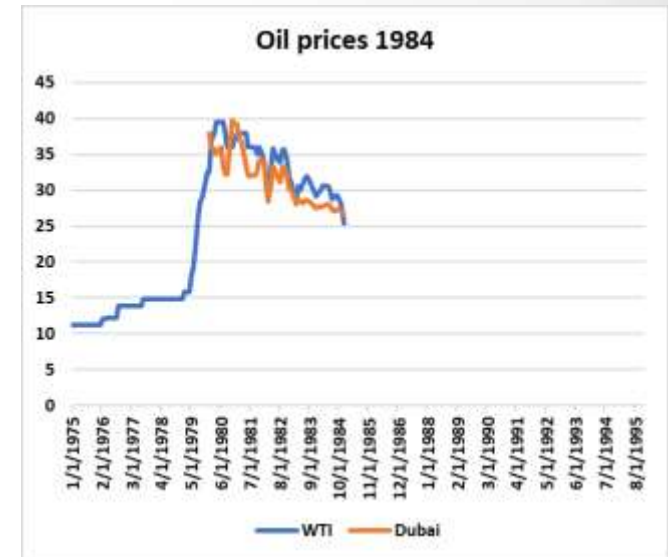
The year 1983

- February 8, Israel: Ariel Sharon resigns after Commission Kahane.
- March, USA-USSR : President Reagan launches the IDS initiative.
- April, Iraq-Iran: Iranian offensive against Kurds in Kurdistan Iran.
- April 18, Lebanon: Explosion of US embassy in Beirut.
- May 16, Sudan: Civil war starts back.
- May 17, Lebanon: Lebanese-Israeli peace agreement.
- June, Iran-Iraq: Iraq proposes ceasefire.
- June 24, Palestine: Arafat expelled from Damascus and goes to Tripoli-Lebanon.
- September 1, USSR: Shut down of South Korean commercial plane.
- September 3-4: Israeli withdrawal from Chouf. Christian-Druze war.
- October 10, Israel: Yitzhak Shamir Prime Minister.
- October 23, Lebanon: Double explosion in the US Marines and French Army headquarters.
- October 25, US: the US invades Grenade.
- October 30, Turkey: Earthquake in Erzurum.
- November 4, Lebanon: Geneva conference on Lebanon. Failure.
- December, Lebanon: Syria encircles and bombs Tripoli. Yasser Arafat evacuated by the French.
- December 21, Lebanon: Second bombing of French Army headquarter.



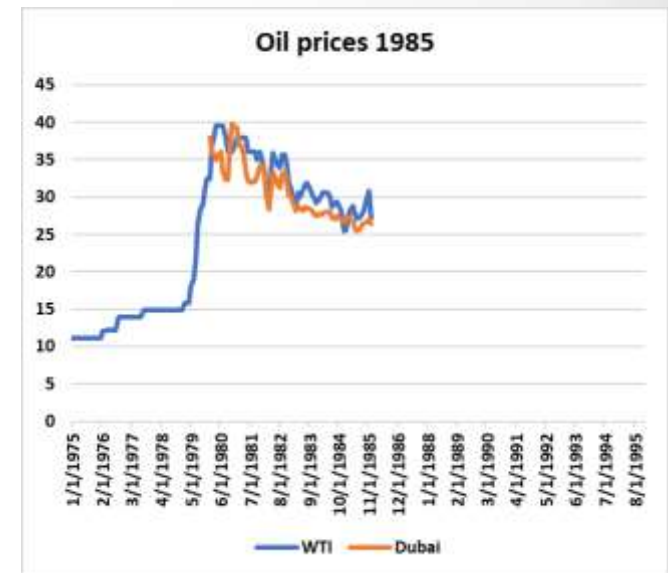
The year 1984

- **January 3, Syria :** Syria releases Navy Lt Goodman who meets Reagan at White House.
- **January 16-19, Morocco:** Islamic Conference reintegrates Egypt.
- **February 2, Lebanon:** The “Battle of Beirut”.
- **February-March, Lebanon:** Multinational force leaves Lebanon.
- **March 5, Lebanon:** Lebanon cancel Treaty with Israel.
- **March 12-21:** Lebanon reconciliation conference Lausanne.
- **March 16, Lebanon:** William Buckley, CIA chief kidnapped.
- **March 22, Iran-Iraq:** Battle of the marshes.
- **May 8, World:** USSR and allies boycott Los Angeles Olympic games.
- **May 13, Iran-Iraq:** battle of the oil tankers.
- **May 27, Egypt:** Neo-Wafd and Muslim Brotherhood in parliament.
- **September 20, Lebanon:** New explosion at American embassy.
- **December, USSR-China:** resuming dialogue after 15 years.



