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The 1980s 'Debt Crisis' in the Middle East and North Africa: Framing Regional Dynamics within the International Stage at UNCTAD

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The article reviews the positions and policies of Middle Eastern and North African states towards the external 'debt crisis' of the 1980s within the context of contemporary debates and negotiations held at regional and international levels. MENA countries shared many commonalities with their developing partners across the postcolonial world and participated actively in the debates within multilateral organizations, such as the United Nations Conference on Trade and Development (UNCTAD). Because standard borrowing in the MENA was public, bilateral and closely tied to politics, the article argues for the relevance of regional factors in shaping the course of the debt crisis in the MENA region, and challenges the common visions for which Western creditors could manage external debt as an effective 'lever' for introducing neoliberal policies: oil endowment, armed conflicts and alliances shaped the timing and results of the debt crisis in the MENA. The research is based on an extensive review of regional and international literature coupled with documents and proceedings from the UN organizations.

In 1992 Giindiiz Aktan, the Representative of Turkey at the United Nations Conference on Trade and Development (UNCTAD), argued that developing countries 'could not influence the external environment and therefore could never fully master the forces which influenced their fate'.[1] If that was true for the overall dynamics of the external debt crisis, its international history points as well to the relative power of indebted countries in the Middle East and North Africa in setting the timeline and terms of their integration into global patterns of change, debt restructuring included.

The question of external debt has been a topic of debate and high contention in international relations long before the establishment of the very notions of development in the twentieth century, because lending and borrowing have always been central factors for the connection of local economies with global or international forces.[2] Since most of their foreign earnings depended on the exports of raw materials, the long period of low prices from the mid-1950s to the late 1960s deprived postcolonial states of much needed resources to pay for development programmes at home: massive spending for public services and large imports of both food and industrial technology from abroad were not met in volumes, and most important on value, by exports, thus putting a major strain on the

[1] Giindiiz Aktan, Permanent Representative of Turkey to the United Nations in Geneva, UNCTAD, in Proceedings of the United Nations Conference on Trade and Development, VIII Session, Report and Annexes, TD/364/Rev.1, p.92.

[2] Since the beginning the notion of development embedded the hierarchical order set by the industrialization of colonial masters against their subjects, but the combination of decolonization with the universal ideas of progress made development flexible enough to fit with the claims for justice by postcolonial countries. See G. Rist, *Le développement: Histoire d'une croyance occidentale* [Development: History of a Western Belief] (2nd ed, Paris: Les Presses de Sciences Po, 2007), pp.127, 147; S.J. Macekura and E. Manela (eds), *The Development Century: A Global History* (Cambridge: Cambridge University Press, 2018), p.105; C.R. Unger, *International Development: A Postwar History* (London: Bloomsbury, 2018), chs 4 and 5; S. Lorenzini, *Global Development: A Cold War History* (Princeton: Princeton University Press, 2019), pp.10, 22-29; C. Thornton, *Revolution in Development: Mexico and the Governance of the Global Economy* (Oakland: University of California Press, 2021).

finances of the 'developmentalist state'.[3] Postcolonial and developing countries began asking for more external resources, in the forms of Official Aid to Development (ODA), foreign investments and loans, either bilateral or multilateral. Having reached its peak in 1961 during the heyday of modernization programmes, then ODA stalled as soon as donors, the US in particular, acknowledged the limits of tying up aid to political allegiance. As a result, international lending began shifting to multilateral organisations and to private institutions whose criteria were usually stricter than bilateral ODA.[4] According to the World Bank (IBRD – International Bank for Reconstruction and Development) estimates, total external public debts of developing countries rose by 17 per cent between 1965 to 1968 for a total of US$40 billion, including a sharp increase in the debt-servicing component. In 1965, half of total grants and loans received by developing countries were absorbed by US$4 billions debt-servicing, and the United Nations (UN) forecast that at contemporary pace debt servicing would 'offset inflow completely in a matter of fifteen years'.[5]

Contemporary literature on the topic of the debt crisis of developing countries and the nexus with structural adjustment focused first on Latin America because of the major impact the latter had on the accounts of Western financial institutions, especially in the US and UK; cases in sub-Saharan Africa were mostly dealt with in terms of humanitarian necessities; more recently, the external debts of former socialist countries, in particular in Central Europe, attracted some attention too as a factor shaping their increasingly precarious position within world economics and politics.[6] Yet, despite their huge amount and strategic proximity to divided Europe, scant attention has been devoted to the debt crisis in the Middle East and North Africa (MENA) region. This article integrates past and recent historiography by analysing the positions adopted by MENA states on the topic of external debt from the 1970s up to the early 1990s and qualifies their positions in terms of commonalities and differences among themselves and with other developing countries and creditors. The findings criticize the idea of a pretty linear connection between debt re-negotiations and structural adjustment reforms as promoted by traditional literature and, instead, points at the connection between strategic location and agency of indebted countries as crucial factors in shaping the outcome of the crisis.[7] The specific features of the external debt in the MENA region, namely being public, bilateral and closely connected to regional politics, proved to be an asset in regard to the postponement of the crisis from the early to the late 1980s; moreover, the same MENA states could mitigate its impact by capitalizing

[3] R. Findlay and P. O'Rourke, *Power and Plenty: Trade, War and World Economy in the Second Millennium* (Princeton: Princeton University Press, 2007), pp.365, 424, 473.

[4] See R.E. Woods, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Berkeley: University of California Press, 1987), pp.83-84, 238; R. Orange-Leroy, 'The Crisis of Development Aid and the Origins of the Debt Crisis', *Rivista italiana di storia internazionale*, 2 (2020), pp.223-45.

[5] See UNCTAD, Proceedings of the United Nations Conference on Trade and Development, II Conference, New Delhi, 1968, vol. I, Report and Annexes, p.9; UN General Assembly (UNGA), 'Flow of external resources to developing countries', II Committee, Resolution 2170 (XXI), 6 December 1966.

[6] See D. Basosi, M. Campus, 'Debitori e creditori nella politica internazionale degli anni Ottanta. Tra letture classiche e nuovi orientamenti storiografici' [Debtors and Creditors in the international politics of the 1980s. Between classical and new historiographical trends], *Rivista italiana di storia internazionale*, 2 (2020), pp.198-99; N. Barreyre and N. Delalande (eds), *A World of Public Debts* (Houndmills: Palgrave Macmillan, 2020), pp. v-xxii; P. Pénet and J.F. Zendejas (eds), *Debt Diplomacy: Rethinking sovereign debt from colonial empires to hegemony* (Oxford: Oxford University Press, 2021), pp.15-29; D. Basosi, 'The Missing Cold War: Reflections on the Latin American Debt Crisis, 1979-89' in A. Kalinovsky and S. Radchenko (eds), *The End of the Cold War and The Third World: New Perspectives on Regional Conflict* (London: Routledge: 2013), pp.208-28.; C. Marichal, *Nueva historia de las grandes crisis financieras: Una perspectiva global, 1873-2008* [New History of the Great Financial Crisis: A Global Perspective, 1873-2008], (Buenos Aires: Editorial Sudamericana-Debate, 2010); J. Bockman, 'The Struggle over Structural Adjustment: Socialist Revolution versus Capitalist Counterrevolution in Yugoslavia and the World', in T. Düppe and I. Boldyrev (eds), *History of Political Economy*, vol.51 annual supplement (2019) pp.253-76.

[7] As for a 'linear' history on the debt crisis based on IMF and World Bank archives, H. James, *International Monetary Cooperation since Bretton Wood* (Oxford and Washington: IMF-Oxford University Press, 1996); D. Kapur, J. Lewis and R. Webb (eds), *The World Bank: Its First Half Century* (Washington, DC: Brookings, 1997); J. Boughton, *Silent Revolution: The IMF from 1979 to 1989* (Washington, DC: IMF, 2001), Part II; W. R. Cline, *International Debt Reexamined* (Washington, DC: Institute for International Economics, 1995).

their strategic role in regional conflicts of international relevance, like the Gulf War in 1990; by contrast, those indebted countries at the margins of major regional conflicts aligned to the timeline and conditions of other developing countries.

The Transformative 1970s in the MENA region: Oil, Politics and Debts

Since their independence after the Second World War, most of MENA states opted to set their fiscal base on the taxation of international trade as well as on the inflows of external resources, like revenues from commodity exports or foreign credits. The domestic base of state fiscality, namely taxation on income, production or consumption, was very limited. This choice would free local populations and domestic resources from tax burdens but, as public expenditure increased for military and development purposes, it also meant that those states would over-rely on the inflows of external resources, both direct like commodity export revenues and indirect like taxation on import-export trade or workers' remittances.[8] It is beyond the scope of this article to analyse the impact on state-society relations, to which a large literature has devoted so much attention.[9] The article recognizes ~~holds~~ the strategic relevance of external resources for the economic viability of the MENA states and upholds this as the premise for the analysis of the latter's frameworks and strategies to handle the external debt crisis.

UNCTAD provided a major venue to verify their stand both against their fellow developing countries and their industrial partners and, while the researcher needs to exert much caution when analysing public speeches, their public stand at UNCTAD did match effectively with the changes occurring in their economics, politics and international relations as well. For example, in regard to external debt and its management, as long as the oil shocks sustained high oil prices, it was ultimately oil-export revenue factors that shaped political convergence and divergence among MENA countries at UNCTAD: the non-oil exporters focused on foreign trade as the ultimate source of financial imbalances whereas oil-exporters stressed the assets of financial flows to work out any sustainable solutions to the debt crisis; capital flows within the region helped mend the fences between these two groups of countries. After the ~~*Oil Countershock*~~ oil *countershock* in 1986, they all converged on the long-standing request by UNCTAD staff and the G77 for the revision of international trade rules so as to grant developing countries access to the Organisation for Economic Co-operation and Development (OECD) markets to make up for their balance of payments (BoP) imbalances.[10]

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[8] See M. Rey, 'Debt without Taxation: Iraq, Syria and the Crisis of Empires from the Mandates to the Cold War Era', in Barreyre and Delalande (eds), *A World of Public Debts*, pp.347-70; N. Ayubi, *Overstating the Arab State: Politics and Society in the Middle East* (London: I.B. Tauris, 2006), pp.196, 289; R. Alami, 'Official external debt: Perspectives from the experiences of Arab countries', *Middle Eastern Studies*, 39 (2003), pp.108-109, 116-17; M. A. El-Gamal, A. M. Jaffe, *Oil, Dollars, Debt, and Crisis* (Cambridge: Cambridge Univdersity Press, 2010), pp.44-50. For fresh accounts of debt crisis during the late Ottoman Empire, see for instance G. Conte and G. Sabatini, 'The Ottoman External Debt and Its Features under European Financial Control (1881-1914)', *The Journal of European Economic History*, 3 (2014), pp.69-96; M. Labib, 'Crise de la dette publique et missions financières européennes en Égypte, 1878-1879' [The Public Debt Crisis and European Financial Missions in Egypt, 1878-1879], *Monde(s)* 2 (2013), pp.23-43; Labib, 'The Unforeseen Path of Debt Imperialism: Local Struggles, Transnational Knowledge, and Colonialism in Egypt', in Berreyre and Delalande (eds), *A World of Public Debts*, pp.155-74.

