

The International Monetary Fund puts Algeria up against the wall

by Muriel Mirak-Weissbach

To understand the drama being played in Algeria, imagine the scene of a thief breaking into a house, armed, who demands of the head of the family all his belongings. The man, a gun pointed at his temple, stutters that he cannot comply with the demand. Why? Because of his wife, standing behind him, also armed with a gun. The thief, making short work of the excuse, says point blank: "No problem, turn around and shoot her." Behind the woman, is the extended family, ready to act.

What should the man do?

That is the dilemma the current government in Algeria finds itself in, caught between the impossible demands being made on it by the International Monetary Fund (IMF) and the consequences, should it fulfill them, for a population which has found its political voice in the Islamist movement, led by the Islamic Salvation Front (FIS).

Algeria, once a relatively prosperous nation in the process of industrializing, has been suffering under the burden of a \$26 billion foreign debt. Servicing this debt absorbs about 80% of the country's foreign exchange earnings, roughly equal to its entire earnings from gas and oil, or \$9.5 billion a year. Furthermore, Algeria requires \$10 billion a year for imports. About \$3 billion is available in credits from France, but the remaining \$7 billion has to be found in credits which are not there. In an attempt to bridge the chronic gap, the government of Prime Minister Redha Malek has been talking to the IMF over the past few months, about possible multilateral refinancing.

Although the IMF is open to rescheduling, and to offering a \$1 billion loan, many of the creditor nations are not. According to a *Financial Times* report in December, Japan, for instance, which has \$4.5 billion in Algeria's long- and medium-term debt, made known that it would stop all credit flows and trade agreements if a multilateral rescheduling arrangement were made. Most of the debt Japan holds is not state guaranteed. A break with Japan would mean not only drying up credits, but also endangering liquid gas and condensate plants being built in Algeria by Japanese companies. France, whose loans to Algeria are a bit larger, has guarantees from its credit agency, and favors some sort of rescheduling. The other major creditor is Italy, which refinanced its \$2.7 billion loan between 1989 and 1991.

What the IMF is demanding as conditions for a little liquidity with which to survive a few months, is deadly. According to the French daily *Le Figaro* of Jan. 4, the Fund has ordered a 50% devaluation of the Algerian currency, an across-the-board subsidy cut, liberalization of trade, "real" interests rates estimated at 33%, and a balanced budget. Since there is a state monopoly on foreign trade, and major industry as well as the service sector are in public hands, this program would wipe out the state's share in industry, with obvious political repercussions among those enjoying employment and economic advantages there. The *Wall Street Journal* proposed on New Year's Eve, that the public sector be simply dismantled, and that shares be given "to the citizens, who would then be free to either hold onto them or sell them in the secondary market." The paper proposed a "debt-equity conversion in order to encourage foreign direct investment," considering that "Algerian debt trades at a significant discount in the secondary market." Finally, it said, if total privatization were not acceptable, deregulation should at least be introduced to enhance private sector competitiveness. The IMF package, concluded the *Wall Street Journal*, is the *sine qua non* of any solution.

On the social level, the IMF recipe would add another 1 million to the unemployment rolls, which already stand at 1.5 million. Only 3.5 million people out of a population of 26 million are employed. Among youth, who make up 70% of the population, unemployment stands at 30-40%. *Le Figaro* has calculated that if the active-labor force were further reduced by a million, ten citizens would be dependent on the salary of one employed person.

Options confronting the government

The question banking circles have been scratching their heads over is, what kind of government could possibly implement such a shock therapy program? There are basically three options being floated. One is a Pinochet solution, a military dictatorship which calls itself that, and which makes known its intention to eliminate any and all opposition by whatever means. This would lead sooner or later to civil war, of uncertain outcome.

The second option involves a coalition government with some Islamist forces of the opposition, a kind of Allende

approach; the intent would be to force the opposition to shoulder the responsibility and blame for the social fallout from the IMF "reforms." This would break down in short order, and pave the way for civil war.

The third option is a Khomeini-style Islamist seizure of power, which, according to a scenario outlined by the French daily *Libération* on Dec. 20, would ensue if the powerful military were to side with the Islamists, or be divested of power through an insurrection. This scenario would trigger an exodus of foreigners, including vitally needed technicians, not to mention the political reverberations throughout other states in North Africa in a similar financial and social bind.

