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INTRODUCTION

The international 'debt crisis' of the 1980s in the Middle East and North Africa: a review, an outline

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The year 2022 marks the fortieth anniversary of the 1982 Mexican debt crisis, the first of a long series of financial turbulences that would soon spread to most of the developing world and beyond. Ever since, international historiography has produced a wide range of analyses that, despite their diversity, came to see the 1980s international debt crisis as a momentous event through which the United States and Western Europe reimposed their financial hegemony over the decolonised world and socialist camp. It is argued that the debt rescheduling, restructuring or relief was basically traded by creditors for the debtors' reshaping of the domestic economic programmes towards state financial austerity, greater liberalization and the ultimate privatization of state assets: namely, the negotiations over external debts helped with aligning developing and socialist countries to the contemporary neoliberal orientations of Western states.

The contributions to this special issue of Middle Eastern Studies primarily aim at reassessing the process that brought economic neoliberalism throughout the Middle East and North Africa (MENA) in the context of debt crises. In particular, they challenge 'teleological' views that see the opening to market economy as a result of the creditors' agenda, thus depriving actors in debtor countries of their agency. The essays published herein explore the levers, instruments and policy-making process to which debtor states resorted to shape their own integration process in the global neoliberal economy.

Fully aware that history does not repeat itself, the recent accumulation of external debts in the Middle East and North Africa shows nevertheless both the recurrence of the process and how the integration of the region into the world economy still features a high degree of productive and financial asymmetry. With due respect to the uniqueness of historical moments, the reconstruction of the MENA positions in the debt crisis of the 1980s might provide a relevant precedent that enlarges the theoretical approaches and analytical instruments at disposal, in order to understand not only the factors making up recurrent crises but the set of different solutions available as well.

This introduction is divided into two sections, moving from the general, international context to the specific features of the Middle East and North Africa. Each section starts with a review of the related literature and then outlines the processes that played a relevant role in the making and unmaking of the crisis.

The international context: a literature review

Over the 1990s, several scholars published works aimed at reassessing the trajectory of policies undertaken by both debtors and creditors during the previous decade. This first corpus of

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literature based their analyses on the experience of Latin American countries, providing the 'traditional' account of the Latin American debt crisis. This literature underscored how Central and South American countries had to abandon their state-led development plans and implement 'structural adjustment' programmes in order to ensure the solvency of their finances. In doing so, such works highlighted the effectiveness of measures sponsored by Washington-based institutions, from the International Monetary Fund (IMF) to the US Treasury and the World Bank, in assisting indebted countries.[1] Similarly, other contributions, such as those tracing an official history of the international financial institutions, would support the claim that the set of measures embodying the emerging neoliberal orthodoxy were successful in stabilizing international finance by the early 1990s.[2]

The restructuring of financial and economic global balances would also involve both the African continent and the post-Soviet world which ventured towards the 'market economy' after the fall of communism. This sparked wide interests not only in the history of national debt crises but also in comparative analysis of the neoliberal reform measures implemented across Latin America, Eastern Europe and Africa.[3] Besides, as the 'Washington Consensus' blueprint did not spare new debt-related problems to Latin American countries, and new crises in Asia fuelled further turbulences, a number of new studies challenged the conclusions of works validating the neoliberal orthodoxy. According to many authors, far from ensuring long-lasting development, Washington Consensus measures imposed harsh sacrifices to indebted countries and reinforced their economic subalternity to US and European financial centres.[4] However, while contradicting the celebratory conclusions of previous works these studies did not represent a novelty in terms of perspectives and sources.[5]

More recently, as relevant archival sources became available, several studies looked again at debtor-creditor relations from new angles and focuses. This allowed the publication of works providing insights on negotiations held at different venues and shedding light on the perspectives and policy-making process of different actors involved, from US administrations to the leadership of Socialist countries and state authorities from the 'Global South'.[6] Next to the systematic recourse to archival sources, over the last decade some scholars also provided new frames to the 1980s international debt crisis. In particular, the systemic shock that sovereign debt crises represented was considered not as a single event in the evolution of capitalism but as part of a recurring historical trend.[7] This approach entailed new reassessments of the role played by the actors involved in the recurring crises and their goals as well as allowing the formulation of new interpretative paradigms.[8] For instance, such historiographical trends addressed the role of debt politics in the construction of imperial hegemonies in the late nineteenth century or provided long-run analysis of the evolution of public debts over the twentieth century and through the 1980s turning point. Similarly, these works shed light on the functioning and change of debt negotiation throughout the contemporary age, highlighting evolving legal schemes and political practices.[9]