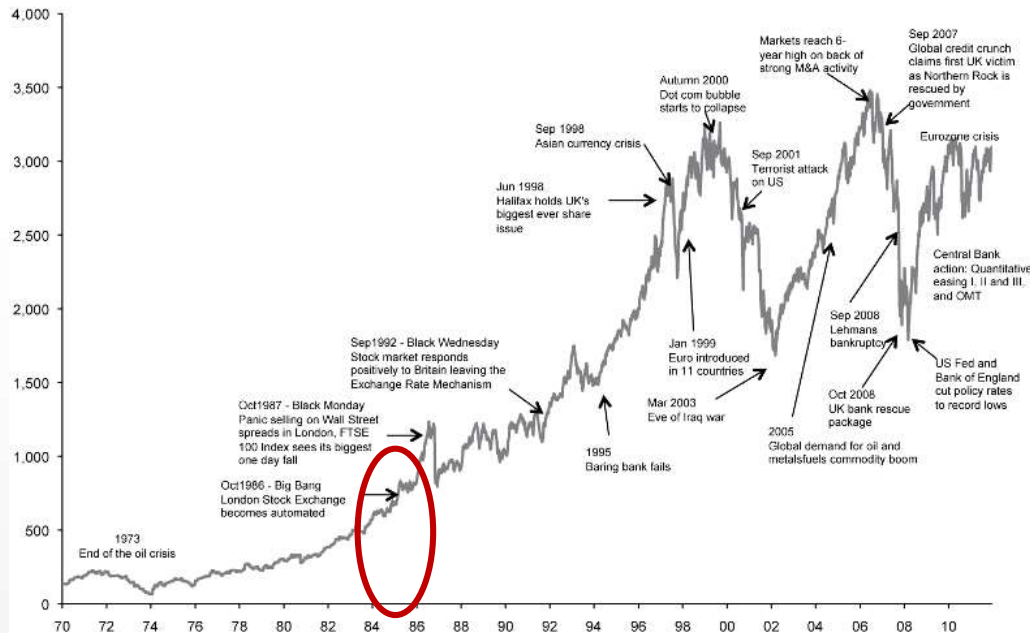
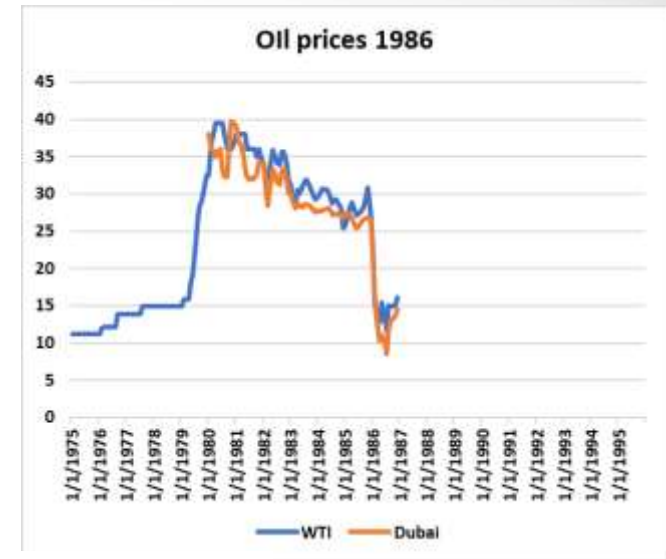
The year 1985

- February 11, Palestine: The PLO recognizes the UN SC resolutions.
- March 11, USSR: Mikhael Gorbachev leader.
- March, Iran-Iraq: The Iranian army cuts the road Baghdad-Bassorah.
- March 22, Lebanon: 2 French diplomats kidnapped.
- April 22, Israel: Signature of free trade agreement between the US and Israel.
- May-June, Lebanon: Fighting between Amal and the PLO.
- June 10, Lebanon: Israel leaves Lebanon, installing Army of South Lebanon.
- August 7-9, Morocco: Extraordinary Arab Summit.
- October 7-14: hijacking of the Achille Lauro. Crisis of Sigonella.
- December 9, Saudi Arabia: Decision to increase oil exports. Oil prices fall down from \$29.
- December 28, Lebanon: Damascus agreement between militias.



