The Arab World: Re-compradorization

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The macro-economic quantities that are specific to many Third World countries including Arab countries should be handled with precaution, given that their latest statistics are not entirely exact and sometimes simply misleading. However they indicate the general trends which are, besides, sometimes glaringly observed and corroborated by other quantitative and qualitative indicators. For the past twenty-five years, these trends have been, on the whole, similar for all the Arab countries with the exception of those whose entire economies nearly wholly depended on oil exploration and its stocks expenditure (the Gulf countries and Libya).

The growth rates of the GDP in real terms have remained low as compared with those of east and south-east Asia (about half of the latter) but reveal essentially an apparent parallel trend: the decade that followed that of the gasoline booms (1973-1984) was characterized by a severe stagnation. The record rates observed in the 1970s (8 per cent in Egypt, 10 per cent in Syria and Jordan) dropped in the following decade (5 per cent in Egypt and 3 per cent in Syria which, nevertheless, recorded a higher rate beginning from 1990) or even fell sharply to the extent that the progress made was wiped out over a few years (the growth rate in Jordan, which was rather negative, reached its lowest level of about 12 per cent per annum!). Lebanon, which has suffered from the effects of civil war since 1975, is today confronted with more urgent issues relating to its reconstruction. Iraq, on its part, had recorded a growth rate that was probably higher than those of the other countries (about 8 per cent) in spite of the first Gulf war (which lasted throughout the 1980 decade) before it fell sharply as a result of the second Gulf war in 1991. In Tunisia, the growth rate dropped steadily from 9 per cent from 1970 through 1974 to 3 per cent from 1985 through 1989 (which probably improved during the recent years). In Algeria, the growth rate which had already dropped to about 5 per cent per annum in 1985, fell further and became negative as the political crisis of the country kept on deteriorating. Only Morocco seems to be an exception to the general trend and has maintained a near regular moderate growth rate of 5 per cent. As regards peripheral Arab countries (Mauritania, Sudan, Somalia and Yemen), they are confronted with the threat of social decomposition (which is already

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a reality in Somalia and Sudan) which does not relate to the economic analysis.

If some changes in tendency could be explained by some major political events (the Gulf war in the case of Iraq and Jordan, the Algerian crisis, the blockade of Libya), the general trend in the case of Mashrek countries was to a large extent related to oil revenue of the Gulf countries (and Libya) which was partly redistributed through the flow of public capital funds and the transfer of migrant labour force (Egyptian, Syrian and Palestinian/Jordanian). The effect of oil production was less felt in Morocco and Tunisia. The gradual drop in growth of the latter country revealed the rapid collapse of the industrialization model based on subleasing for export which was adopted by its authorities but was hitherto not much felt in the case of Morocco.

Faced with these facts, the liberal ideological approach which is presently cherished can hardly stand. The options which favour triumphant liberalism 'opening markets' (*Infitah* in Arabic) to foreign capital, privatizations, the reorganization of public finance and currency devaluation within the framework of programmes referred to as structural adjustment did not whip up growth. These policies rather made the conditions more difficult, let alone the catastrophic political and social consequences of the so-called liberal options.

On the whole, the growth rates recorded during the preceding period, that of the emergence of nationalist movements (Nasserism, Baasism, Boumedianism) were higher and sometimes even by far. If the Arab countries concerned had recorded relatively favourable growth rates at the early stage of neo-liberalism before declining or collapsing, this should be essentially explained by the oil revenue of the 1973-1984 period as already mentioned.

All Arab countries seem to be suffering from a common defect: the low level of efficiency of their investments. For, while growth rates remained low and catastrophic, the investment efforts made were rather considerable and sometimes even exceptional, precisely as a result of the oil stock. Investment/GDP ratio always stood between 24 and 28 per cent and even attained 39 per cent in the case of Algeria. It passed the ceiling of 30 per cent almost everywhere during the years of oil boom. It thus consisted of high rates which were sometimes similar to those of buoyant economies of east and south east Asia. However, their level of efficiency is surprisingly low as shown by the marginal capital ratio of about 12 for the Maghreb countries and 5 for the Mashrek countries (compared with the average rate of 2 to 4 for the Asian countries.) Furthermore, given the collapse in growth rate while investment effort was maintained, these ratios rose to unexpected levels: 26 for Maghreb countries and 9 for Mashrek countries for the five-year period of 1985-1989. Again, liberalism did not generate a more judicious and effective investments option as it claims. As capital ratios of the period prior to nationalist emergence were less negative (4 and 8 compared to 5 and 12), it can be concluded that liberalism leads to the waste of the limited resources even more than nationalism. However, there is nothing surprising about this context: increasing inequality in the sharing of revenue and the deterioration of social services associated with liberalism again proved that they had negative economic effects even though they do not immediately and always end up in a catastrophic social crisis as in Algeria.

