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TITOLO: La crisi del debito estero nei Paesi MENA durante gli anni Ottanta/Exploring the role of foreign debt crisis in the MENA countries in the 1980s

PROPONENTE/I:- Massimiliano Trentin
- Francesco Saverio Leopardi

Discussant: Maria Cristina Paciello, Università Ca' Foscari, Venezia

ABSTRACT:

The panel aims at investigating the politics of negotiation on international debts that took place in the Middle East and North Africa (MENA) during the 1980s. The 1980s "international debt crisis" was marked by series of defaults, renegotiations of existing loans and negotiations of new loans. Concerning MENA countries, academic literature addressed the subject with renewed interest since the 2008 "great recession", the 2011 "Arab uprisings" and the rise of foreign debt affecting Egypt, Jordan and Turkey. This literature suffers from two main flaws: first, only few case studies are based on archival research; secondly, most works assume that creditors had greater leverage during negotiations. However, in several cases debtors managed to have it their way or forced creditors to compromise. Given the connections between foreign debt insolvency, foreign interventions and structural adjustment/reforms, the issue has become "hot" for nationalist regimes. However, the management by local elites of the nexus between foreign debt and domestic reforms, has proven nuanced and ambiguous. It appears necessary to investigate the negotiations empirically, to observe the playing-out of the respective strengths and weaknesses of creditors and debtors throughout the 1980s: how regional states did address foreign debt in their plans for reform and survival? Did they resist foreign creditors' demands, or did they exploit them to accelerate reforms? How did this unfold during negotiations? The workshop seeks to gather scholars working on archives from creditors, debtors and international organizations, with a broad approach considering the interactions of various factors in determining the trajectory of the crisis and the outcome of negotiations. The workshop is part of a project, funded by the Italian Ministry of Education and University Research (MIUR, Prin 2015).

PROFILO ACCADEMICO DEL/DELLA/DEI/DELLE PROPONENTE/I:

Massimiliano Trentin is Assistant Professor at the Department of Political and Social Sciences, University of Bologna. He works on the International History of the Middle East and North Africa focusing on the interplay between diplomacy, economics and development. He is the Principal Investigator of the international history, research project "The Making of the Washington Consensus. Negotiating international assets, debts and power (1979-91)", funded by the Italian Ministry of Education and University Research (MIUR, Prin 2015).

Francesco Saverio Leopardi is Research Fellow at the Department of Political and Social Sciences, University of Bologna. During his PhD (University of Edinburgh), he worked on the contemporary history of the Palestinian Left. He participates in the research project "The Making of the Washington Consensus. Negotiating international assets, debts and power (1979-91)" focusing on the case of Algeria.

PAPERS:

1. An analytical framework to study the 'sovereign debt crisis' of nineteen eighties MENA countries

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Keywords: MENA economies, sovereign debt crisis, economic policy paradigm, economic development policies.

Although the sovereign debt is first and foremost a phenomenon pertinent to the state accounting, its management refers both to the political and to the economic sphere. Moreover, in the case of a specific event, also the space and time circumstances matter. Thus, the study of the 'sovereign debt crisis' of nineteen eighties MENA countries requires the consideration of all these variables through the arguments emerging from them: the economic nature of the crisis, the contextual economic and political conditions, the final ends and the lenders' negotiation strategies, the borrowers' strategic interests and their use of the agreed loan. Such concurrent subjects, representing different disciplinary and thematic approaches to the phenomenon, ended up in the economic policies promoted and applied by the countries that negotiated a loan to settle the debt up. Thus, only the concept of 'economic policy paradigm' can be an analytical framework to identify the players and the strategic interests acting in the negotiation and in the application of the measures to cancel out the sovereign debt. In fact, the three contributors to an economic paradigm whose strategic actions merge in each set of economic policies (the intellectual and academic proposal, the discourses and narratives through which it is presented in the wider public domain and the political processes and outcome implementing it) represent as much strategic interests and/or positions. The paper aims to discuss such analytical framework as a comprehensive instrument for a multidisciplinary understanding of the subject under examination.