[9] For a first overview of some of the classical works, see A. Richards and J. Waterbury, *A Political Economy of the Middle East* (2nd ed, Boulder: Westview Press, 1996), pp.37, 62, 275, 364; R. Owen, *State, Power and Politics in the Making of the Modern Middle East* (3rd ed, London: Routledge, 2006), pp.23, 39, 131; P. Rivlin, *Arab Economies in the Twenty-First Century* (Cambridge: Cambridge University Press, 2009), pp.36, 61; C.M. Henry and R. Springborg, *Globalization and the Politics of Development in the Middle East* (Cambridge: Cambridge University Press, 2010) pp.67, 261; R. Hinnebusch, *International Politics of the Middle East* (2nd ed, Manchester: Manchester University Press, 2015) p.121; El-Gamal, Jaffe, *Oil, Dollars, Debt, and Crisis*, pp.25-32.

[10] K. Pfeiffer, 'Social Structure of Accumulation Theory for the Arab World: The Economies of Egypt, Jordan and Kuwait in the Regional System', in T. McDonough, M. Reich and D. M. Kotz (eds), *Contemporary Capitalism and its Crises: Social Structure of Accumulation Theory for the 21st Century* (Cambridge: Cambridge University Press, 2010), pp.309-

Most of the financial flows in hard currencies collected by MENA countries shared common features: up to the 1970s, they derived from the US and Western Europe, were mainly public or publicly guaranteed, and ultimately financed trade exports; further they concentrated mostly on single projects related to energy production and distribution as well as to arms purchases.[11] As for the nationalist republics, most of their economic partnerships with socialist countries since the mid-1950s were based on barter deals or clearing agreements, which forestalled the payments of industrial products and plants by the export of an equivalent amount of either commodities, textiles or consumption products. Among the comparative advantages of such deals was the near total absence of transactions in hard currencies, which both partners were either short of or retained for exchanges with Western countries.[12] The external debt related to military purchases constituted a very important factor in shaping the political rationales as well as the chronological dynamics of MENA indebtedness vis-à-vis both sides of the Cold War.[13]

The re-negotiation of oil concessions in Libya in 1969, followed by the 1973 oil Shocks and the wider trend towards the re-evaluation of raw materials prices worldwide, endowed oil-exporting states of unprecedented financial revenues until the oil *countershock* in 1986.[14] Most of the non-oil exporting, developing countries soon faced difficulties in paying for their energy imports and the related increase in the prices of industrial and agricultural products. Given the political difficulty in cutting off public spending for social services, salaries and development projects, the pre-existing tendency among postcolonial countries to resort to external borrowing increased to a massive extent.[15] Between 1973 and 1982 the trade deficit of non-oil-exporting countries in the Arab Middle East grew from 1 billion US$ to 22 billion US$. Import expenditures exceeded by far their export earnings following the rise in prices of food, consumption and intermediate products from industrial countries. In general, the Middle East experienced a significant increase in the average propensity to import, which doubled in the case of Egypt and Jordan between 1973 and 1981.[16]

Such imbalance became alarming as soon as it matched with the instability of the international monetary system after the end of the gold-convertible dollar in 1971 and the increase in international

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53; D. Basosi, G. Garavini and M. Trentin (eds), *Countershock: The Oil Counter-revolution of the 1970s* (London: I.B. Tauris, 2018); El-Gamal, Jaffe, *Oil, Dollars, Debt, and Crisis*, pp.33-40.

[11] J. Harrigan and H. Al-Said, *Aid and Power in the Arab World. IMF and World Bank Policy-Based Lending in the Middle East and North Africa* (Houndmills: Palgrave Macmillan, 2009).

[12] Despite its relevance for MENA countries, more archival research is needed for the economic relations with socialist partners. See Lorenzini, *Global Development,* pp.43-49; M. Trecker, *Red Money for the Global South: East-South Economic Relations in the Cold War* (Abingdon Oxon; Routledge, 2020) pp.40, 69-87, 162; J. Mark, A.M. Kalinovsky and S. Marung (eds), *Alternative Globalizations: Eastern Europe and the Postcolonial World* (Bloomington; Indiana University Press, 2020) pp.5-14, 35; M. Trentin, '"Socialist Development" and East Germany in the Arab Middle East', in J. Mark, A.M. Kalinovsky and S. Marung (eds), *Alternative Globalizations*, pp.127-44; A. Calori, A-K. Hartmetz, B. Kocsev, J. Zofka *Alternative Globalizations? Spaces of Economic Interaction between the 'Socialist Camp' and the 'Global South'*, in A. Calori, A-K., B. Kocsev, J. Mark and J. Zofka (eds), *Between East And South: Spaces Of Interaction In The Globalizing Economy Of The Cold War* (Oldenbourg: De Gruyter, 2019) pp.14-31; A. Vasiliev, *Russia's Middle East Policy: From Lenin to Putin* (Abingdon: Routledge, 2018) pp.11, 75-86, 171; O. Sanchez-Sibony, *Red Globalization: The Political Economy of the Soviet Cold War from Stalin to Khrushchev* (Cambridge: Cambridge University Press, 2014) pp.125, 204.

[13] Alami, 'Official external debt', pp.111-14, 117; Richards and Waterbury, *A Political Economy,* pp.329-45; Owen, *State, Power and Politics,* p.178.

[14] See for instance G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century* (Oxford: Oxford University Press, 2019) pp.66, 88, 179.

[15] For an overview on the impact of the oil-shocks on pre-existing patterns of external borrowing, see R. Orange-Leroy, 'The Crisis of Development Aid and the Origins of the Debt Crisis', *Rivista italiana di storia internazionale*, 2 (2020), pp.223-46; Woods, *From Marshall Plan to Debt Crisis*, p.68; David E. Spiro, *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets*. (Ithaca: Cornell University Press, 1999).

[16] Mahmoud M. al Homssi, 'External Debt: Implications for debtor and creditor countries of Western Asia', UN ESCWA, Development Planning Commission, 22 December 1985, E/ESCWA/DPD/85/12, 24-25, pp.81, 83. The UN Economic and Social Commission for Western Asia, founded in 1978 and mostly based in Beirut, Lebanon, includes Arab countries of the Middle East. Though not members, Turkey and Maghreb countries appeared as a reference for comparison, together with major debtor countries in Latin America or East Asia.

liquidity fostered by Eurodollars in the largely unregulated Euromarket.[17] Additional factors were the 'active role' by commercial banks in lending huge amounts of Eurodollars and Petrodollars to developing countries and the changes in their lending behaviours 'which alternated between excessive lending and retrenchment', with consequential sharp increases in the terms of borrowing toward higher and floating interest rates and shorter maturities.[18] Between 1976 and 1983, the international reserves of most non-oil exporting countries in the Middle East declined to levels that could cover imports for only a few weeks while, at the same time, their foreign debt was accumulating rapidly, raising the ratio of debt/export value from 126 per cent in 1976 to 144 per cent in 1983. Data concerning international reserves (gold, convertible currencies, International Monetary Fund (IMF) borrowing privileges and Special Drawing Rights) in relation to external debt also declined significantly: Egypt's ratio moved from 24 per cent to 11.7 and Turkey's from 82.4 to a meagre 17.6 per cent between 1976 and 1983.[19]

In order to boost capital inflows and balance their current account deficits, non-oil-exporting countries in the MENA took economic measures like *infitah* (openings) that would ease foreign direct investments, especially by expatriates and private investors from within the region. However, two factors differentiated the MENA from other developing countries: the fragmentation of the region into different sub-groups based on their financial and demographic capacities, which unleashed massive flows of people from poor but labour-abundant countries to rich and labour-scarce countries.[20] Remittances of both professional and low-wage migrant workers from the Arab Levant and Egypt to the Gulf, Iraq and Libya relieved the pressure from the balance of payments of oil-poor, but people-abundant countries in the MENA. Networks of political solidarity and cooperation, like the League of Arab States (LAS) and the Organization of the Islamic Conference (OIC) had proved effective in setting privileged channels for external funding. Pending the dynamics of oil prices, the flow of resources from Arab Gulf countries played a major role in financing state budgets and offsetting the balance of trade deficits of non-oil exporting countries in the region: most of their lending was public, bilateral and at highly concessionary terms, namely based on long-term repayment and grace periods, and low-interest rates. Over 50 per cent of Gulf Cooperation Council (GCC) aid was allocated to neighbouring Arab countries, with ESCWA (United Nations Economic and Social Commission for Western Asia) members totalling 29 per cent.[21] The members of the GCC granted an estimated 40 billion US$ aid to Arab Middle Eastern countries, that is over 45 per cent of their total foreign investments between 1970 and 1989.[22] Politics played a major role in the extent and timing of such a re-distribution of the oil revenues in the region, and basically coincided with alignments on the Arab-Israeli conflict during the 1970s and the Iran-Iraq war in the 1980s.[23]

Setting the Terms of Debate at UNCTAD, 1960s and 1970s

Since its establishment in Geneva in 1964, the staff and leading protagonists of UNCTAD conceived the topic of external debt as part of the wider issue of the role that transfers of resources would play for development: transfers were deemed necessary and beneficial, pending the sustainability of their

[17] Hommsi, 'External Debt', p. 1. See also F. Bartel, 'From Banks to Bonds: *Euromoney* Magazine and the Transformation of Global Finance in the 1980s', *Rivista italiana di storia internazionale*, 2 (2020), pp.317-34.
[18] Hommsi, 'External Debt', p.12.
[19] Hommsi, 'External Debt', pp.42-43.
[20] For a synthesis, see G. Luciani, 'Oil and political economy in the international relations of the Middle East', in L. Fawcett (ed.), *International Relations of the Middle East* (4th ed, Oxford: Oxford University Press, 2016), pp.109, 122-30.
[21] ESCWA, Development Planning Division, *Survey of Economic and Social Developments in the ESCWA Region, 1990-1991*, (August 1992), E/ESCWA/DPD/1992/8, p.116,
[22] Ibid., Table 6, p.117. See also Alami, 'Official External Debt', p.108.
[23] See R. Hinnebusch, 'Security Conceptions and practices in the Middle East: The case of the Arab League' in S. Aris and A. Wagner (eds), *Regional Organisations and Security Conceptions and Practices* (Abingdon; Routledge, 2013) pp.121-136.

volumes and terms of exchange.[24] The bone of contention between G77 and OECD countries thus concerned three main issues: the linkage between external debt and international trade, the mobilization of financial instruments and the governance of the international debt. From radical republics to conservative monarchies, no MENA country at UNCTAD objected to this general framework.