The examination of sources and forms of financing an economy — its growth or deficits associated with its stagnation — makes it possible to better understand the waste mechanism.

The net external assistance made up of loans and donations in the form of foreign aid, the transfer of migrant labour force and direct foreign investments excluding debt servicing, accumulation of monetary and currency reserves as well as capital outflows have always been crucial for the Arab countries concerned, which constitutes on the average for the twenty-year period (1970-1990) 16 per cent of the GDP for the Mashrek countries (about two thirds of their investments) and 5 per cent for the Maghreb countries. This average is however insignificant as will be illustrated later.

The three Mashrek countries in question (Egypt, Syria and Jordan) have common experience in this context: they benefited considerably from oil revenue (in the form of public loans and the contribution of migrant workers), with the total of the net external investment being 20 per cent of their GDP during the oil boom decade. During the said period, Iraq received sums of money which were not exactly known but certainly much higher in volume and percentage of the GDP. However, this investment was used in covering the costs of the first Gulf war more than supporting the growth of the economy. In the Maghreb however, the situation was not the same, given that Algeria had for a long time lent capital to other countries as a result of its oil resources before exporting capital to service its debts. Tunisia and Morocco benefited more from external investments which constituted 12 per cent of their GDP (or about 50 per cent of their investments). Nevertheless, this investment is to a large extent supported by funds accruing from migrant workers in Europe who are thus not affected by the fluctuations of oil revenue.

On the whole, if the net investment is defined in terms which do not include fund transfers of migrant workers as the balance of public and private capital investments after deducting servicing profit transfers and capital outflow, it can be observed that the situation of the Arab countries concerned gradually deteriorated during the two decades of 1970 and 1980. For the Mashrek countries the capital balance which stood at 6 per cent of the GDP during the 1970s certainly became negative from the second half of the 1980s, when the investment from oil producing countries decreased at the same time as debt servicing took dramatic turns. Tunisia and Morocco experienced a similar trend which consisted of lesser external investment (about 3 per cent of their GDP) in the years of oil boom from which these countries benefited less. The change was even more dramatic in the case of Algeria, given that this country which in the past was providing assistance to other countries is today crumbling under the weight of external debt servicing.

Again the promises of liberal approach which affirms that open markets facilitate the flows of foreign capital needs for financing investments have proved to be false. The inflow of foreign capital has remained less than moderate if not insignificant. Direct foreign investments come up to millions of dollars while debt service stands in billions of dollars. The external aid from Western countries announced on roof tops has not materialized, with the exception of American military loans subjected to onerous conditions. Public aid has remained essentially intra-Arab and thus subject to oil revenue. On the contrary, liberalism has favoured, in a record time, the accumulation of heavy external debts of 8 billion US dollars for Tunisia, 9 billion US dollars for Jordan, US $17 billion dollars for Syria, US $ 21 billion dollars for Morocco, US $28 billion dollars for Algeria and US $41 billion dollars for Egypt (1991 figures). This debt, which ranged between 70 per cent of exports of Algeria and 155 per cent of exports of Egypt in 1970 varied in 1985, ranging between 130 per cent for Algeria and 400 per cent for Morocco. The investment strategies used by the nationalist regimes at the stage prior to their boom had never led to such a heavy external debt.

The deterioration of the conditions for financing the economy is even more substantial considering the huge capital outflows which liberalism made possible. Whereas, on the average, these capital outflows represented for the fifteen year period (1970-1985) 1.4 per cent of GDP for Morocco, 0.6 per cent for Tunisia, 2.4 per cent for Algeria, 3.2 per cent for Jordan and 5.1 per cent for Syria, these very percentages increased over five years (1985-1989) and attained respectively 2.5 per cent, 1.4 per cent, 2.7 per cent, 4.9 per cent and 6.3 per cent. It was only in the case of Egypt that the percentage of capital outflows seemed to be stable and stood around a catastrophic 9 per cent of the GDP (one third of investments!).

The economic balance (in stagnation) is thus more and more achieved through fragile and non-developing income accruing from tourism and the fund transfers of migrant workers. The latter already constituted an old data for Maghreb countries with the migration of their citizens to Europe dating back to the decades of the general boom after the second world war. Presently, they represent, on the average, for the 1985-1989 five year period: 8.3 per cent of GDP for Morocco, 4.9 per cent for Tunisia and 1.4 per cent for Algeria (as compared to 4.4 per cent during the 1970-1974 period, with the collapse of the system of funds transfer resulting from the Algerian political crisis). Migrations from Mashrek countries were, on the other hand, very limited (almost exclusively directed towards the Gulf countries) until the oil boom. The revenue accruing from such fund transfers constituted at that time only 1.2 per cent of GDP for Egypt, 0.8 per cent for Syria but already 3.0 per cent for Jordan, for the 1970-1974 period. It increased beyond 10 per cent for Egypt, 3 per cent for Syria and 14 per cent for Jordan (before the second Gulf war.)