The international context: basic elements

The topic of sovereign debt crises has been a standing feature of area, international and world history as long as collective institutions, whatever their names, have been labelled 'sovereign'. This would already help understanding how the inability to pay back has been an inherent feature of the activity of lending and borrowing money or resources. Yet, patterns of dealing with the inherent risks and the crisis connected to borrowing and lending have changed significantly along the same times and spaces. Just to mention one of the major trends since the late nineteenth century, we might recall the difficulty, if not actual impossibility, for states to fully default on their external debts for the very reason that such an event would usher in massive, unpredictable consequences for creditors as well, both public and private. As long as public and private finance became part of processes of modernisation and industrial development worldwide, the international community, and creditors at first, established a dense web of laws and practices that would prevent the debtors from defaulting, with the ultimate goal to guarantee the payment of interest and the repayment of arrears.[10] The international history of the so called 'debt crisis' of the 1980s fitted well within this trend and, much like previous crises in the nineteenth and twentieth centuries, its process of escalation, explosion and, partially, resolution did involve a wide range of forces. Such forces behaved along rationales that were either political or economic, and in the cases of public institutions, political as much as economic. Such a crisis involved and impacted the whole world: from Latin America to Africa, from West to East Asia on the side of debtors; North America, Western Europe, Japan and socialist countries on the side of creditors, with the latter positioned on both ends of the divide.

With all due caution to statistics under constant review, since the mid-1980s the World Bank was tasked with elaborating the most accurate data on external debt. As for developing countries, the total external debt stocks rose from nearly 200 billion US$to 645 billion between 1976 and 1982; it reached 1 trillion US$in 1987 and then moved up to 1.79 trillion in 1995. The upward race would continue well into the new millennium.[11] Other indicators that do explain more about the actual capacity of developing countries to meet their foreign obligations concerned the ratio of the external debts as percentage of exports of goods, services and primary income. As for the debt stock, the ratio rose from 169 per cent in 1976 to an average of nearly 200 per cent during the 1990s, while the debt service absorbed an average of 24 per cent of exports of goods, services and primary income during the 1980s and just below 20 per cent in the 1990s. The peak, represented by a 30 per cent ratio in 1986, related to the impact of the 'oil countershock' on the public finances of oil exporting countries, several of them were still included within the United Nations (UN) group of Low and Middle Income countries (Table 1).[12]

Overall, the 1970s were a decade featuring large flows of funds from industrial economies to developing countries, that relied on external borrowing to finance their trade deficits and development projects. Conversely, since 1985 developing countries funded industrial economies by way of meeting their debt service. Ultimately, a combination of external and domestic factors triggered the solvency crisis, and their exact blend depended on the specific conditions of indebted countries. Nevertheless, a few global and international processes were at play and their impact would concern all parties, both borrowers and lenders.

The most important element in shaping the crisis proved to be the mismatch of economic policies between the Organisation for Economic Co-operation and Development (OECD) and developing countries: Western governments struggled to curb inflation by resorting to contractionary monetary and fiscal policies from the mid-1970s, which curbed imports from developing countries and disrupted the latter's capacity to accumulate the foreign currencies needed to pay back their debts. Since the early 1980s, new conservative forces in OECD countries embedded such policies within a larger design for a new pattern of growth based on private market forces. Instead, developing countries, especially in Latin America, continued expansionary, state-led policies to sustain growth. Eventually, as they ran out of the ability to sustain their deficits, eventually it was developing countries which had to align to the economic, contractionary 'austerity' promoted by the OECD.[13]

Another major factor unleashing the crisis was the rise of private, commercial lending by financial institutions, mostly US and UK banks, whose exposure to developing countries, and Latin America in particular, came to far exceed their own capital.[14] The expansion of new financial instruments during the 1970s, like the syndicated loans, supplied banks with goods profits and distributed the risks related to lending to developing countries; the search for profits motivated the shift of private lending from fixed to variable interest rates, ultimately linked to Western monetary policies. The decision of the US Federal Reserve to raise interest rates in late 1979 helped syphon capital flows towards the US. Between the late 1970s and the early 1980s

Table 1. External debt indicators, low and middle income countries.