The timing of UNCTAD discussions and official standing on external debt coincided with the general conferences held every four years in different locations. In between, debates and negotiations continued within the Trade and Development Board (TDB), UNCTAD's highest ministerial body, which met regularly in Geneva. The Board's recommendations were transferred to the Secretariat, to be further discussed, negotiated and adopted at the general conferences, either by majority vote or consensus. All groups elaborated proposals and common stances in previous meetings outside UNCTAD venues: postcolonial and developing countries at G77 meetings, usually held the year before UNCTAD sessions; socialists at CMEA (Council for Mutual Economic Assistance), and capitalist, industrial countries at OECD in Paris or G7 annual meetings. Fuelled by the ideas that any successful development strategy would need a closer, and more equitable, integration of the international economy, the high-level professionals of UNCTAD staff clearly worked in favour of developing countries: actually, they provided much of the analytical sources for the G77 debates and proposals from 1964 to the mid-1980s, namely under the Secretariats of Raúl Prebisch, Manuel Pérez-Guerrero and Gamani Corea.[25] Once confronted with the disruption of G77 solidarities and the conservative counter-offensive in economics and politics since the early 1980s, UNCTAD was ultimately denied any active role in international negotiations, and since the mid-1980s focused on assistance to developing countries in their adaptation to the principles and procedures set mainly by OECD countries.[26] And yet, neither its partisanship nor marginalization were far from granted: the Board proceedings provide plenty of evidence for the constant efforts by UNCTAD staff to mediate with OECD countries on debt issues and working out consensual solutions on most occasions; the same efforts by the early 1990s to enlarge its space of debate and action beyond consultancy or technical assistance do prove that 'technocratic activism' proved more resilient than expected.

Between 1969 and 1976 public and publicly guaranteed debt increased more than threefold, with an annual average rate of increase of 19 per cent. Private loans guaranteed by public institutions grew faster than the debt owed to governments or multilateral institutions, from 28.1 to 41.1 per cent. Such outstanding debt varied across developing countries: debt owed to private sources by oil-exporting countries in 1975 accounted for more than 50 per cent, whereas just 10 per cent for Least Developed Countries (LDC), like the two Yemeni states, and Most Severely Affected countries (MSA), like Egypt, Sudan or Mauritania.[27] As for private debt, the one owed to private financial institutions grew twice as fast as the one originating from the disbursement of supplier credits, and by 1976 it constituted 70 per cent of the total private debt of developing countries.[28] Most of the debt

[24] UNCTAD, *The History of UNCTAD, 1964-1984* (New York: United Nations Publication, 1985), UNCTAD/OSG/286, pp.15, 75, 94.

[25] See J. Toye, *UNCTAD at 50: A Short History* (New York: United Nations Publication, 2014), pp.50, 57, 80; M. Ahmia (ed.), *The Group of 77 at the United Nations: Third series: The collected documents of the Group of 77* (New York: Oxford University Press, 2006); UNCTAD, *Beyond Conventional Wisdom in Development Policy: an Intellectual History of UNCTAD 1964-2004* (New York: United Nations, 2004); J. Bockman, 'Socialist Globalization against Capitalist Neocolonialism', *Humanity* 6/1 (2015), p.118; H. Patricia, 'The Construction of a Western Voice: OECD and the First UNCTAD of 1964', in M. Leimburger and M. Schmelzer (eds), *The OECD and the International Political Economy* (Houndsmill: Palgrave MacMillan, 2017) pp.137-58; in the same volume, see W.G. Gray, 'Peer Pressure in Paris: Country Reviews at the OECD in the 1960s and 1970s', pp.209-31.

[26] See the excellent Q. Deforge and B. Lemoine, 'The Global South Revolution That Wasn't: UNCTAD from Technocratic Activism to Technical Assistance' in Pénet and Zendejas (eds), *Sovereign Debt Diplomacies*, pp.232-75; UNCTAD, *The History of UNCTAD,* pp.229-41.

[27] Both LDC and MSA categories refer to UN development criteria and public finance's exposure, respectively.

[28] UNCTAD Trade and Development Board (hereby TDB), 'The debt situation of developing countries (submitted by France on behalf of countries members of Group B)' in 'Report of the Intergovernmental Group of Experts on the External Indebtness of Developing Countries', 21 December 21 1977, Table 3, TD/B/685, Add. 1, Annex 1.

servicing burden fell on the LDC and MSA countries, whose total indebtedness represented 40 per cent of developing country debt in 1975, and an average of 30 per cent of their Gross National Product (GNP); total indebtedness was only 17 per cent for higher-income developing countries.[29] In 1975 debt servicing represented 33 per cent of LDC national reserves, 50 per cent of MSA countries and 25 per cent of the national reserves of middle and higher-income non-oil exporting developing countries.

The urgency felt by UNCTAD in the early 1970s led to the establishment of an *ad hoc* Group of Governmental Experts on the Debt Problems of Developing Countries in 1974: this issued a *Report* in 1975 for common guiding principles and procedures for managing the debt crisis, and led the Trade and Development Board to authorize the Secretariat to provide assistance to debtors in their negotiations with creditors, including at meetings of the Paris Club.[30] By arguing for the benefits of mutually agreed solutions, UNCTAD formalized its role in support of the indebted countries. The Western response varied across the Atlantic: while the Nixon Administration in the US was critical and strove to close ranks among OECD members and divide the G77, Western European countries were generally more open to discussion. However, European Communities (EC) countries preferred to elaborate *ad-hoc* solutions, arguing that these would fit better with the specificities of each country and region.[31] More relevant in the last resort was the effort to retain control over the institutions and procedures concerning debt re-negotiations or measures for relief. For example, EC governments struggled to hold discussions and negotiations on global issues ~~into~~ within those institutions where they, together with the United States, still enjoyed a predominant voting weight, like the IMF or the World Bank. While they institutionalized the partial floating of currencies through the *Jamaica Accords*, negotiated 7-8 January 1976, Western countries agreed to increase the financial assistance to those Least Developed Countries (LDC) that suffered heavy losses in their BoPs because of currency devaluation; later, they amended the IMF statute in 1978 in order to allow the increase of allocations of Special Drawing Rights (SDR) to the same countries. Though developing countries welcomed such measures, it was crystal clear that these were set unilaterally by OECD countries, with the G77 being excluded from negotiations and playing a subaltern role of either accepting or refusing them.

Principles and Procedures for the International Debt Strategy

In 1976, the Fourth UNCTAD Session adopted Resolution 94 (IV), which saw industrial creditors accepting to engage with debtors in a multilateral framework for relief on debt servicing: yet this would concern only the Least Developed Countries, mostly concentrated in Sub-Saharan Africa and de facto not posing major financial problems for the community of creditors.[32]

At the plenary meeting on 7 May 1976, MENA governments made repeated references to the topic of the debt crisis and saw a basic difference as far as solutions were concerned. Morocco, the United Arab Emirates (UAE), Iran and Iraq focused on financial instruments, like ODA. The Minister

[29] Ibid., Table 5.

[30] See TDB, 'Debt Problems of developing countries. Report of the Ad hoc Group of Governmental Experts on its third session' TD/B/545/Rev.1; TDB Resolution 132 (XV), paragraph 8.

[31] G. Garavini, *After Empires. European Integration, Decolonization and the Challenge from the Global South 1957-1986* (Oxford: Oxford University Press, 2012) pp.190, 215; E. Calandri, 'L'eterna incompiuta: la politica mediterranea tra sviluppo e sicurezza' [The Eternal Unfinished: Mediterranean Policy Between Development and Security], in E. Calandri (ed.), *Il primato sfuggente: L'Europa e l'intervento per lo sviluppo (1957–2007)* [The Elusive Primacy: Europe and the Politics of Development (1957-2007)] (Milan: Franco Angeli, 2009) pp.89–117; M. Trentin, 'The Distant Neighbours and the Cooperation Agreements between the EEC and the Mashreq, 1977', in A. Varsori, D. Caviglia and E. Calandri (eds), *Détente in Cold War Europe. Politics and Diplomacy in the Mediterranean and the Middle East* (London: I.B. Tauris, 2013), pp.221-33; Silvio Labate, *Illusioni mediterranee: Il dialogo euro-arabo* [Mediterranean Illusions: Euro-Arab Dialogue] (Florence: Le Monnier, 2016).

