

# Middle East Institute conference targets 'economic nationalism'

by Our Special Correspondent

The imposition of International Monetary Fund (IMF) stabilization and structural adjustment programs in the 1980s was the first opening in imposing economic "liberalism" and privatization in the Middle East. As a result, the economic nationalism that had previously characterized the region is ending. So said Prof. Karen Pfeifer in her address to the 46th annual conference of the Washington-based Middle East Institute on Oct. 16-17. Liberalism and privatization means making the region into a cheap labor pool for Anglo-American/French contractors, World Bank Middle East regional director Ciao Koch-Weser indicated. Because these policies are still resisted, the promotion of separatist movements like the Kurds, and the pitting of Islamicists against secularists and workers against industrialists, were among those techniques recommended to realize their success.

The Middle East Institute is a de facto arm of the New York Council on Foreign Relations and functions as the U.S. establishment's mouthpiece for Middle East policy. The 200-member audience was largely drawn from former or active-duty State Department, CIA, and Pentagon officers, as well as representatives of affiliated university departments and think-tanks. While the institute apparently receives a substantial amount of its funds from the (British-run) Sultanate of Oman, and is largely run by State Department "Arabists," it does not shy away from retailing Israeli propaganda lines. The Anti-Defamation League of B'nai B'rith, and the Washington Institute for Near East Policy, an arm of the American-Israeli Public Affairs Committee, were two of the 10 organizations which maintained official book tables at the event.

Panel sessions of the conference analyzed the Middle East peace talks; the new Central Asian states; Kurdish insurgency; Islam and politics; and the politics of economic policy. It was in the latter panel that the conference speakers made their imperial policy most clear.

## The enemies: Ataturk, Nasser, Boumedienne

Karen Pfeifer, a professor of economics at Smith College and an editor with the Mideast Research and Information Project (MERIP), spoke on the best way to impose privatization and IMF structural adjustment programs on the Middle East. Introducing herself as a student of Karl Polyani, the founder of so-called economic anthropology, Pfeifer noted

that to understand an economy requires understanding the social contract and the culture underlying it. To change an economy also requires changing a culture and institutions associated with it.

The region, she reported, has been characterized by three sequential cultures and associated economies. The first culture was that of unimpeded European imperial influence. The second culture was that of economic nationalism, now coming to an end, when European influence was restricted. The third culture is that characterized by liberalism and privatization, introduced into the region by the IMF.

Unimpeded European influence began to decline in the early 20th century, she said. Its successor, economic nationalism, best characterized modern Turkey, Egypt, and Algeria. Modern Turkey was formed by Mustafa Kemal Ataturk in the 1920s, when he threw out the Europeans and formed an industrial state. The 1952 revolution in Egypt overthrew the old ruling dynasty of King Farouk; the pan-Arabist Gamal Nasser came into power. Algeria came into being in 1962 with the successful completion of the Algerian war against French colonialism—Houari Boumedienne became head of state.

What was common to the systems forged in Turkey, Egypt, and Algeria, she said, was a social contract where the population expected their standard of living to rise. In their heyday, these states emphasized building up infrastructure, health care, industrialization, basic resource development, and central planning. This was the type of Third World thinking which would lead every state to assume that it had to have its own steel industry.

Pfeifer noted that as impressive as the developments have been in each of these three states, the social contract failed, and, consequently, the system failed. By the late 1960s, Egypt was in trouble; Turkey was hit hard in the late 1970s, as was Algeria.

The major reason each one of these states failed, and others that imitated them, is that they remained import-dependent, especially because they had to import advanced technology to meet their ambitious development objectives. By depending on fluctuating world markets for export earnings to finance these imports, these states were thrust into a crisis, especially because they had to borrow from interna-

tional financial institutions to sustain their development.

All this led to use of IMF standby credits, and the imposition of stabilization programs and structural adjustment programs. By accepting such an external intervention, these states were forced to open up their societies to western efforts to impose liberalism and privatization. By imposing a tighter monetary policy, and a policy of domestic recession, and by devaluing their currencies, these states set themselves up for political eruptions. The social contract based on an advancing standard of living failed, she proclaimed.