Year	External debt stocks, total (DOD, current US$, Billions)	Short-term debt (% of total external debt)	External debt stocks (% of exports of goods, services and primary income)	Total debt service (% of exports of goods, services and primary income)	External debt stocks, public and publicly guaranteed (PPG) (DOD, current US$, Billions)	External debt stocks, private nonguaranteed (PNG) (DOD, current US$, Billions)
1970	66.169	12.43	–	–	42.601	14.607
1971	77.409	13.36	–	–	50.294	16.734
1972	90.220	12.48	–	–	58.132	19.7842
1973	108.183	12.44	–	–	71.310	22.229
1974	133.919	12.30	–	–	87.345	27.861
1975	163.32	12.15	–	–	108.405	31.5
1976	199.016	12.69	–	–	133.178	34.882
1977	269.458	20.07	–	–	169.15	40.273
1978	333.151	19.17	–	–	215.119	47.1166
1979	397.058	19.14	–	–	258.74	53.549
1980	495.081	21.56	–	–	314.9	61.955
1981	571.842	22.04	–	–	351.693	77.346
1982	645.026	21.96	169.47	25.80	401.237	80.04
1983	700.828	16.44	186.45	24.30	467.281	88.165
1984	739.362	14.91	181.69	24.39	512.119	85.603
1985	821.118	14.41	208.06	26.39	590.647	76.996
1986	902.891	11.67	259.14	31.60	691.686	68.743
1987	1037.92	11.19	252.35	27.37	819.766	62.956
1988	1050.02	12.09	262.95	28.46	839.568	50.877
1989	1114.13	13.48	218.05	25.22	889.853	44.216
1990	1207.36	14.75	205.01	22.26	943.298	53.454
1991	1277.39	15.80	209.73	21.98	976.582	65.518
1992	1344.15	17.15	200.46	19.73	997.74	81.237
1993	1484.43	17.41	206.02	19.78	1089.15	101.461
1994	1631.02	16.27	193.13	18.50	1183.21	142.5
1995	1798.5	17.60	182.89	19.67	1236.42	185.785

Source: Data elaborated from World Bank, International Development Statistics (2019 Edition), UK Data Service: https://doi.org/10.5257/wb/ids/2019 (last accessed 20 February 2022).

major private creditors refused to accept deferring the debt service of developing countries, which then began failing de facto to meet their obligations.

Closely connected to the development of financial markets, one cannot ignore the role of the oil shocks of the 1970s. These came to strain the economies of developing countries by raising trade deficits due to the increasing cost of energy and industrial imports as well as by supporting foreign borrowing thanks to the OPEC (Organization of the Petroleum Exporting Countries) surpluses deposited in Western financial institutions that, in turn, rushed to lend despite the lack of financial credibility of many borrowers.[15] Between 1974 and 1982, the cumulative cash surplus of OPEC countries amounted to 465.75 billion US$. The Arab members accounted for 90 per cent of such surplus: by 1980, Saudi Arabia alone owned 42 per cent, followed by Kuwait with 18 per cent, Iraq with 17 per cent and the UAE with 11 per cent.[16] Throughout 1973 to 1981, OPEC imports from OECD countries increased substantially from 11.8 billion to $96.8 billion US$, with military procurements playing the lion's share. In 1982, 25 per cent of the 418 billion US$current account surplus of OPEC was deposited to the Euro-market and 21 per cent to the US, which induced banks to increase their lending volumes to the developing world.