[32] UNCTAD, Resolution 94 (IV), May 31, 1976, in Proceedings of UNCTAD IV Session, Nairobi, Vol.I, TD/218 (Vol. 1), pp.16-17.

of Commerce, Industry, Mines of Morocco argued for the increase in the allocation of Special Drawing Rights (SDR) for developing countries in the IMF, with the ultimate goal of transforming them into a 'main international reserve asset'. [33] On a more moderate tone the Minister of Industry of Iran stressed the importance of the Common Fund for Commodities as evidence of the cooperative approach of the oil-exporting countries.[34] All other MENA governments gave priority to the revision of existing trade patterns along the lines of the New International Economic Order (NIEO) that, according to the Minister of Commerce of Algeria would provide the 'solution' to most of the problems connected to development and North-South relations.[35] Egypt's Minister of State, Fouad Sherif, ~~set~~ placed the origin of the external debt crisis in the deterioration of the terms of trade for developing countries, aggravated by protectionism in Western markets. The Director-General at the Ministry of Justice of Israel, Mr Mayer Gabay, expressed concern about the negative economic prospects affecting developing countries and argued that only the diversification of the economy through the industrial modernization of agriculture and manufacturing would boost their chances for development, and deemed the transfer of technology to be the main challenge to deal with. The Tunisian representative at UNCTAD, the Minister of National Economy, stressed the importance of regional and sub-regional integration as a contribution to development and economic diversification: according to Tunis, this would help transforming developing countries into the providers of industrial goods to developed markets, and not just raw materials exporters.[36] Walking the thin line between the G77 and the OECD, Turkey's Minister of Foreign Affairs, Ihsan Sabri Caglayangil, praised the 'new era of negotiations' started by NIEO but made clear that Ankara's priority was the stability of commodity prices in order to contain the BoP deficits: the latter's balance was held as the primary and ultimate factor for any country getting trapped into the debt crisis.[37]

An important step for the governance of the external debt crisis was Resolution 165 (IX), adopted at the 9th Session of UNCTAD Board in March 1978.[38] The Resolution committed the EC creditors and Japan to the retroactive adjustment of previous ODA terms to more favourable conditions for debtors, which meant a substantial $6 billion debt relief for over 30 developing countries. Moreover, Section B acknowledged the IMF and the Paris Club as the 'appropriate multilateral framework' for an international debt strategy, as long wished for by OECD countries against the G77, which instead had argued for the establishment of a brand-new procedure within the United Nations. The design of the compromise was based on the exchange between the general principles, as advocated by the G77, against control over the procedure, as exerted by OECD creditors.[39]

[33] Abdellatif Ghinassi, Minister of Commerce, Industry, Mines and Merchant Marine of Morocco, Mr. Abdellatif Ghinassi, Summaries, TD/2018 (Vol. II), p.79. For an overview on the linkage of SDR and aid to development, see J. Toye, *UNCTAD at 50*, pp.48-50.

[34] Farroukh Najmabadi, Minister of Industry of Iran, Summaries, TD/2018 (Vol. II), p.52; on a similar tone was Saeed Abdullah Salman, Minister of Housing and Town Planning of the United Arab Emirates, Summaries, TD/2018 (Vol. II), p.118.

[35] Layachi Yaker, Minister of Commerce of Algeria, Summaries, TD/2018 (Vol. II), p.4. In regard to the topic of external debt, NIEO provided a common basic framework for where to articulate specific requests, which otherwise would be highly disparate. See Special Issue 'Towards a History of the New International Economic Order', *Humanity,* 6/1 (2015); Rist, *Histoire*, pp.247-97.

[36] Fouad Sherif, Minister of State at the Council of Ministers of Egypt; Mayer Gabay, Director-General, Ministry of Justice of Israel; Abdellaziz Lasram, Minister of National Economy of Tunisia, Summaries, TD/2018 (Vol. II), pp.34, 54, 111.

[37] Ihsan Sabri Caglayangil, Minister of Foreign Affairs of Turkey, Summaries, TD/2018 (Vol. II), p.112.

[38] TDB, Resolution 165 (S-IX), 'Debt and development problems of developing countries', 11 March 1978, TD/B/701.

[39] UNCTAD, 'Assessment of the progress made towards the establishment of the New international economic order', Report of the UNCTAD Secretariat, Agenda Item 4, General Assembly Resolution, 33/198, 25 September 1979, TD/B/757, pp.8-9. See also, J.C. Vilanova and M. Martin, *The Paris Club* (London: Debt Relief International, 2001), pp.15-16; E. Cosio-Pascal, *The emerging of a Multilateral Forum for Debt Restructuring: the Paris Club* (Geneva: UNCTAD Discussion Papers n. 192, 2008), pp.10, 15-16.

Despite this compromise, no further progress was made during the UNCTAD Fifth Session in Manila in May-June 1979.[40] This time again, MENA governments paid allegiance to the common stance of the G77, but differences deepened in both the posture and the instruments to tackle the topic of external debt. Those adopting a more vocal stance, like Algeria and Iraq, focused on financial instruments: the Minister of Commerce of Algeria claimed the developing countries 'cushioned' the crisis in the West by channelling their finances through debt servicing and were thus entitled to more than meagre 'alleviation' measures taken by the OECD or IMF.[41] Iraq's Under-Secretary at the Minister of Trade emphasized the need for debt relief and restructuring for all developing countries as complementary to the ODA increase, which should be 'predictable, continuous and assured' as advocated by the NIEO framework.[42] Those advocating for more coordination and partnership with OECD countries focused on trade relations: Egypt's Minister of State for Economic Cooperation pressed Western states to relinquish their protectionist policies in order for developing countries to rebalance their BoPs and pay back their otherwise unsustainable debts.[43] Morocco depicted the debt burden as being one of the main reasons for 'no hope of catching up with industrialized countries'[44] and the Minister of Foreign Affairs of Turkey pleased the OECD by arguing that 'the process of deliberate restructuring is an absolute necessity, a process where long-term gains should prevail over short-sighted, immediate benefits'.[45] On a similar tone Tunisia detailed proposals for increasing the financial inflows to developing countries on concessional terms to improve their technological capacities in industrial production processes.[46] Conversely, Syria called for further deepening relations between developing and socialist countries as a way to implement the NIEO against the 'interference' of Western forces, 'speculation and pressure from transnational corporations'.[47] The Carter Administration noticed with pleasure the overall 'quite not' of the final documents of UNCTAD V that deprived the 'radicals' of major space of action and would set the opportunity to work on 'the need for differentiation among developing countries when it comes to specific economic and development policies',[48] as would be the case with external debt.

Meanwhile, the situation was getting worse day by day. The deficits in the current account of the Balance of Payments (BoP) of developing countries stood at US$72 billion in 1980 and was expected to rise to US$90 billion in 1981. External debt was one of the channels through which capital was actually flowing out of developing countries, thus worsening their overall BoP. Total indebtedness moved from US$87 billion in 1971 to US$451 billion in 1980, with debt servicing increasing at a faster pace, from US$11 to 88 billion in the same period, thus signalling the dangers posed by short-term, non-concessional debt bearing high interest rates. This was particularly true for developing countries in Latin America or Turkey, whose embedment with US finance and the

[40] See for instance UNCTAD, Resolution 129 (V), 'The Transfer of real resources to developing countries', 3 June 1979, in Proceedings of UNCTAD V Session, Manila, 1979, Vol. I, TD/269 (Vol. 1), pp.14-16.

[41] See Abdelghani Akbi, Minister for Commerce of Algeria, UN, Proceeedings of UNCTAD V Session, Manila, 1979, vol. II, Statements by Heads of Delegations (henceforth Statements), TD/269 (vol. II), p.8. Similar were the contributions by Libya and Sudan: see for instance Musbah El-Oreibi, Ambassador and Permanent Representative of the Libyan Arab Jamahiriya, p.186; Fawzi Wasfi, Under-Secretary for National Economy, Ministry of Finance and National Economy of Sudan, p.263.

[42] Mahdi M. Ouda Al-Obaidi, Under-Secretary, Ministry of Trade of Iraq, Statement TD/269 (vol. II), p.149.

[43] Ali Gamal El Nazer, Minister of State for Economic Co-operation of Egypt, Statement TD/269 (vol. II), p.82-83.

[44] Statement made at the 166th plenary meeting, on 18 May 1979, by Mr. Azzeddine Guessous, Minister of Trade and Industry of Morocco.

[45] Giinduz Okciin, Minister for Foreign Affairs of Turkey, Statement TD/269 (vol. II), p.288

[46] Slaheddine Ben M'Barek, Minister of Trade of Tunisia, Statement TD/269 (vol. II), pp.285-86

[47] Mustapha El Bittar, Director of International Relations and International Organizations, Ministry of the Economy and Foreign Trade of Syria, Statement TD/269 (vol. II), pp.275-76.

[48] Foreign Relations of the United States, 'North-South Strategy After UNCTAD V', p.330. Briefing Memorandum from the Director of the Policy Planning Staff (Lake) to Secretary of State Vance, Washington, 22 June 1979, in *Foreign Relations of the United States, 1977-1980, Vol. III, Foreign Economic Policy*.

common practice of rolling over debts with new ones was now confronted with the spike in interest rates sustained by the so-called Volcker Shock of the second half of 1979.[49]

The last substantial effort to negotiate common principles and procedures resulted in Resolution 222 (XXI) of the Trade and Development Board of 27 September 1980, which aimed at restoring debt servicing capacity, both short and long-term.[50] The G77 delegation stressed the need to implement both principles and procedures of Resolution 165 (S-IX): more precisely, debt relief for ODA-related debts and more coordination between UNCTAD, the IMF and the World Bank. While most of the critical remarks by the G77 concerned Western governments, criticism was now addressed to socialist countries as well, which were accused of falling short of implementing Resolution 165 (S-IX) on their US$16 billion credits, including a US$1.6 billion yearly service. If the G77 acknowledged that some 'innovative and far-reaching' debt relief measures had been taken, they still proved too limited.[51] More significant, however, for its long-term consequences was the ultimate acceptance that contemporary procedures had to go through the IMF, the World Bank and the Paris Club. Satisfied with their success in keeping control over existing procedures, OECD countries conceded that the UNCTAD Secretariat would participate in debt negotiations as well as in the preliminary analysis of every single case. From then on, the Secretariat-General focused on the implementation of the previous resolutions resorting to two main instruments: first, the provision of assistance to indebted countries in their economic analysis and negotiations within the Paris Club meetings; second, the monitoring and reporting of the current state of the debt crisis to the Trade and Development Board.[52]

The Crisis, Austerity and the Prospects for Development, 1980-1986

The increase in scale and frequency of sovereign defaults on external debts that ~~featured~~ characterized the 1980s became a matter of serious concern not just for the indebted countries. The total external debt of developing countries amounted to US$630 billion in 1983 and debt servicing reached US$130billions annually; total external debt for non-oil exporters amounted to US$500 billions, with debt servicing equalling 20 per cent of their export earnings and interest rates equalling 10 per cent of their export earnings.[53] While the increase in debt servicing difficulties had already struck Turkey in 1979 and Poland in 1981, it was the financial crisis of Mexico, Brazil and Argentina in 1982 that represented the ultimate end of the previous era of 'easy lending' and accelerated the 'reverse flow' of capitals towards developed countries. External debt rescheduling became the only acceptable alternative to outright default by many debtor countries. In May 1983, international negotiations about the rescheduling of 37 billion US$ reached their peak.[54]

At UNCTAD's Sixth Session in Belgrade in June 1983, the discussion and the final Resolution 161 (VI) focused on three main issues: the need for an early approach to the IMF by the debtor countries at the early stage of debt difficulties; the 'facilitation' of debt-rescheduling by all parties concerned; the connection between restoring 'creditworthiness' and sustaining development in

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[49] TDB, Report of the Trade and Development Board, Volume II, XXI Session, in UNGA, Official Records, XXXV Session, Supplement 15 (A/35/15), p.2.