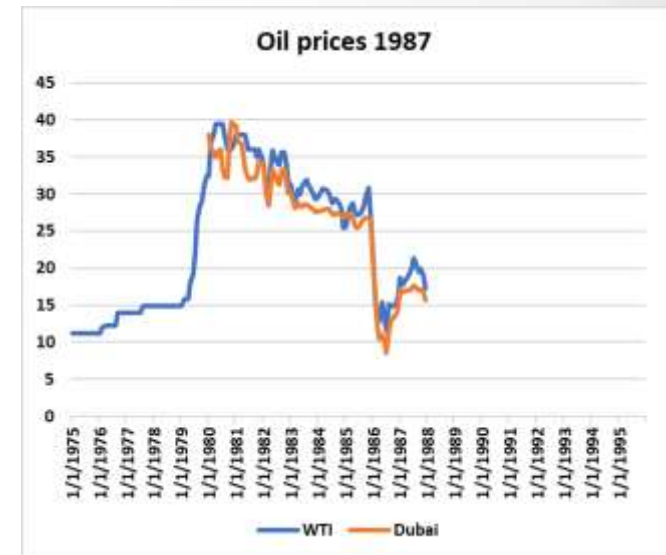
The year 1986

- **January, Yemen: Civil war.**
- **January, Lebanon: Inter-Christians war.**
- **February, Iran-Iran: Iranian army takes Fao and attacks Bassorah.**
- **April 15, Libya: The US bombs Libya.**
- **April 26, USSR: Tchernobyl.**
- **July, Saudi Arabia: Oil barrel under US\$10.**
- **July 28, Afghanistan: Gorbachev announces USSR could leave Afghanistan.**
- **September 5, Palestine: Hijacking of a plane in Pakistan.**
- **October 27, UK: "Big Bang" of the UK stock market.**



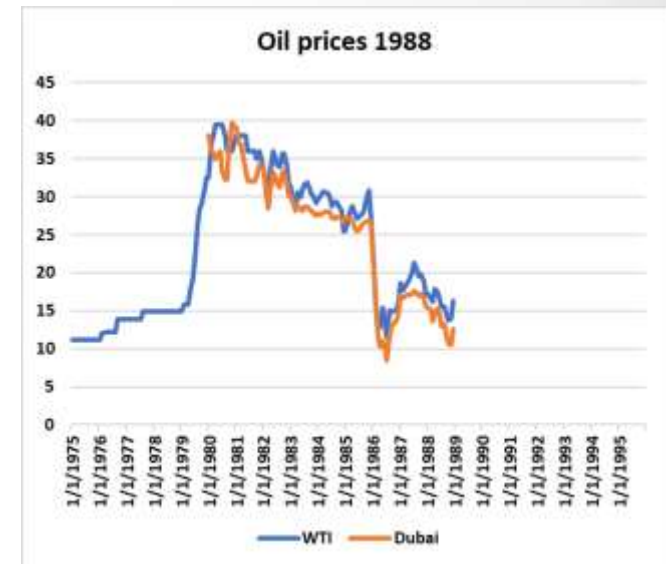
The year 1987

- **January 13, Iran-Iraq: Saddam Hussein proposes ceasefire.**
- **February 20, Lebanon: Syrian army returns to Beirut.**
- **March 23, Kuwait: The US accepts to protect Kuwaiti oil tankers.**
- **May 17, Iran-Iraq: US frigates USS Stark hit by Iraqi Exocet.**
- **May-June, Iran-Iraq: Iranian army in Kurdistan Iraq.**
- **July 22, USSR: Gorbachev accepts option 0 for euromissiles.**
- **July-August, Saudi Arabia: Iranian Shiites demonstrations in Mecca.**
- **August 29, Iran-Iraq: Iraq reattacks tankers.**
- **October 19, World: "Black Monday", krach of US stock markets.**
- **November 8-11, Jordan: Arab Summit resuming ties with Egypt, with exceptions.**
- **November, Tunisia : Doctors declare Bourguiba unfit to rule, in a bloodless coup d'état, Prime Minister Zine El Abidine Ben Ali assumed the presidency.**
- **December 9, Palestine: the first "Intifadah".**
- **December 22, Palestine: Resolution 605 of SC against Israel practices.**