Last but not least comes the connection between the debt crisis and the macro-economic reforms advocated by Western creditors. The crisis was used as an opportunity to re-shape the concepts and policies of economic development along the lines advocated by contemporary leading forces in the major creditor countries, namely the United States of America and the United Kingdom. The connection between debt crisis, creditors' conditionalities and the making of what would be later labelled the Washington Consensus has been widely taken for granted by conventional liberal literature as well as by critical studies. Yet, historical research on both ends of the creditor/debtor relationship does call for more caution. On the one side, between 1978 and 1980, OECD creditors showed a great sense of unity and determination in enforcing a unique, common procedure for negotiations between debtors and creditors: namely, engaging first with the International Monetary Fund and later with the Paris Club, both led by OECD members, as the main venues to deal with public debt crisis. The only concession made to indebted countries was their exclusive right to apply to the procedure. If conditionalities followed similar general terms and goals, yet their shape, degree and constancy of purpose varied greatly, and depended on single cases pending their relevance for creditors in both economic and politics terms: selectivity, in fact, prevented a solid, consistent front by OECD members in terms of requests. On the other side, indebted states tried to play full hands on their economic and political assets to strike more favourable terms and, as long as ruling elites resisted reforms and had some effective cards with them, they succeeded in delaying structural changes to the extent they could adapt and fit them to their own survival. Once again, as long as we adopt a world view, there was no clear-cut linearity in the unfolding of the crisis and its resolution, and one might well argue that the ultimate outcome of each specific debt crisis resulted in practice from the balance of power between creditors and debtors, which was based on the respective strategic assets and, not least, on the political motives of OECD countries for either targeting or relieving indebted states from their external obligations. In practice, all this amounted to disrupting the coherent implementation of an international strategy for the 'debt crisis' of the 1980s and early 1990s. In this regard, theory is yet to come to terms with the practice coming out of historical research.

Much attention has been devoted to Latin America as the area where the crisis found its peak and set the blueprint for resolution for the rest of the world. The magnitude of external debt accumulation of Latin America was the largest for the period under review. However, the defining feature of such debts once compared with other developing countries was the deep involvement of private Western banks, especially from the US and the UK, that had conceded massive, short-term, risky loans to state institutions in Latin America up to the early 1980s.[17] The bankruptcy of major countries in Latin America would threaten the financial system of the two Western countries and, not least, would cast doubts on the effectiveness and efficiency of the 'markets', the belief in which was the hallmark of the then-leading conservative governments of Margaret Thatcher in the UK and Ronald Reagan in the US. As a matter of fact, the 'international debt strategy' that came into practice from late 1982 was tailored on the basic features of Latin America and US/UK involvement in the crisis. As summed up by the United Nations Conference on Trade and Development (UNCTAD) Secretariat in 1987, 'the constancy of purpose' insulated private, non-ODA (Official Development Aid) related public loans, multilateral ones included, from any collective negotiation for relief: while postponement was negotiable, obligations 'must eventually be met in full'.[18] Yet, because the salient feature of public finance in the 1980s was the actual inability of states to service their external debts, since the middle of the decade new initiatives strove to give public guarantees to private loans: namely, the Baker Plan in 1984/1985 and, once this failed, the Brady Plan between 1989 and 1991. Again, all initiatives centred on Latin America as the point of reference for any 'debt strategy'.

Sub-Saharan Africa, which included the poorest indebted countries and whose amount of – largely public – debt did not pose a financial threat to Western creditors, was the target of the earliest initiatives for debt relief, still on a voluntary and unilateral basis. East Asia did not enter the picture, if only marginally, because the Asian Tigers could balance effectively their external debt accumulation with massive exports of goods and services towards their creditors. Nevertheless, the actual workings of external debt management in East Asia are still largely to be investigated in their economic and political dimensions. Socialist countries within the Soviet camp found themselves in a peculiar position: since the 1970s, they were both highly indebted to their Western counterparts while, at the same time, they were creditors to several developing countries. While historical research is still under way, preliminary results show that Western powers implemented lending policies as well as conditionalities based on the political priorities set by the Cold War; by reverse, European socialist states made full use of their strategic importance for both superpowers and Western Europe to extract better conditions and new loans. As for developing countries, whose debt was mostly to be repaid in forms of 'equivalent' goods and services, Socialist states never developed a collective strategy.[19]