Apparently, the conclusion that can be drawn from the analysis of the economic evolution of the Arab countries over the past twenty-five years is the failure of their rapid insertion into the capitalist system. This had, in effect, been prepared though, during the phase prior to the nationalist boom, by initiating industrialization and modernization of the State based on social changes (agricultural reforms, progress in the field of education, etc.) which had reduced inequalities in the sharing of revenue and broadened the social basis of the average groups of the society, thereby ensuring the cohesion of the society and its support for the modernization of the State. The rapid intervention of the State — mostly expressed through nationalizations — comprised essential functions in the implementation of this project aimed at 'making amends' within the framework of the negotiated 'interdependence'; it constituted the unavoidable prior condition.

The project itself was indeed far from being void of internal contradictions which limited its scope and potential even more rapidly than was generally imagined at the time. In my opinion, the main reason was that the project was essentially a national bourgeois project. The methods of populist political administration of the system, the depoliticization of the popular classes which were deprived of their right of organization and initiative, the discontinuation of the debate on ideological and cultural themes (notably on matters on State-religion relationship) which, nevertheless, has outlined the split in the ranks of the right wing parties (feudal and liberal) and between the latter and the left-wing parties (Marxist and nationalist) throughout successive decades from the time of Nahda in the 19th century, as well as the lack of democratization of the society and politics constitute the historical limits of this project.

Besides, crystallized in the beginning as a national project defined within the framework of each of the Arab states (*'qutri'* in Arabic), Arab nationalism only became conscious of its unifying dimension (*'qawmi'* in Arabic) with time, even if, in the fertile crescent, the ideological origins of this affirmation dated far back. The unifying perspective (which apparently would have resolved several problems and provided a new dynamism for the continuation of development) never succeeded in becoming an overriding factor, not even in the areas of Maghreb or fertile crescent. This was due to the fact that it was founded on the non-democratic principle of a unit imposed by conquest out of a 'province base' led by a charismatic personality. In this logic, conquest-liberation was accorded legitimacy and supposed efficiency in the thesis of a pre-existing Arab state which was only waiting for its liberator to affirm its existence.

It should also be noted that this Arab national bourgeois project has been systematically fought by the dominant external forces (Western powers). The alliance entered into by the Arab national movement with the Soviet Union was not at all the cause of this hostility but rather the answer to it. The true reasons of the Western hostility related to the fear that a modernized and unified Arab State with its rich oil resources and situated to the south of Europe would become a partner to reckon with. Israel was thus mobilized as a military instrument for a permanent aggression which has played an important role in the overthrow of Arab nationalist governments.

Whatever the case may be, a new page has now been turned. The liberal approach claims that the new policies referred to as 'open door' policies have been defined to put an end to the 'bad habits' of the past and thus make possible a true (also said to be clean) development take-off. As demonstrated, it was not the case. On the contrary, such policies thwart development momentum, break the Arab world and increase rivalry in its fold finally plunging the region into a social disaster that destroys its potential and rebirth.

The re-compradorization of Arab countries which is the main objective of the strategy of the United States supported by Europe comprises various aspects: economic, political and strategic. This strategy aims at breaking up the Arab region into three distinct sub-regions subjected to logic of compradorization which are specific to them.

The rich oil producing Gulf region (Saudi Arabia, Kuwait, Qatar, Emirates and Oman) is directly placed under the military occupation of the United States and has consequently lost the possibility of undertaking an autonomous, political and financial action. It is now separated from the Arab world.

The Maghreb countries, on their part, have been abandoned to the outcome of an eventual negotiation of their relationships with Europe, given that they simply cannot in any way be admitted into the European Union. At this level, reference can only be made to projects which remain extremely vague, although, from time to time, an allusion is made to the question of the opportuneness of a 'Mediterranean project', more or less complementary to the European Union. The 5+5 proposal (the five member countries of the Maghreb union: Mauritania, Morocco, Algeria, Tunisia and Libya and the five Mediterranean countries of the European Union: Portugal, Spain, France, Italy and Greece) is well known. However, it is totally void of precision on the nature of the privileged economic ties that may eventually be considered and their compatibility with the treaty of the European Union, etc. It therefore simply consists of a suspended proposal, since, besides, several questions relating to the region are far from being resolved: the future of Algeria and that of Libya which is still under the blockade imposed by the United States as well as the issue of western Sahara.