Now, she said, we are on the threshold of a new culture of liberalism. The old regimes, even the nationalistic ones, are inclined toward creating democratic forms as a way of venting the resentment of the population, and because it is demanded by the West. Privatization is required to secure World Bank loans. There is a move toward a market economy.

However, she noted, especially in the case of Turkey, but also Egypt and Algeria, there are problems caused by nationalists attempting to frustrate this advance. Denouncing Turkey, especially, Pfeifer complained that state selloffs of industry are done in such a way that industry remains concentrated in the hands of giant, if private, industrial concerns. Privatization has little advantage to those in the West who foster democracy, if industry is not decentralized. Consequently, she argued, the most important task of those who want to see true privatization is to ensure that the rights of labor are respected. That is, labor must have the right to organize, to ensure that health standards are met, and to purchase shares in industry.

Class war in the Middle East, in other words, is on the agenda of those who desire the liberal form of what Pfeifer terms unimpeded European imperial influence.

### **NAFTA is the model**

In this post-Cold War, post-Persian Gulf war world, the ongoing peace talks with Israel provide a unique opportunity to pursue economic and social progress in the Middle East. Such was the view of Ciao Koch-Weser, World Bank vice president in charge of the Middle East and North Africa. Consequently, he argued, such progress must be put firmly on the global agenda. Some sense of what Koch-Weser means by progress is indicated by his citing of IMF-ravaged South America, now set to become a vast slave-labor pool through the North American Free Trade Agreement (NAFTA), as a model success story. He noted that such countries as Egypt, Jordan, and Yemen have a relatively large, low-paid work force.

Throughout the region, especially since the Persian Gulf war, Koch-Weser said, there are clear signs of a rethinking of the economic paradigm to conform with the policies of the IMF. Egypt has initiated reforms; Jordan is embarking on liberalization; Iran also has an ambitious economic reform package, he said. The Middle East peace process can only

accelerate these reforms since, as the goal of strategic self-sufficiency fades away, Arab governments will become more willing to integrate their economies with global markets and, of course, to cooperate with their neighbor Israel. This, he said, represents an enormous window of opportunity. A key feature of such regional cooperation is allowing for labor mobility, such that abundant cheap labor—for example, in Egypt and Jordan—can be wedded with abundant capital—for example, in Saudi Arabia and Israel.

The challenges to the World Bank and its patrons in implementing such a policy include the stubborn insistence of states in the region, as in South America, on devoting a significant percentage of their Gross National Product to military expenditures, Koch-Weser said. But the peace process can allow for a change in this respect. Additionally, in a large number of states, the economy is dominated by state or para-state industries. Moreover, there is the additional supposed problem of high population growth, for example in Iraq, the Occupied Territories, Jordan, Yemen, and Iran. Demilitarization, privatization, and population reduction, however, linked to the peace talks, provide the context for growth, Koch-Weser said. Otherwise, what he termed economic stagnation will continue.

### **Sectarian, ethnic warfare**

Since the developments welcomed by these speakers cannot be expected to be imposed on the region without some resistance, Anglo-American policy circles must continue to push the region in the desired direction through traditional forms of ethnic and sectarian insurgencies. The use of such insurgencies in destroying the entire region was recently the topic of an article by Prof. Bernard Lewis in the New York Council on Foreign Affairs magazine *Foreign Policy*. Lewis was the British intelligence case officer for the policy of overthrowing the Shah of Iran in order to install Ayatollah Khomeini into power, and is currently associated with the policy of transforming Turkey into a parody of the Ottoman Empire. Such policies are intended to foster social disturbances, wars, and chaos to better divide and rule.

Although Lewis did not address the conference, the thinking he represents was presented in panel sessions dealing with Kurdish nationalism, and Islam and politics. To emphasize the importance of the Kurdish card in manipulating the region, much emphasis was placed on a new "Kurdish handbook" just produced by the CIA-linked publishing house of Crane Russak, which was the hottest item on sale at the conference. A map in that book highlighted the Anglo-American-supported Kurdish claim to a "Kurdistan" at the Treaty of Versailles concluding World War I, incorporating 30% of present-day Turkey. One speaker, Prof. Burhan Elturhan, whose sympathies lie with the terrorist Kurdish Workers Party (PKK), said that the paranoia of the Turkish establishment is indicated by their apparent view that the rise of Kurdish nationalism is externally sponsored.