The Middle East and North Africa: a literature review

The history of financial crises in the Middle East and North Africa shares many similarities with other areas while also displaying specific features that increased the financial significance of MENA countries. Literature on economic development in the region discussed debt crises as a part of the process that drove local economies to abandon state-led planning in favour of gradual opening to market economy. Thus, much attention was dedicated to the structural changes in the governance of MENA countries to which economic liberalisation contributed. Moreover, these studies also focused on the transformation of public-private relations and the overlapping between the two spheres across the region.[20]

As MENA economies went through phases of structural adjustment sponsored by the IMF and the World Bank, some works focused on an assessment of reforms measures implemented in different countries. These studies aimed at establishing whether liberalising reforms in the region were successful or not while also highlighting the social impact of adjustment. Such trends in the literature provided both comparative analyses and case studies to account for the results of economic transformations in the region.[21]

A few studies also addressed debt-related problems in the MENA region from an international perspective, especially by looking at creditors' policy-making during financial crises. These works looked at how specific actors, such as for instance the European Communities (EC), acted within the framework of debt crises to enforce economic restructuring. Scholars also highlighted the political dimension of creditors' policies towards the region by looking specifically at the entanglements between IMF and World Bank sponsored programmes and the geopolitical interests of their major shareholders, notably the US.[22] These works touched on the issue of negotiations over debt in the MENA region and highlighted the relevance of politics in the making of neoliberal globalization. However, while focus was often on the actors ostensibly enjoying the upper hand, namely international creditors, more attention needs to be paid to the actual agency of debtors. As this special issue will show, the MENA region provides multiple examples of how debtor countries, and particularly their ruling elites, managed to play an active role during negotiations over debts and maintain dominant positions as their countries integrated the global market economy.

The Middle East and North Africa: an outline of the specifics

The scant attention devoted to the region over the last decades was motivated by the small share of total debt up from 1979 to 1983: just between 7-8 per cent, compared to the 42-45 per cent of the Western Hemisphere and 14-11 per cent of Europe.[23] According to the data elaborated by the World Bank, the external debt stock of countries in the MENA region (except for Turkey and High Income countries, namely Arab Gulf countries), rose from 19.3 billion US$ to 81.4 billion between 1976 and 1982; the upward accumulation continued unabated with 130 billions in 1987 and 140 and 160 billion US$in 1991 and 1995, respectively. Of all such external debt, more than 80 per cent was constituted by long-term, public or publicly guaranteed debts.[24]

As for the more critical indicators of the actual capacity to pay back external debts, the ratio between the external debt stocks and the exports of goods, services and primary income doubled from 62.5 percent in 1976 to 125.4 in 1982, to reach the all-time high of 290.4 per cent in 1986, the year of the 'oil countershock', then to stabilise around 180 per cent during the 1990s. These were all quite high ratios compared to the category of all developing countries. Yet, aggregated data do hide the critical conjunctures of single countries: in Algeria the ratio stood at 257 per cent in 1986 and 319 per cent just two years later; in Egypt, the ratio stood always beyond 250 per cent with the peaks of 623 in 1986 and 568 per cent in 1989, then followed by the sharp decline to 'only' 253 per cent in 1992; in Morocco, the average 300 per cent of the late 1970s jumped to 421 per cent in 1983 and to the peak of 508 per cent in 1985, later to stabilise around 300 per cent up to 1995; with an average of 200 per cent, Jordan experienced the peak of 378 per cent in the momentous year of the Gulf crisis in 1991. With an average of 150 per cent, Tunisia peaked at 216 per cent in 1986, before engaging with the IMF, like Turkey that experienced the peak ratio of 536 per cent in 1979 later to stabilise around an average of 250 per cent up to 1995.[25] Nevertheless, these alarming ratios did not translate into an acute incapacity to service external debts throughout the region because the related ratio averaged 16 per cent up to 1982 and, after the 'usual', critical juncture of 1986 with a peak of 31 per cent, it stabilized around 25 per cent up to 1995. Such high but still manageable levels originated from the salient features of external debts in the MENA, namely being long-term and with significant long grace periods. In this case as well, however, regional aggregated data must confront the specific conjunctures that single states had to face: for example, Turkey reached the peak of 47 and 45 per cent in 1978 and 1979 before engaging with the IMF and the military coup of 1980; Algeria suffered from the high debt service ratio of 80 per cent in 1988, in the early stages of negotiations with the IMF; Egypt reached the peaks of 40 per cent in 1986 and 1988, respectively, just before reaching out to foreign creditors.