[50] Ibid., TDB, Resolution 222 (XXI) 'Debt and development problems of developing; countries' Annex I, pp.155-56. As for the recent introduction of the adjustment-based lending policy by the World Bank, see V. Kross, 'The North-South Conflict in the World Bank Understanding the Bank's Turn to Structural Adjustment Lending', *Rivista italiana di storia internazionale*, 2 (2020), pp.247-68.

[51] TDB, Report of the Trade and Development Board, Volume II, XXI Session, in UNGA, Official Records, XXXV Session, Supplement 15 (A/35/15), pp.66-67.

[52] Ibid., pp.46-47. See also E. Cosio-Pascal, pp.15-16.

[53] UNCTAD, TD 275 'External Indebtedness. Selected Issues' in Proceedings of the UNCTAD VI Session, Belgrade, 1983, Vol.III, Basic Documents, TD 326 (III), pp.160-61.

[54] See al Homssi, 'External Debt', p.16; Cline, *International Debt*, pp.208-22; Boughton, *Silent Revolution,* chapters 8 and 9.

indebted countries.[55] The UNCTAD Secretariat led by Gamani Corea strongly suggested a few measures: first, a general debt relief for public debt that would shift lending from short to long term and lower interest rates (OECD governments would 'persuade' and assist private institutions to endorse similar patterns). Second, the IMF and the World Bank should increase funding and access to SDR for developing countries. Finally, more participation by developing countries on the planning of adjustment programmes would be welcome.[56] Not surprisingly, OECD members rejected these proposals, sticking to a case-by-case approach and exclusive control over negotiation procedures. Concerned about their increasing dependence on Western markets and credits, socialist countries again made an effort to reach out to the G77 to diversify their international economic relations but they resorted to their traditional suggestions: barter and bilateral and multilateral clearing agreements were hardly any novelty.[57]

Though recalling the common stance of the G77 set in the Buenos Aires Platform,[58] declarations by MENA governments featured three main elements: first, the seriousness of the external debt crisis and the difficulty of managing it properly; uneasiness with the austerity measures that, though deemed viable in the short-term to redress public deficits, would risk undermining any meaningful recovery of export earnings; last, with the exception Saudi Arabia, the near absence of reference to financial aid as a strategic factor to balance trade account deficits in the BoP. Overall, there was a major concern for devising strategic solutions based on international trade to recover from the economic crisis. Such a common trend contrasted though with the fractures and ravages of war in Lebanon and Iran-Iraq which mirrored, on a miniature world scale, the disputes that occurred at the seventh meeting of the Non-Aligned Movement in New Delhi, March 1983: namely, the crisis of the minimal, and yet significant, cooperation among developing countries.[59]

Tunisia's Minister of the National Economy, Abdelaziz Lasram, pointed to further integration with developed countries, thus emulating the Newly Industrializing Economies of Asia.[60] Similarly, Egypt's President, Hosni Mubarak, stressed the ~~prominence~~ importance of 'increasing our exports and reducing our imports' and establishing joint ventures with industrial countries in productive sectors as a 'major boost for international recovery'.[61] More pragmatically, the Minister of State for External Economic Relations of Turkey promoted a balanced combination of financial austerity and liberalizations together with access to OECD markets. However, he cautioned that 'only such a counter-cyclical approach to recessionary, or as the case might be, expansionary developments in the external environment could ensure sustained global growth and development'. Moreover, he warned that trade liberalization 'should not be linked to the concept of reciprocity. (…) A premature integration would be counter-productive.' This meant a call to OECD countries to drop fundamentalist or radical approaches to liberalism, whose reciprocity meant substantial subordination to the OECD in absence of concerted rules. [62] Pragmatic as for trade but radical on finance, Iraq's

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[55] UNCTAD, Resolution 161 (VI), 'External Debt' in Proceedings of UNCTAD VI Session, Belgrade, 1983, Vol. I, Report and Annexes, TD 326 (Vol. I), pp.17-18.

[56] UNCTAD, TD 271, 'Development and recovery: the realities of the new interdependence', in Proceedings of the UNCTAD VI Session, Belgrade, 1983, Vol. III, Basic Documents, TD 326 (III), pp.37, 46-47.

[57] See Summary of Proceedings, in Proceedings of UNCTAD VI Session, Belgrade, 1983, Vol. I, Report and Annexes, TD 326 (Vol. I), pp.78-80; Alexei N. Manzhulo, Deputy Minister for Foreign Trade of the USSR, Summary of statement (henceforth Summaries) Vol. II, TD 326 (Vol. II), pp.170-172.

[58] Buenos Aires Platform, 'Final document of the Fifth Ministerial Meeting of the Group of 77, held at Buenos Aires, Argentina, from 28 March to 9 April 1983', Annex VI, in Proceedings of UNCTAD VI Session, Belgrade, 1983, Vol. I, Report and Annexes, TD 326 (Vol. I), p.76.

[59] UNGA, 'Final Documents of the Seventh Conference of Heads of State or Government of Non-Aligned Countries, held at New Delhi, from 7 to 12 March 1983', in UNGA, A/38/132 and UN Security Council S/15675, 8 April, 1983, pp.55, 59. See also V. Prashad, *The Darker Nations: A People's History of the Third World* (New York: The New Press, 2007), pp.207, 224; Toye, *UNCTAD at 50*, p.167.

[60] Abdelaziz Lasram, Minister of National Economy of Tunisia, Summaries, TD 326 (Vol. II), pp.163-64.

[61] Mohamed Hosny Mubarak, President of the Arab Republic of Egypt, Summaries, TD 326 (Vol. II), pp.10-14.

[62] Mr. Sermet R. Pasin, Minister of State for External Economic Relations of Turkey, Summaries, TD 326 (Vol. II), pp.166-67.

Minister of State for Foreign Affairs supported the proposal by French President François Mitterrand to transform the IMF Special Drawing Rights into the primary reserve asset in the international monetary system, thus confronting the 'exorbitant privilege' enjoyed by the US since the end of the Second World War. However, he also argued that 'economic cooperation among developing countries could not be a substitute for comprehensive economic cooperation between the industrialized and the developing countries'.[63] Locked into a dialectic dispute with Israel, who ~~set~~ saw the 'excessive dependence' on oil imports as a major source of indebtedness, the Minister for Commerce of Saudi Arabia contrasted the overall decline of OECD aid with his own country's assistance programme that would be 'both liberal and substantial', totalling $35 billion since 1973, namely the equivalent of 22 per cent of total OECD assistance. Saudi Arabia promoted the UN Common Fund for Commodities to stabilize export earnings, as well as the idea of additional financing of commodity-related shortfalls by the IMF.[64]

Against the background of the external debt crisis affecting many developing countries, in 1985 Middle Eastern governments and the UN Economic and Social Commission for Western Asia (ESCWA) took the initiative and commissioned a comprehensive survey of the financial situation of member countries. Though not members, Turkey and Maghreb countries appeared as a reference for comparison, together with major debtor countries in Latin America and East Asia. Resolution n. 119 (X) would later endorse both its main findings and its suggestions at the 30th ESCWA Session in Baghdad in April 1986.[65] Because of the regional peculiarities, the overall picture of the Middle East and North Africa was depicted as less worrisome once compared with other areas. However, their relative stability rested upon a set of conditions whose deterioration would easily lead both debtor and creditor countries into serious problems.[66] The decline of oil prices and oil-revenues was still considered by most Arab donor countries as 'transitory or temporary' and thus they continued with their previous and largely friendly lending policies based on 'economic, political and social consideration put together'.[67] Such an attitude translated into the preference for debt rescheduling in lieu of default.[68] The survey advised creditors to keep both aid and loans on concessional terms and limit their engagement in private financial global markets under the current conditions of high instability: 'it is imperative that maximum prudence be applied by these capital-surplus countries in placing their savings abroad, and the same applies for Arab banks in their international operations.' Measures suggested to debtors included more reforms encouraging foreign trade to re-balance current account deficits, so as to improve the management of external debts in consultancy with international organizations; a stop to borrowing from private institutions, whose current conditions of lending were too risky; and the abstention from borrowing short term for long term development projects or programmes.[69] Once adopted as a common stance by ESCWA members, this position actually complied with the guidelines elaborated at the United Nations, and distanced them ~~themselves~~ from the rationale of the so called *Baker Plan* of September 1985, which, though granting US public

63 Hamed Alwan, Minister of State for Foreign Affairs of Iraq, Summaries, TD 326 (Vol. II), p.100; B. Eichengreen, *Exorbitant Privilege: The Rise and Fall of the Dollar* (Oxford: Oxford University Press, 2012).

64 See Mayer Gabay, Director-General of the Ministry of Justice of Israel, Summaries, TD 326 (Vol. II), pp.103-104; Soliman Al-Solaim, Minister for Commerce of Saudi Arabia, Summaries, TD 326 (Vol. II), p.142. The same was true for the United Arab Emirates, Saeed Al-Ghaith, Minister of State for Cabinet Affairs of the United Arab Emirates, Summaries, TD 326 (Vol. II), pp.172-73.

65 See al Homssi, 'External Debt'; ESCWA, Resolution 11 (X), 'Current Issues of Importance to the ESCWA Region Foreign Debt: implications for creditor and debtor countries of Western Asia', ESCWA, Thirteenth Session, 19-24 April, Baghdad, E/ESCWA/13/8/Rev.1.