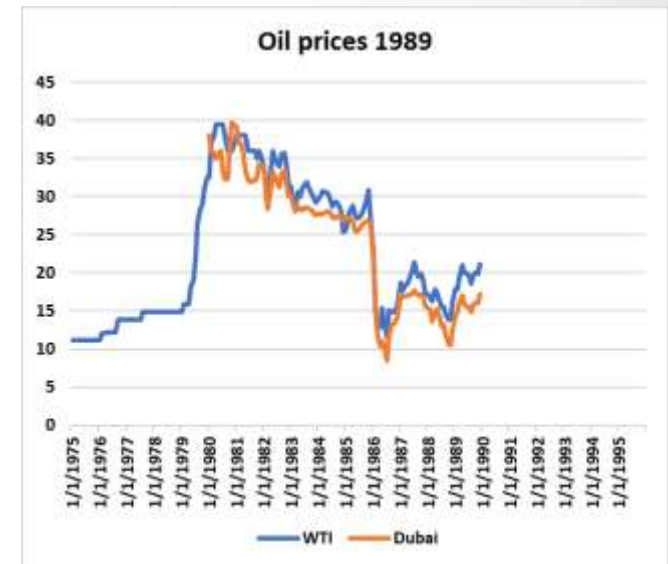
The year 1988

- February 17, Lebanon: Kidnapping of UN -US Colonel Higgins.
- March, Iran-Iraq: Iraq bombs Halabja with chemical weapons.
- April 4, Afghanistan: Geneva agreements.
- April 18, Iran-Iraq: battles between US Navy and Iranian marine.
- May 4, Lebanon: Liberation of Western hostages.
- June, Algeria: Austerity measures following IMF advices.
- July 3, Iran-Iraq: US downs Iranian civilian plane.
- July, Jordan: King Hussein surrendered the claim on West Bank, the PLO being the sole representative of the Palestinians since 1974 Arab Summit. He stopped US\$ 1.3 billion program for West Bank and dismantled parliament and institutions.
- July 18, Iran-Iraq: Iran accepts SC resolution. End of war.
- July 31, Palestine: Hussein accepts that West Bank is not part of Jordan.
- September 22, Lebanon: Michel Aoun military Prime Minister.
- October, Algeria : Riots against regime and austerity measures. Marshall law.
- November 15, Palestine: declaration of independence of Palestine from Algiers.
- November-December, Palestine: Arafat recognizes Israel.



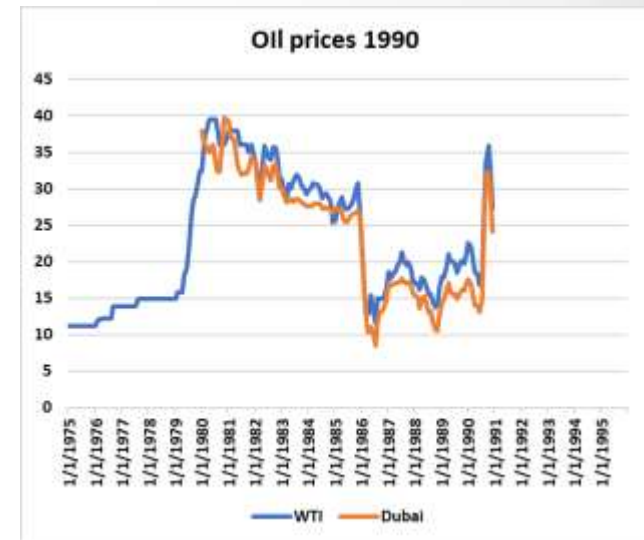
The year 1989

- February 14, Iran: Khomeiny calls for the killing of Salman Rushdi.
- February 15, Afghanistan: USSR leaves Afghanistan.
- February 18, Algeria: creation of the FIS.
- February, Algeria : new constitution : Algeria is a "land of Islam".
- February Lebanon: War between Michel Aoun and Lebanese Forces.
- March 14, Lebanon: Aoun declares the "liberation war" against the Syrian army.
- April 18, Jordan: demonstrations against austerity measures imposed by IMF.
- June 3, Iran: Death of Khomeiny.
- June 4, China: Massacre of Tien An Men.
- September 30, Lebanon: Taef meeting in Saudi Arabia setting the end of the civil war.
- November 4, Lebanon: Michel Aoun dissolves the parliament. Rejected. René Mouawwad elected president. Assassinated November 22. Elias Hraoui elected president November 24.
- November 9, World: Collapse of Berlin Wall.
- December 20, World: US invades Panama.