Considering the ratio between the debt outstanding and disbursed to exports of goods and all services, in 1979, Turkey ranked first and Egypt fourth in the world; in 1980 and 1981, Turkey continued to rank first, and Egypt rose to the third position. Other MENA countries, like Syria, North and South Yemen and Jordan all ranked among the first ten, along with major Latin American countries (Table 2).[26]

Despite such staggering figures, the indebted countries in the MENA region stood out for some basic common features: namely, their external debts were mostly public or public-guaranteed and, to a large extent, scheduled on a long-term repayment at low interest rates; they originated first from within the MENA region and then from strategic allies in both camps of the Cold War divide; lending and borrowing funded public expenditure for military purchases and industrial or infrastructural projects. In the background of such characteristics, politics, both regional and international, played high on the accumulation of external debts as well as on the solution to the related crisis.

More in detail, the public nature of MENA external debt meant that its accumulation and management were largely a matter of inter-state relations.[27] If this locked the patterns of the external debt to fortunes of regional and international politics, it also implied that diplomacy and political negotiations were key to any solutions. As a matter of fact, since the oil shocks of the 1970s, most of external debt in the MENA originated in the rapid re-investment and circulation of oil-revenues, from oil-exporting countries of the region to their non-oil-exporting neighbours; capital flows followed the shifting lines of Arab or Islamic solidarity and postures in common regional conflicts, like the Arab Israeli one or the first and second Gulf Wars of 1980-1988 and 1990-1991. Eventually, any solution to the external debt crisis was due to the capability of state officials to bargain their strategic assets against their regional and international creditors: strategic assets meant here the location along the trade routes of the Gulf or the Mediterranean, or the political and military weight in regional conflicts of international relevance. Between 1989 and 1992 nearly 18.2 billion US$ were forgiven or reduced to MENA developing countries, setting the precedent for a further relief of 13 billion US up to 2000.[28]

The other common features of external debts concerned their service terms: re-payment was set on a 'long-term' period, roughly between 20 and 25 years, and with 4-5 years of 'grace period'; interest rates were below the contemporary international levels. Again, such favourable

Table 2. External debt indicators, Middle East and North Africa countries (except high income; Turkey not included).

Year	External debt stocks, total (DOD, current US$, Billions)	Short-term debt (% of total external debt)	External debt stocks (% of exports of goods, services and primary income)	Total debt service (% of exports of goods, services and primary income)	External debt stocks, public and publicly guaranteed (PPG) (DOD, current US$, Billions)	External debt stocks, private non-guaranteed (PNG) (DOD, current US$, Millions)
1970	4.830	11.52	–	–	4.158	15
1971	5.736	11.55	–	–	4.968	16
1972	6.213	11.10	–	–	5.443	24
1973	8.207	9.63	–	–	7.286	32
1974	9.415	9.74	–	–	8.326	40
1975	14.895	10.30	–	–	13.197	55
1976	19.326	10.74	–	–	16.769	97
1977	33.635	21.96	62.50	4.47	25.350	332
1978	42.777	16.26	91.21	7.60	34.569	390
1979	50.305	15.13	82.70	8.88	41.345	455
1980	64.074	13.85	116.51	16.34	53.687	595
1981	68.344	12.90	122.49	17.41	57.901	691.4
1982	81.482	19.51	125.46	16.54	63.441	842.1
1983	86.254	17.27	132.3	16.85	69.093	937.1
1984	87.057	16.21	146.56	20.26	70.660	940.2
1985	100.463	15.89	180.68	21.06	81.724	1196
1986	114.68	15.48	290.48	31.09	94.003	139.7
1987	130.21	12.61	262.68	23.88	110.518	1397
1988	134.851	12.06	271.16	28.70	115.531	1566
1989	140.106	13.72	252	27.68	117.379	1506
1990	136.645	14.22	183.84	24.09	113.98	1418
1991	140.202	15.52	188.77	24.03	115.118	1263
1992	141.614	18.20	178.56	24.69	112.976	1012
1993	146.552	18.94	189.9	24.49	116.57	882
1994	154.18	11.45	184.76	20.34	133.742	831.4
1995	161.79	11.36	185.03	21.52	140.339	887

Source: Data elaborated from World Bank, International Development Statistics (2019 Edition), UK Data Service: https://doi.org/10.5257/wb/ids/2019 (last accessed 20 February 2022).

conditions of the 1970s and early 1980s stemmed from the political nature of such capital flows within and without the region, whose goal was to connect MENA developing countries to the political stances of their creditors, both Arab, socialist and, arguably, Western Europeans as well.