66 Al Homssi, pp.133-34.

67 The Arab League, *The Arab Unified Economic Report*, 1984, chapter 12, in al Homssi, p.136; ESCWA, 'Egypt's Experience with External Financing, 1974-1986', Beirut, 3 November 1988, E/ESCWA/UNCTC/88/2/Rev1, pp.21-29, 42-44.

68 C. Hardy, *Rescheduling Development-country Debts: 1956-1980: Lessons and Recommendations* (Overseas Development Council: Working Paper 1), February 1982, p.45, in al Homssi, p.138.

69 See al Homssi, pp.157, 159-162; ESCWA, Resolution 11 (X), pp.7-11.

guarantees, continued to support private lending in exchange for macro-economic adjustment and reforms, such as liberalizations and privatizations.[70]

Adjusting, Rescheduling and Restructuring, 1986-1990

With the fall of the oil prices hitting hard the public finances of the oil-exporting countries in 1986 and, consequently, the non-oil exporting countries of the Middle East and North Africa, the debate on the debt crisis moved from Geneva to the UN General Assembly (UNGA) in New York. All debates and negotiations focused on the terms of the trade-off between structural adjustment and debt rescheduling. Eventually, on 8 December 1986, the Second Committee adopted – by consensus – Resolution n. 41/202 and recommended it to the General Assembly: the Resolution found a minimal common ground on calling indebted countries to engage in effective but 'growth-oriented' adjustment processes whereas creditors should depart from protectionist measures, concede lower interest rates and coordinate with developing countries for 'sustained and non-inflationary growth and adjustments'. Debt relief should be applied to the Least Developed Countries, with special attention to Sub-Saharan Africa.[71]

Meanwhile, according to the UNCTAD Secretariat General Report for the Seventh Session of 1987 in Geneva, the external debt of all net debtor countries had peaked around 835 billion US$ in 1985, rising from 153 to 203 per cent of total exports of goods and services between 1982 and 1985.[72] Though some indebted countries could resume financial inflows, most developing countries with debt-servicing difficulties had 'neither achieved a satisfactory growth momentum nor recovered their creditworthiness': the inability to meet debt service was the 'salient' feature of international finance in the 1980s. The debt strategy was said to have reached an impasse as by ~~for~~ mid-1987.[73] According to UNCTAD's Secretariat, while new private financial instruments, like the IMF surveillance over the multi-year rescheduling agreements (MYRA), syndicated bank lending or equities, would enlarge the available tools, the bulk of an international debt strategy would likely rely on the public sectors, namely trade and lending policies by creditor countries, as well as the more efficient use of domestic resources and savings by debtor countries. Not least, on the background of instability in currency markets, the Secretariat endorsed the long-time request of many G77 countries, and Iraq especially among MENA, to make the Special Drawing Rights the principal international reserve asset. As for the decisive factor hampering any viable exit strategy from the debt crisis, namely the impossibility for developing countries to export their products to industrial economies, there were no signs among major developed market-economies to undertake market openings.[74] On the contrary, the USSR, now

[70] Named after the US Secretary of Treasure, James Baker, and US Federal Reserve Chairman, Paul Volcker, the US plan ultimately failed because of the reluctance to engage with it by both private banks and Latin America's newly appointed democratic governments. Nevertheless, this initiative resulted from a bitter struggle within the Reagan administration among those advocating state intervention in support of both US private banks and selected debtors of strategic importance and those arguing against in the name of 'free markets'. See D. Basosi, B. Zaccaria, 'Why not default: The Reagan administration and IFI, 1981-1987', paper presented at the international conference *Debts, Credits and Power in the 1980s*, Florence, 12-13 July 2021; Cline, *International Debt Reexamined,* pp.208-215; Marichal, *Nueva Historia de las Grandes Crisis Financieras*, pp.219-24.

[71] Cfr. UNGA, Resolution 41/202 'Strengthened international cooperation aimed at resolving external debt problems of developing countries', 8 December 1986, A/Res41/202; UNGA, 41st Session, General Assembly, Provisional Verbatim Record of the 100th Meeting, 12 December 1986, A/41/PV.100; UNGA, 'External Debt Crisis and Development', Report of the Second Committee, 12 December 1986, A/41/937.

[72] UNCTAD Secretariat, 'Revitalizing development, growth and international trade: assessment and policy options. Report by UNCTAD Secretariat', TD/328/Rev1, in Proceedings of the UNCTAD Conference, VII Session, Geneva, 1987, Vol. III, Basic Documents, TD/352 (Vol. III), pp.55-58.

[73] Ibid., pp.53-72; UNCTAD, 'Assessment of relevant economic trends of global structural change: findings and policy implications' in Proceedings of the UNCTAD Conference, VII Session, Geneva, 1987, Vol I. Report and Annexes, TD/352 (Vol. I), pp.12-15.

[74] UNCTAD Secretariat, 'Revitalizing development', pp.60-72. See also M. Trentin, 'Divergence in the Mediterranean. The Economic Relations Between the EC and Arab Countries in the Long 1980s', *Journal of European Integration History,* vol. 21, n. 1 (2015), pp.89-108.

led by the reformist leadership of Mikhail Gorbachev, tried to reach out to the G77 by fully endorsing the long-standing proposals of ~~by setting in tune with~~ UNCTAD~~'s proposals~~. The USSR Foreign Trade Minister recalled that in 1986 Moscow provided net assistance to developing countries worth US$24 billion, 3.2 billion to LDC included.[75] The USSR proposed that the annual repayment should be limited to a proportion of foreign exchange earnings and should come without prejudice to social and economic development. Stability of exchange rates and trade openings together with the 'democratization' of financial institutions would lead to a global solution. Soon after, the CMEA representative suggested upgrading the existing 'specialization' on the delivery and production of machinery, joint construction and assembly works to co-production through joint-enterprises and exchanges of services, know-how and scientific and technological achievements.[76] Late as they were, the Soviet proposals were meant to integrate indebted partners into the international dimensions of the perestroika envisioned by the Soviet leadership since 1985. More important than ever ~~as~~ for MENA, such proposals would help diversify Soviet engagement abroad beyond the supply of military items, as had been much the case with Syria, Algeria, Libya or Iraq.[77]

In line with the Final Document of the Sixth Ministerial Meeting of the G77, held in Havana, Cuba, in April 1987, MENA states found substantial, common ground in waging vocal criticism against the OECD countries, and yet remained within the boundaries of contemporary international debt strategy, conditionalities included.[78] First, all governments agreed on the need for adjustment programmes to tackle the external debt crisis, thus accepting primary responsibility for the solutions to the problem. Second, they all stressed the importance of export-led growth. Finally, they all argued that the ultimate effectiveness of debt management and adjustment measures was highly dependent on their access to the markets of industrial countries, primarily European ones. The connection between debt-servicing and export earnings was meant again as the ultimate suitable instrument.

Convened in Geneva for UNCTAD VII, Egypt's President, Hosni Mubarak, called for an urgent, negotiated reversal of OECD protectionist measures. This was deemed urgent and unavoidable if all countries, industrial included, wished to continue their exports: echoing Iraq in 1983, there was no room for self-reliance because the ultimate solution was a balanced integration into the world economy.[79] And yet, the result of structural adjustments 'have fallen short of expectations because of the adverse international context'. Lower interest rates and rescheduling of debts according to the debtors' service capacity were key to any sustainable solutions as well as more financial assistance to those projects with greater export capacities, like textile, agriculture and manufacturing.[80] Jordan's Crown Prince, Hassan Bin Talal, agreed on the need for more integration in the world economy but was more critical towards industrial countries. Any adjustment limited to balanced budgets, floating interest rates and currency devaluations was 'an exercise in futility', since what was required was a larger 'development package' based on the empowerment of human resources and technology: 'a decade ago pressure was applied to recycle petrodollars. A similar assertive demand must now be made to redistribute what I may call "techno-dollars" to the developing

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[75] B. Aristov, Minister of Foreign Trade of the USSR, in Proceedings of the UNCTAD Conference, VII Session, Geneva, 1987, Vol II. Statements and Summary Records (hereby Summaries), TD/352 (Vol. II), pp.129-30; Trecker, *Red Money,* p.191.

[76] See M. Marinov, Deputy-Secretary of the Council for Mutual Economic Assistance, Summaries, TD/352 (Vol. II), p.176.

[77] S. Kotkin, 'The Kiss of the Debt: The East Bloc Goes Borrowing' in N. Ferguson, C.S. Maier, E Manela et al (eds), *The Shock of the Global: The 1970s in Perspective* (Cambridge: Harvard University Press, 2010), pp.80-93; Trecker, *Red Money*, pp.155, 187, 203; A. Vassiliev, *Russia's Middle East Policy: From Lenin to Putin* (Abingdon: Routledge, 2018), pp.239, 253.

[78] UNCTAD, 'Assessment and proposals by the Group of G77 relating to the seventh session of the conference', Proceedings of the UNCTAD Conference, VII Session, Geneva, 1987, Vol I. Report and Annexes, TD/352 (Vol. I), p.100.