Arab Mashrek is the target of an American /Israeli project called 'middle east project', which is presently being implemented. It consists of creating in the area a totally integrated economy involving three partners: Israel, the occupied territories with their future conceived as that of a Bantustans without sovereignty and Jordan. Lebanon, Syria and Egypt will be associated at a later date. The project aims essentially at creating an environment for the economic expansion of Israel, thus protecting Israeli export products against external competition of countries that are more competitive on the world market. It will be noted at this juncture that Israel, in this context, is an economic failure for not succeeding (any more than the Arab countries) to acquire a reasonable competitiveness for its manufactured products. As a glaring contradiction to the principles of multilateralism and open-door policy to the world market as recommended by the World Trade Organization (in line with the provisions of GATT) and the World Bank, the project is exceptional and aims at alleviating the crisis of the Israeli society.

It is also the reason why the Madrid and Oslo agreements concerning the future of the occupied territories and Israeli-Arab peace are interpreted unilaterally in contradiction with the United Nations resolutions on the Palestinian State and the right for the refugees to return to their homelands, whereas the principles had been reiterated in the above-mentioned agreements. The policies initiated at this level only seek to consolidate the status of Bantustan systematically established in the occupied territories by the military authorities who have set themselves the task of destroying productive activities in these territories (by depriving their agriculture of access to hydraulic resources, seizing lands, destroying villages, subjecting the economic activities to heavy taxes in the interest of Israeli treasury, physically destroying transportation infrastructure and social services, etc.). By these methods, the occupying authorities have obliged the active Arab population to become, in heavy numbers, daily migrant workers providing the Israeli economy with cheap labour. At the political level, the project does not conceive of the recognition of a sovereign Palestinian State which will be in full control of its customs, tax and currency policies. It does not recognize either the right of Palestinian refugees to return to their homeland, although this has been reiterated in the United Nations resolutions.

Whatever impression it inspires, this project remains fragile, judging by the fact that the struggle of the Palestinian people will be pursued as long as their legitimate rights are not recognized. Besides, the project marginalizes even more the role of Egypt in the area and in the Arab world and it cannot be ascertained that the Egyptian government will accept it indefinitely. The opinion expressed by the media stating that this 'peace' (in its present form) should lead to an era of prosperity is totally misleading and popularity-seeking. If this project is eventually imposed, it will end up in the draw-back of economic activity in the Arab countries concerned. It will further entrench them in the 'fourth world' situation. The illusions generated cannot stand the test of time.

The American project for the Arab world does not, besides, answer such important questions as the future of Iraq, subjected to the destructive erosion of the blockade imposed by Washington from which Europe dares not dissociate itself or the issue of the role of Turkey and Iran in the area. It does not concern either the Arab 'fourth world' (Mauritania, Sudan, Somalia and Yemen) presently totally marginalized.

All projects proposed under the umbrella of liberalism never aimed at uplifting the Arab world from its declining situation. As seen elsewhere, it rather consists of short-sighted policies for the management of the crisis and nothing more. The projects do not aim at establishing a new stable world order that goes beyond the crisis. Furthermore, the prosperity of the boom years of oil revenue (1973-1984) was built on the illusion of consumption without ensuring that the productive basis be reinforced to this end. Surely, this illusion was at the core of major political functions which consisted of according a seeming legitimacy to '*infitah*' and rallying substantial opinions around it. However, as was to be expected, the illusion did not last. With renewed offensive, the United States has imposed its will by drastically reducing oil revenue, subjected the Gulf States to a status of protectorates militarily occupied, placed an embargo on their fortune invested in financial markets and imposed a devastating blockade on Libya. The economic decline that these policies geared at managing the crisis have brought upon the entire Arab world has turned the latter into a candidate for the 'fourth world', which implies being marginalized in the world system together with sub-Sahara African and Asian countries (Iran, Afghanistan, Pakistan and Bangladesh.)

Final Remarks

For an assessment that transcends these general observations concerning the entire Arab world, it is necessary to examine more closely how the economic mechanisms specific to the global system and to the local sub-systems, the internal government logics and those of social struggles as well as external interventions have functioned. This set of works produced by Third World Forum in Dakar concerning Tunisia and the entire Maghreb world, Egypt, Sudan, the Levant countries (Syria, Lebanon, Palestine and Jordan) as well as the Gulf countries which we are hereby presenting constitutes a clear illustration of what can be derived from this method of analysis.

The data utilized in this text have been borrowed from World Bank documents (for lack of more reliable reference), notably from Ishac Diwan and Lyn Squire report entitled 'Economic Development and Cooperation in the Middle East and North Africa' (November 1993). All these data give a positive picture of the situation, with over-estimated figures on the economic growth to justify the prevailing policies. In spite of this systematic misrepresentation, the image that they give to those who are enlightened is what we have summarized in these few pages: the image of a disaster.

Concerning the thesis on the 'short-sighted management of the crisis', I refer you to my latest book *Capitalist Management of the Crisis*, Paris, Harmattan, 1995.

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