Other common features of the external debts in the MENA region concerned the origins of their accumulation, namely the chronic mismatch between public spending and domestic funds available. In order to finance their programmes of agro-industrial development, MENA governments needed extra funds for irrigation schemes, the purchase of chemicals and mechanized machinery in agriculture, the electrification of both urban and rural areas, the build-up of cement and industrial facilities, which all would turn MENA countries from largely rural to urban societies.[29] Another central element concerned military expenditures. Embroiled in long-standing territorial disputes or engaged in 'hegemonic' and 'counter-hegemonic' races for the leadership of the region and, not last, betting the stability of their regimes on the pervasive display of coercion against any form of dissent, several MENA states engaged in massive and sustained expenditures for military purchases abroad. Funded by oil-export revenues and their circulation within the region, countries like Iraq, Iran, Syria, Libya, Saudi Arabia, Israel and Turkey filled the list of the twenty largest importers of international arms sales between 1969 and 1992.[30] Arguably, arms purchases drew public finances from civilian sectors and sustained the politically motivated inflows of capitals from within and without the region.

However, the rising costs of the developmental, 'entrepreneurial' state were not matched by domestic revenues. The fiscal base of MENA states relied largely on the taxation of domestic and external trade, which partially relieved the large private fortunes of the traditional ruling families in exchange for their political consent, but deprived public finances of a major source of revenue.[31] The value of exports (except for oil since the 1970s) lagged far behind that of consumption and industrial imports, leading to the chronic deficits in the balance of trade. Adding to this, Western European countries substantially blocked the imports of agricultural items or textiles from their MENA partners as long as supplies from within the EC replaced those of their former neighbouring colonies, mandates or protectorates.[32] On the other side of divided Europe, socialist countries based economic relations largely on clearing agreements and, except for oil, they found difficulties in importing commodities from MENA partners that would equal the value of their industrial exports.[33] Actually, one can hardly speak of commercial or productive integration between non-oil exporting countries in the Middle East and North Africa and divided Europe or North America. There was no 'tiger' in Western Asia, indeed.

The oil shocks of the 1970s reversed many trade balances between oil-exporting MENA countries and their industrial partners, but that did not affect the rest of the developing MENA countries. On the contrary, these latter faced the same problems of their fellows in the Group of the 77: they had to face off the rising bill of energy imports as well of products and services from industrial countries. Both public finances and the balance of payments needed capital inflows by way of foreign direct investments (FDI), aid, loans and remittances. FDI were largely absent except for the energy sector; aid and loans came in following the oil shocks of the 1970s by way of the regional redistribution of oil-export revenues and, to a lesser extent, of the Cooperation Agreements with the EC in 1976 and 1977; remittances originated from the massive mobility of labour towards the oil-exporting countries during the same decade. As for loans, most MENA governments cautiously resorted to inter-state and inter-Arab connections for funding on easy terms and refrained, largely, from engaging with commercial and private loans provided by US and UK banks.[34] As long as regional creditors were able and willing to fund, MENA developing countries could count on a sort of regional 'cushion' to sustain their deficits. Yet, the perfect storm hit the MENA region hard as well. From 1982 oil prices started to decline and then fell with the oil countershock of 1986, while the EC began aligning to the neoliberal and contractionary policies from the year before, following the UK and the US.[35] The major sources of capital inflows for MENA developing countries dried up and debt service became unbearable. As soon as all their deficits and fragilities were at full display, indebted states engaged with the procedures of the international debt strategy which had developed since the late 1970s: namely, striking preliminary agreements with the IMF that would guarantee the negotiations with public creditors at the Paris Club on re-scheduling or 'roll-over' outstanding debts; in exchange, indebted countries would cut down state expenditures, engage in market liberalizations and, eventually, privatize public assets, all these framed within the policies of 'structural adjustment' and 'reforms'.[36] Notwithstanding their peculiarities, Turkey set the precedent by engaging with the IMF and the Paris Club between 1979 and 1980, while Morocco followed in 1983. After the oil countershock it was the turn of Egypt in 1987 and Tunisia in 1988; Algeria and Jordan since 1989. Negotiations coincided with the ratio between external debt stocks and exports capacities spiralling out of control.[37] And yet, MENA governments could bargain conditionalities and additional funding as long as they conducted negotiations with their creditors during and after major political crises, like the Gulf War in1990-1991 and the Arab-Israeli 'peace process' or the unleashing of the civil war in Algeria since 1990: here politics and strategic assets played out full length beside and beyond macro-economics.