2. The Middle East and North Africa's postures on the "Debt problems of developing countries", at the UNCTAD and UN-ESCWA, (1976-1991)

Massimiliano Trentin - University of Bologna

Keywords: MENA economies, United Nations, UNCTAD, external debt, debt crisis, negotiations

The topic of external debt, its role and impact on developing countries was quite a hot issue as long as many of them faced difficulties to balance their trade deficits during the energy shocks of the 1970s. With all their peculiarities, MENA non-oil exporting countries shared many commonalities with their developing partners across the postcolonial world and participated actively to the debates and proposals elaborated at international, multilateral organizations like the United Nations and their institutions. Among others, UNCTAD was a major avenue for debating the problem of external debt because since its establishment in 1964 it represented quite of a sympathetic platform to developing countries where they could gather together and face collectively the powerful "developed countries" through common resolutions and proposals. MENA countries, and Arab ones in particular, took part to the debates on international economics, like rising foreign debt for developing countries.

The paper reviews the debate held at the UNCTAD on the topic of external debt through the proceedings of the organisation's Trade and Development Board, where developing and developed countries hold their talks about the issue and the different, possible solutions to tackle it. The UNCTAD documents will be integrated with the resolutions and conference proceedings from other organizations like the Non-Aligned Movement and the UN Economic and Social Commission for Western Asia (UN-ESCWA). The review of the debate sheds light on the frameworks and postures adopted by MENA countries in comparison to their developing partners

and traces their evolution from the heydays of postcolonial nationalism and economic sovereignty in the mid-1970s up to the “debt crisis” of the mid-1980s and resistance or cautious acceptance of the solutions elaborated by international creditors.

3. Algeria’s Decade with the Washington Consensus: Politics of Reforms, Survival and Resistance.

Francesco Saverio Leopardi – University of Bologna

Keywords: Algeria, External Debt, Debt Crisis, International Monetary Fund, World Bank, Negotiations

Algeria represents a peculiar case in terms of debtor/creditor relations compared to the standards of other countries in the Middle East and North Africa (MENA). The Algerian regime resisted the *infitah* hegemony that swept across the region in the 1970s, to later start an adjustment program in the mid-1980s under the Chadli presidency, without resorting to loans from the World Bank (WB) or the International Monetary Fund (IMF). When finally, the WB and the IMF granted their first loans in 1989, the country was already going through a phase of economic and political structural reforms that threw the Algerian polity into crisis and eventually led to a decade-long civil war (1991-1999) between Islamist insurgents and the national army. Nonetheless, conspicuous funds for structural adjustment continued to flow throughout the course of civil war towards an embattled regime facing an unprecedented existential threat. In this context, the role of WB and IMF’s support went beyond the realm of economic reforms as it contributed to the Algerian regime’s survival. Therefore, it is paramount to investigate the goals pursued by both international creditors and Algerian decision-makers before, during and after the civil war to show how Washington Consensus policies interacted with shifting Western and Algerian political priorities.

This paper aims at identifying the key forces and factors that influenced Algeria’s relations with the international credit institutions. Hence, it is possible to highlight that several levels of resistance, exerted by various power groups, influenced the Algerian experience throughout its foreign debt crisis. As the crisis unfolded, first a contrast emerged between the technocrats’ reforming group, close to President Chadli, and the military old-guard who held the reins of power since Algeria’s independence. After the January 1992 coup that set the stage for the civil conflict, the putschist elite on the one hand fought for its own survival. On the other, while initially ceding to the creditors’ reforming agenda, it eventually managed to resist some of the structural adjustment that risked threatening its neo-patrimonial leverages of power. In analysing such dynamics, the paper shows how both creditors and debtor prioritised political concerns over economic orientations, sometimes shifting positions according to their compelling needs. This paper is based on primary sources retrieved at the World Bank and IMF’s archives which were systematically read alongside the literature produced on Algeria’s age of reforms and the subsequent crisis. Ultimately, this analysis illustrates how, despite following a different path when it comes to Washington Consensus measures, Algeria achieved the same mixed results that can be observed in other countries of the region.