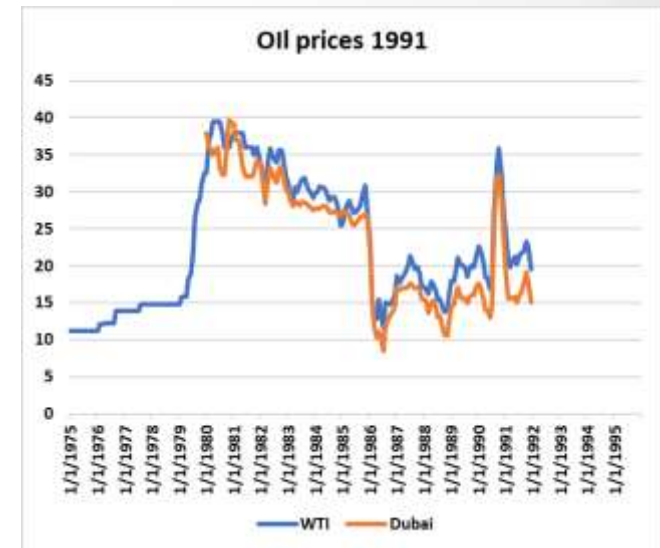
The year 1990

- **January 20, Azerbaijan: Entry of Russian troops**
- **January 30, Lebanon: Fierce fighting between Lebanese Forces and General Aoun army.**
- **January, Russia: Russian Jews authorized to migrate to Israel.**
- **April 2, Iraq: first US embargo against Iraq.**
- **April 20, Algeria: big demonstration in Algiers for the application of Shari'a.**
- **May, Syria: first elections with non-power supported candidates.**
- **May 21, Yemen: reunification agreements**
- **June 12, Algeria: local election with FIS victorious**
- **July 2, Saudi Arabia: 1,200 pilgrims die in Mecca.**
- **July 8, Iraq: Iraq claims that Kuwait steals Iraqi oil. Crisis on debt reimbursement by Iraq to GCC.**
- **August 2, Iraq-Kuwait: Iraqi troops enter Kuwait. Condemnation by resolution 660 of UN SC. August 8, Iraq-Kuwait : Iraq annexes Kuwait.**
- **August 10, Iraq-Kuwait : Arab Summit decides to send troops to defend Saudi Arabia.**
- **September 17, Saudi Arabia: Russia resumes its diplomatic ties with Saudi Arabia.**
- **October, Lebanon: Syria bombs general Aoun positions. Aoun takes asylum at the French embassy.**
- **October 31, Egypt: The Arab League returns to Cairo.**
- **November 29, Iraq-Kuwait : UN SC resolution, ultimatum for withdrawal.**
- **December 3, Lebanon: reunification of Beirut.**
- **December 27, Algeria: 400,000 demonstration against Islamists.**



The year 1991

- **January 17, Iraq-Kuwait : “Startup of operation Desert Storm”**
- **February 7, Iraq-Kuwait: Kuwait oil fields burn**
- **February 28, Iraq-Kuwait: end of Kuwait liberation.**
- **March 6, GCC-Egypt-Syria: Signature of a cooperation treaty, an Arab force shall defend the Gulf. Startup of debts cancellation and GCC aids**
- **March, Iraq: Kurdish and Shi'a insurgencies in Iraq, crushed.**
- **April 13, Iraq: The US imposes a no-fly zone on Kurdish areas.**
- **May, Algeria: general strike and fighting between FIS and security forces.**
- **July, Lebanon: PLO forbidden from South-Lebanon, Lebanese army enters the South.**
- **July 30, World: first US-Russia summit following the cold war.**
- **September 6, Morocco: Ceasefire between Polisario and Morocco.**
- **October, Lebanon: the different militias evacuate Beirut.**
- **October 30, Arab countries : Madrid Conference.**
- **December 26, Algeria: The FIS wins parliamentary elections.**
- **Saudi Arabia: It pays US\$ 50 billion for the war, and passes its oil production from 5.4 to 8 million bpd. Financial crisis.**





Foreign debts, reforms and social pact

- **Foreign Debts:**
 - Mostly **government debts** to equilibrate budgets... low revenues... **military spending**
 - Foreign debts put in context of international power relations...
 - Low private foreign debts
- **The role of the State:**
 - **Needs revenues to operate and redistribute:** total social contributions = taxes + social security contributions + pension contributions...
 - ❖ could be high if well managed as society is young
 - ❖ Direct taxations can not be high if private sector inactive, and if wealth is informal in nomenklatura
 - **Needs rational for spending: investment vs current**
 - ❖ Social security vs Free hospitalization and medicaments
 - ❖ The free education dilemma during youth bulge... investment on future
 - ❖ Agriculture productivity after agrarian reform, food security, prices stability and subsidies
 - ❖ What investments in infrastructures and industry during globalization?
 - ❖ Oil derivatives' subsidies vs public transportation
 - ❖ What development without deepening banking sector?
- **The social pact:**
 - Clientelism vs reducing inequalities
 - Quality of public utilities and services lost (education, health,)
 - The end of "development" ideology.... What ideology for the new urban youth? Democracy? Islamism?