New looks on the emergence of the Washington consensus in the Middle East and North Africa

This volume opens with two contributions that adopt a regional perspective to introduce the trajectory of MENA countries during the 'transformative moment' in world economy between the late 1970s and the 1990s. First, Alessandro Romagnoli argues that the concept of 'economic policy paradigm' embodies the best suited analytical framework to understand the history of sovereign debt crises in the MENA region. This contribution is then followed by Massimiliano Trentin's account of how MENA countries engaged in the debates on debt held over two decades at UNCTAD. From the study of UNCTAD official documents it emerges that MENA countries could leverage the political and economic specificities of the region to improve their position vis-à-vis their international creditors.

After addressing the 1980s and 1990s MENA debt crises from a regional dimension, this volume presents five case studies. In their analysis of Egypt's debt crisis, Adel Beshai and Maryam Abouzeid underscore the role of geopolitical considerations as well as the ability of the Egyptian negotiators to achieve a favourable resolution for the country's financial problems. Moving eastward, Nooh Alshyab and Serena Sandri provide an overview of Jordan's experience with structural adjustment since the full outbreak of its debt crisis in 1989. In their essay, the authors illustrate how despite major efforts to reform the economy, Jordan is far from stabilising its external situation. Instead, the pressure deriving from servicing the debt is absorbing fundamental resources, particularly as stimulus packages emerged worldwide as the main instrument to face the economic fallout of the Covid-19 pandemic. Simon Hinrichsen offers a detailed analysis of the build-up of Iraqi debt between 1979 and 2006 as the country went from being a net creditor to an insolvent state. In his analysis, Hinrichsen argues that the politically motivated loans conceded by the US and the Gulf monarchies to Baghdad over more than twenty years, allow a consideration of Iraq's debt as odious. Geopolitical considerations and the effective agency of local authorities appears to have played a fundamental role also in the case of Algeria's debt crisis as Francesco Saverio Leopardi explains. In particular, Leopardi shows how the Algerian authorities' ability to grasp the economic and political priorities of the country's creditors allowed them not only to survive a major debt crisis all the while fighting a civil war. It also enabled the *pouvoir* to resist the most disruptive adjustment measures and renew its neopatrimonial power system. Finally, Manon-Nour Tannous focuses on Syria's debt diplomacy to illustrate the peculiar strategy followed by the Assad regime to resist pressure from its international creditors. This contribution first shows how the multiplication of creditors ended up being an advantage for Syria as well as how the country's involvement in several Middle Eastern conflicts represented an asset on the debt negotiating table. Afterwards, Tannous specifically looks at the case of Syrian-French negotiation on debt to illustrate such dynamics.

In providing fresh analyses on the history of the MENA debt crisis, this volume not only contributes to a more comprehensive understanding of a critical phase in the economic and political transformation of the region. It also joins a wider debate on the financial stability of MENA countries that has been ongoing within academic, political, media circles and beyond.[38] The 2018 IMF-backed austerity plan in Jordan, the 2020 Lebanese default or the continued Algerian exposure to external financial fluctuation underscore how the handling of public debt remains central in shaping political and economic trajectories throughout the region. In such a context, historiography can significantly contribute to the acquisition of the critical and analytical instruments needed for the comprehension of current transformative processes.

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Notes

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