[79] Mohammed Hosny Mubarak, President of the Arab Republic of Egypt, Summaries, UNCTAD, 'Assessment and proposals by the Group of G77 relating to the seventh session of the conference', Proceedings of the UNCTAD Conference, VII Session, Geneva, 1987, Vol II Summaries, TD/352 (Vol. II), p.7

[80] Ibid., Yousri Mustafa, Minister of Economy and Foreign Trade of Egypt, p.61

countries.'[81] Far more moderate than its predecessors in 1983, Ali Akbar Velayati, Minister of Foreign Affairs of Iran, pointed to the fall of commodity prices by 36 per cent in 1980-1986 period as the main reason for the deterioration of global terms of trade and the reverse flow of resources. Remarkably, he opened up to adjustment programmes intended as a combination between domestic factors, like increase in export capacity, domestic savings and productive efficiency, and external factors in the shape of financial resources, expanded access to foreign markets and appropriate interest and exchange rates.[82]

Abdellah Azmani, Minister of Commerce and industry of Morocco, portrayed his country's experience with adjustment measures as 'an illustration of the preconditions to fulfil and to revitalize growth and development'. In 1983 the dire financial situation led Morocco to adopt 'draconian measures' to restrict imports and domestic demand. Yet, preliminary good results in Gross Domestic Product (GDP) growth and low budget deficits risked being jeopardized by the protectionist and unilateral measures of OECD partners, in particular the European Communities: 'Paradoxically again, at a time when the developing countries were being requested to improve their competitiveness and increase the supply of export goods, more sophisticated protectionist barriers were being erected against their products.'[83]

The most radical stance, likely unfeasible at contemporary conditions, came from the representative of Israel, as he called on LDC to service their debts in local currency. Still hitting hard at Arab oil-exporters he demanded that commercial banks extend further credits because, while they had profited from recycling petrodollars in the 1980s, 'it was now time for the main beneficiaries of that recycling to accept their share of responsibility'.[84] Countering again Israel accusations, the Saudi Minister of Commerce recalled again the Kingdom's role as a major international donor, and urged OECD countries to uphold their promises to increase their ODA to 0.7 per cent of their GDP.[85] In a similar tone, the UAE representative recalled the role of oil-producing countries as donors: 'The oil-producing countries had granted bilateral loans on preferential terms worth $19.4 billion between 1974 and 1978 and $33.4 billion between 1980 and 1984, while the Islamic Development Bank and other banks and funds in the area had together provided $21 billion between 1974 and 1985.'[86]

The ~~Second~~ Gulf Crisis of 1990-1991 as Game-Changer in the MENA

On the eve of the Gulf Crisis, all MENA countries had to cope with the maturities of both short- and long-term external debts that exacerbated the already existing imbalances, and thwarted efforts at adjustments as well as the slight recovery of the late 1980s. After a decade of economic recession or stagnation throughout the region, the end of hostilities between Iraq and Iran in 1988 led to an average GDP growth of 5.8 per cent among Arab countries in the Middle East. Though GCC aid to Jordan and Yemen had declined in 1988 and 1989, it rose again in early 1990. ESCWA assessed that the upward accumulation of external debt by ESCWA members continued up to 1992: from an estimated 113 billion US$ in 1985 to over 153 billion US$ in 1990, namely around 9 per cent of the total debt of all developing countries set at 1700 billion US$. External debt/GDP ratio jumped from 50.89 to 54.49 per cent, and international reserves declined from 6.3 to 5.8 months of imports. Except for the GCC members, the debt situation was serious, and for Egypt, Jordan, Syria and Yemen it was labelled as 'critical'. The official element of these debts granted borrowing countries some benefits as to interests rates and maturities, but it also meant that there was 'no secondary market' to trade them as

[81] Ibid., Crown Prince Hassan Bin Talal Hashemite Kingdom of Jordan, pp.20-22

[82] Ibid., Ali Akbar Velayati, Minister for Foreign Affairs of the Islamic Republic of Iran, p.76

[83] Ibid., Abdellah Azmani, Minister of Commerce and Industry of Morocco, pp.94-95; Trentin, 'Divergence in the Mediterranean, pp.105-108.

[84] Itzhak Minerbi, Assistant Director-General for Economic and International Co-operation, Ministry of Foreign Affairs of Israel, UNCTAD, 'Assessment and proposals by the Group of G77 relating to the seventh session of the conference', Proceedings of the UNCTAD Conference, VII Session, Geneva, 1987, Vol II Summaries, TD/352 (Vol. II), pp.79-80.

[85] Ibid., Soleiman El Saleem, Minister of Commerce of Saudi Arabia, pp.111-14.

[86] Ibid., Saif Ali Al Jarwan, Minister of Trade and Economy of the United Arab Emirates, pp.131-32

was the case for external debts in Latin America: as a consequence, it was hardly possible for them to access the mechanics of the *Brady Plan*.[87] This exclusion came at the same them as ~~in time with~~ the concerns over the collapse of the socialist camp beginning in 1989. On the one hand, it would delay debt repayments to the heirs of socialist partners; yet, on the other hand, it deprived MENA leaders of a major argument for capitalizing the strategic support they had enjoyed from either camp up to then. Now, there was little room left to face the mounting pressure from the US and European Communities for structural adjustment: the alternative was international isolation.[88]

Yet, regional politics provided another opportunity. On 2 August 1990, the Iraqi armed forces invaded Kuwait and sparked the Gulf Crisis, which was to shape much of the politics and economics of the MENA region for the next decade.[89] As outlined by the ESCWA *Survey* of August 1992, the Gulf Crisis had a direct massive, negative impact on the economies and societies of the Middle East and foresaw long-term repercussions throughout the whole region. The Iraqi invasion of Kuwait in August 1990 led to a GDP contraction of 3.8 per cent in 1989/1990 and further decline of 4.6 per cent in 1990/1991.[90] The Gulf Crisis dealt 'a devastating blow' to the economies of both Kuwait and Iraq and led to the forced return of an estimated 2.58 million Arab migrant workers and their dependents, with a major impact on the receiving countries: three quarters of the total came from Arab labour-abundant countries. The Yemeni and Jordanian populations abruptly rose by 7 and 8.5 per cent, respectively, which increased public expenditures to meet the need of the newcomers. As a consequence, efforts to reduce both budget and BoP deficits were shattered. The most dramatic impact concerned the 'substantial loss' in remittances: all labour-sending countries were heavily indebted and had become more and more dependent on the workers' remittances to partially finance their chronic balance of trade deficits. Throughout the 1980s, Arab countries received an estimated US$57.7 billion in remittances from the Gulf: for instance, Egypt received $32 billion in remittances which covered 63.6 per cent of the trade deficit.[91]

Back to the practice of capitalizing international alignment, indebted Arab countries that supported the GCC against Iraq, like Egypt and Syria enjoyed debt relief and further financial support. Conversely, those countries, like Jordan or Yemen, that did not take a clearcut stand on the crisis were excluded and punished by halting financial support at regional and international level. Egypt saw a cumulative reduction of its external debt by about US$24 billion in 1991, down from the spiralling US$54 billion in mid-1990. Washington accepted Egypt's unrelenting lobbying effort to trade debt relief against participation with ~~to~~ the US-led international coalition to liberate Kuwait, which showed that, on this occasion, diplomatic and strategic concerns ultimately mattered more than financial consistency; the Arab Gulf followed suit and EC members did as well, after ~~opposing~~ some resistance. The same was true for Syria since no economic explanation was given for the US$4 billion forgiveness in external debt granted to Damascus in 1991.[92]

As for Jordan, the reduction of GCC aid in 1988-1989, which had represented an average of 80 per cent of Government external aid, led the Jordanian Government to stop almost all capital expenditure and increase taxes on oil and duties on imports. Following the advice of the IMF in 1989, the deficit in the state budget was effectively reduced from 137 Jordanian dinars (JD) million in 1989

[87] First disclosed in 1989 by US Treasury Secretary, Nicholas F. Brady, and then implemented widely since 1991, the Plan traded commercial debt relief against US guaranteed special bonds and economic reforms that, ultimately, would reinsert developing countries into international financial circuits while distributing bank losses into the wider financial and investment community. J-C Berthélemy and R. Lensinck, 'An assessment of the Brady Plan agreements', OECD Development Centre, Working Paper n.67, May 1992, OECD/GD(92)101, pp.15-16, 34.

[88] See R. Khalidi, *Sowing Crisis: The Cold War and American Dominance in the Middle East* (Boston: Beacon Press, 2009), pp.101, 201; Trentin, 'Divergence in the Mediterranean', pp.99-108.

[89] Hinnebusch, *The International Politics of the Middle East,* pp.154, 204; W. Cleveland and M. Bunton, *A History of the Modern Middle East* (Boulder: Westview Press, 2009), pp.473, 527.

[90] ESCWA, Development Planning Division, *Survey of Economic and Social Developments in the ESCWA Region*, 1990-1991, August 1992, E/ESCWA/DPD/1992/8, pp.1, 31.

[91] Ibid., Tables 8 and 9, pp.21, 24-25, 40.

[92] Ibid., compare pp.6-7, 113; as for Egypt and Syria, see also the related articles within this Special issue of *Middle Eastern Studies*.

to only 31.6 million JD in 1991. However, under pressure from the massive return of its migrants and the further interruption of financial flows from the GCC in 1991, the Government decided to stop the economic reform programme and increase expenditure to cope with the labour and social emergencies. Unable to sustain its finances, Amman had to resort back to the structural adjustment programmes advocated by the IMF and the World Bank, which allowed the Jordanian authorities to start negotiations for the rescheduling of a large portion of its external debt.[93]

UNCTAD VIII, between a New 'Spirit' and Long-Standing Requests

The UNCTAD Eighth Session of February 1992, in Cartagena des Indias, Colombia, fully legitimized the basic elements of the free market-based, supply-side approach to development issues, then labelled the *Washington Consensus*.[94] The end of the superpower rivalry and the dismantling of socialist centrally planned economies in Europe was brought as evidence of the superiority of free markets and private entrepreneurship throughout reports and declarations by international organizations and OECD countries. This was reinforced by the sweeping US victory in the Gulf War against Iraq in 1990-1991, that demonstrated both the military and diplomatic ability of Washington to rally up and lead a vast and diverse coalition of states.

Theoretically, the overall context granted Western states major leverage but the dire financial and economic conditions of developing countries and their actual incapacity to meet all their external obligations compelled OECD countries to concede larger relief measures. And yet, to retain their primacy in negotiations, all relief would be accorded on unilateral terms and case-by-case. Most importantly, 'debt relief would continue to be linked to the implementation of economic reforms', whose ultimate goal was the 'creation of open markets for exports', as recalled by the now united Federal Republic of Germany.[95]

In his augural address to the UNCTAD VIII as well as at the plenary meeting, liberal Secretary-General Kenneth K. S. Dadzie pointed at the potential for international cooperation unleashed by the end of the Cold War: among them the convergence on the 'common features of the pursuit of economic efficiency', namely, 'reliance on market forces and competitiveness, and the fostering of entrepreneurial initiative'.[96] The Final documents of the 'Spirit of Cartagena' and the 'New Partnership for Development' would mark the adaptation of UNCTAD to the 'silent revolution' of supply-side economics.[97] As a matter of fact, the UNCTAD Secretariat subscribed to what IMF Managing Director, Michel Camdessus, labelled the 'unwritten contract of international cooperation': that is 'good access to markets and adequate financial assistance on appropriate terms' in exchange for structural adjustment and reforms.[98] The risk the IMF foresaw concerned any 'political setback or adjustment fatigue' of 'the heroic commitment to persevere with good programmes and far-

[93] Ibid., pp.43, 110; see also the article on the case of Jordan within this Special issue of *Middle Eastern Studies*.

[94] As originally outlined by John Williamson in 1990, the Washington Consensus was the set of policies promoted by the IMF, World Bank and the US Treasury Department from the late 1970s and consisted in fiscal discipline, cuts in state expenditure, limited taxation, market-based interest and exchange rates, import liberalizations, attraction of foreign investments, privatizations, deregulation, private property protection. See, for instance, J. Williamson, 'What Washington Consensus Means by Policy Reform', in J. Williamson (ed.), *Latin American Adjustment: How Much Has Happened* (Washington, DC: Institute for International Economics, 1990), pp.5-20; Q. Slobodian, *The Globalists. The End of Empire and the Birth of Neoliberalism* (Harvard: Harvard University Press, 2018).

[95] Carl-Dieter Spranger, Federal Minister for Economic Cooperation, UNCTAD, Proceedings of the United Nations Conference on Trade and Development, VIII Session, Cartagena des Indias, Colombia, 1992, Report and Annexes, Part Two, General Debate. Countries (hereby General Debate), TD/364/Rev.1, p.57.

[96] Ibid., Kenneth K.S. Dadzie, Address delivered at the inaugural ceremony and other statements made to the Conference, Annex III. p.159, 163.

[97] UNCTAD, '"The Spirit of Cartagena" and "A New Partnership for Development: the Cartagena Commitment"', Report and Annexes, Part One, TD/364/Rev.1, pp.7, 8, 10.

[98] Ibid., Michel Camdessus IMF Managing Director, in General Debate, pp.104-105.

reaching reform': hence, it made sense having UNCTAD staff on board as an additional advocate for sustaining such reforms.[99]

The topic of external indebtedness was a test-case for the new balance of forces between creditors and debtors. The final document was 'somewhat less assertive' on the problem of external indebtedness because it merely expressed support for the unilateral measures adopted by OECD countries as long as they would be implemented 'in a manner commensurate with their [the debtors] payment capacity', the latter being the only concession made to G77. All measures, in fact, would parallel efforts by indebted countries to continue servicing their debt to sustain their international creditworthiness: 'greater financial discipline', liberalizations, and reforms of state enterprises; with 'privatization as an option in that regard' this would enhance 'macroeconomic stability and predictability'.[100]

However, these common features still faced some resistance and objections by developing countries, MENA included. Against the OECD argument for the primacy of a 'combination of market forces, pluralistic democracy and respect for human rights', Algeria's representative specified that 'if democracy was a factor in development, development was a *sine qua non* for real democracy'.[101] The second element in the G77 position was the substantial continuity in their requests concerning the contents and procedures of multilateral cooperation. The President of the Seventh Ministerial Meeting of the G77, Abdol Hosin Vahaji, Minister of Trade of Iran, called on industrial countries 'to provide a favourable external environment', not least by respecting the multilateral 'rules of the game' based on 'competition, open markets, equity and fair play' that themselves had agreed upon in previous decades.[102] Last but not least, against US efforts to keep UNCTAD out of the debate on international debt strategy, the G77 succeeded in retaining the UN organisation's ability to set its own agenda for discussion, external debt included.[103]

MENA governments moved within the boundaries of the 'unwritten contract' and yet continued to assert their long-standing requests for reciprocity. Iran emphasized how the country had been engaging in reforms for free trade and liberalization that had all paved the way for regional and international cooperation. However, it also regretted the 'unfulfilled' expectations for more active and equitable partnership and pragmatic cooperation with OECD countries.[104] In the same vein, Jordan called for substantial debt reduction for low- and middle-income countries: many of them 'were meeting their financial obligation at high social cost and while they had made progress in reforming their economies' some would collapse 'under the weight of interest payments'.[105]

After claiming the title of 'pioneer' among countries that had moved beyond state-led development, Turkey cautioned against mainstream enthusiasm for the connection between free market and democracy: 'The rapidly rising expectations of the masses, fuelled by party politics, could lead to populist politics, which favoured consumption at the expense of savings, growth and price stability. It was not possible to provide a recipe for development by simply referring to high ideals such as democracy and respect for human rights.'[106] Turkish diplomat, Giindiiz Aktan, made plain

[99] Deforge and Lemoine, pp.245-48

[100] UNCTAD, 'The Spirit of Cartagena' TD/364/Rev.1, Part One, pp.21, 130.

[101] Ibid., Messaoud Ait Chaalal, Permanent Representative to the United Nations in New York, in General Debate, p.40.

[102] Ibid., Abdol Hosin Vahaji, Minister of Trade of Iran, in General Debate, pp.160-63.

[103] See UNCTAD, Proceedings of the United Nations Conference on Trade and Development, VIII Session, Cartagena des Indias, Colombia, 1992, Report and Annexes, Part One, Other Action by the Conference, TD/364/Rev.1, p.36; Statements made at the 239th (closing) meeting of the VIII session of the conference, TD/364/Rev.1, p.130.

[104] Ibid., Abdol Hosin Vahaji Minister of Commerce, in General Debate, p.63

[105] Ibid., Abdullah H. Al-Jaralleh, Minister of Commerce and Industry of Kuwait who took the same position, p.67. Tunisia voiced similar concerns, Hamadi Khouini, Permanent Representative to the United Nations in New York, p.91

[106] Ibid., Giindiiz Aktan, Permanent Representative of Turkey to the United Nations in Geneva, pp.91-92.

what was to become a distinctive feature of MENA ruling elites' approach to globalization in the following decades, namely the clear distinction between liberalism in economics and politics.[107]

Against the background of UNCTAD VIII the Trade and Development Board convened its 39th session in Geneva in October 1992.[108] Within the sober acknowledgment that the world economy was in recession, discussions still focused on the extension of debt relief measures to middle-income countries. This time also all interventions by MENA and G77 countries accused OECD partners of violating their commitment in the 'unwritten contract', namely market access for developing countries' exports. Therefore, several MENA governments decided to frame their adjustment programmes within the boundaries of national sovereignty, which meant that they would retain more autonomy on the timing, scale and sectoral implementation of reforms. In particular, the Egyptian representative was vocal in regretting that structural reforms were being undermined by an economic recession whose impact was amplified by the unwillingness of developed economies to undertake fiscal adjustment and stimulate the world economy, as well as to reciprocate the liberalization recently implemented by most developing countries.[109] The Islamic Republic of Iran focused on the topic of privatizations connected to structural adjustment: 'the supremacy of one sector over another is rooted in the political structure of a country and reflected its historical and cultural background as well as development trends. The establishment of a market system did not mean the elimination of the guiding and supervisory role of government.'[110]

Conclusion

The international history of the external debt crisis in the MENA adds further evidence to the dynamic nature of the interaction between local and global forces of change. The review of MENA governments' postures at UNCTAD showed that the region was not an exception to the broader dynamics of change that featured the international politics and economics of the twentieth century: namely the shift from state-led development to neoliberal economics. However, the success of transformation of external debt into a major vulnerability and its management into a lever for implementing market-based reforms depended on the specifics of regional dynamics.

Among the many commonalities between MENA and developing countries was their conceptual framework: the asymmetry in international economics was such that external debt would constitute a normal feature of economic development, channelling resources from capital-abundant to capital-poor countries. Hence, debt rescheduling and restructuring were conceived as normal practices of a constantly-negotiated balance between the unevenness and rigidity of 'comparative advantages' and the development goals of postcolonial countries. The post-Second World War international consensus on 'embedded liberalism' legitimized the constant calls for further access to the creditors' markets as the only viable, long-term solution to manage external debts. Financial instruments, like access to IMF Special Drawing Rights as well as debt relief measures, would ease and complement trade and productive integration, in particular with Western European countries. Remarkably consistent, as soon as MENA countries subscribed to the 'unwritten contract' of structural adjustment against debt relief during the 1980s, their compliance with the 'discipline' of neoliberalism proved conditional to reciprocity in access to OECD markets: as this latter failed to materialize up to the mid-1990s, MENA states resorted to selective implementation of reforms.

This pattern of behaviour in international economics and politics proved common to many developing countries. However, the ability to put it into practice depended on the economic and political capacities of single countries, which brought the specific features of the region back to centre

[107] Among the vast literature, see L. Guazzone and D. Pioppi, *The Arab State and neo-liberal globalization: The restructuring of the state in the Middle East* (Reading: Ithaca Press, 2009); R. Owen, *State, Power and Politics*, pp.113-30.

[108] TDB, Report of the Trade and Development Board, first part of the XXXIX Session, TB/B/39(1)/15.

[109] Ibid., Chapter II, p.47.

[110] Ibid., Chapter II, p.63, 70.

stage. The strategic location at the crossroad of major trade routes between Europe, Africa and Asia, hydrocarbon-export revenues as well as the Cold War superpower rivalry substituting European imperialism were all elements that provided the MENA with large inflows of resources. The distribution of massive oil revenues within the region through bilateral aid, highly concessional public loans and workers' remittances all sustained the BoP imbalances of non-oil-exporting countries, thus providing a sort of 'cushion' that either postponed or alleviated the austerity measures required by the Western-led international debt strategy. As soon as the asset of oil revenues came to an end with the Oil Countershock of 1986, the region was left exposed like other developing countries. In the same years, the USSR withdrew from the region under Mikhail Gorbachev, downscaling MENA relevance for international politics. As a result, almost all non-oil-exporting countries have engaged in structural adjustment programmes and negotiations for debt restructuring since 1987. And yet, the specific features of the region regained momentum with the Gulf Crisis of 1990-1991, when the United States transformed the local conflict into the occasion to re-assert its primacy in world affairs: MENA governments had the chance to trade their alignment alongside the US against debt relief; those who chose to stay neutral, instead, were punished. And still, new chances emerged soon after out of other conflicts: for Jordan, for example, when the US-brokered negotiations with Israel gained momentum in 1993 and 1994; for Algeria when the military-led government gained Western support against the Islamist-led insurgency since mid-1990s.[111]

The history of the external debt crisis in the Middle East and North Africa gives further strength to the need to combine international and area studies: international history has provided the broader account of trends and power relations worldwide; yet, the implementation and final outcomes of these latter have rested on the specifics of every region or area, which in turn would help shaping new trends and, once again, the power relations to come.

Notes

[111] See article on the case of Algeria within this Special Issue of *Middle Eastern Studies*.