There is a fourth option, which has not been discussed thus far in public: a government of national unity. *Libération* mentions the idea of a unity government, following electoral reforms which would prevent any party from ruling alone; but the French newspaper proposes that such a coalition be directed to fulfill the IMF conditionalities.

The only hope for Algeria lies in a government of national unity which respects national self-interests and safeguards its sovereignty. This means that it must be founded on a commitment to liberate the country from the stranglehold of the IMF and rebuild the national economy. To understand whether such an option is viable, it is necessary to review the current political and military status of the country.

An undeclared civil war

Algeria is already in a state of undeclared civil war, a fact which has not been acknowledged by the IMF, but which is preoccupying responsible leaders within the French establishment as well as German Chancellor Helmut Kohl. Largely due to the economic breakdown and social discontent created by the IMF prescriptions, the Islamist opposition party FIS asserted itself at the polls as the major party. In 1990, in the municipal election, it garnered 45.6%, and in the legislative elections the following year, it received over 3 million of the 5 million votes cast in the first round. At that point the government cancelled the second round, and since then, has tried to rule with an iron hand. The FIS was outlawed, and social protest was rapidly followed by the outbreak of terrorism, organized by the Armed Islamic Movement and the Armed Islamic Group. According to a Dec. 27 profile by ABC News correspondent John K. Cooley in the *International Herald Tribune*, the vanguard of the terrorists is made up of "the Arab and other Muslim veterans of the 1980-1990 *jihād*, or holy war, trained under the management of the CIA in the arts of guerrilla warfare, terrorism and sabotage to fight the Soviets in Afghanistan." An attempt to pacify the nation by bringing in Mohamed Boudiaf from exile to lead the government, ended in his assassination, attributed to the Islamists but reported to have been organized by a hostile faction within the ruling elite.

Throughout the past two years, the political strength of

the FIS has grown, instead of waning. In addition to the flocks of unemployed youth, there are increasing numbers of middle-class citizens, of all professions, who sympathize with the opposition. Thus, it is difficult, if not impossible, to imagine a solution to the crisis without taking the FIS into account.

Sectors of the government have at various times indicated willingness to negotiate with the FIS, most recently in December, but the conditions posed by both sides preclude agreement. In late January, a government committee will convoke a national conference of electoral parties, but, having excluded the FIS, it has been unable to guarantee the participation of other opposition parties, such as the Socialist Forces Front (FFS) of Ait Ahmed and the former ruling party, the National Liberation Front (FLN). Both have made known that "without the FIS, this meeting would be ridiculous," according to *Le Figaro*. The same paper reported that the Movement for Democracy in Algeria (MDA) of Ahmed Ben Bella shares the same view: "We will not go to the national conference if the FIS does not go, for that would be useless." Spokesmen of the FLN have characterized the meeting and its sponsors as illegitimate, and have called for elections immediately.

In an interview with *EIR*, Rabah Kebir, the leader of the FIS abroad, expressed his party's opposition to the IMF and indicated his willingness to enter into negotiations with other Algerian forces. During a Dec. 17 press conference in Bonn, Kebir had posed as one of the FIS conditions for talks, the establishment of a "free and independent" committee of Algerians representing the political, religious, and judicial layers of the country. He also condemned the brutal murders of foreigners, saying the FIS "was not behind such calls for murder." He stated in his interview that the anarchy was out of the control of the FIS. Clearly, any serious steps taken by the FIS to assume responsibility for overcoming the crisis must include measures to stop the violence.

Most importantly, Kebir alluded to "wise men" within the regime who, it is assumed, recognize the need to deal with the opposition in a manner conducive to stopping civil war and reestablishing national sovereignty. According to the measures introduced after the annulled elections, the High Committee of State has until the end of January to find a solution. It is to be hoped that such "wise men" will demonstrate the ability to articulate a solution respecting the sovereign interests of the nation. This means coming to terms with the economic causes behind the crisis, and with the IMF's role. It means finding the courage to buck the IMF, as the Nigerian government has begun to do.

The man being held up in his own home, with militant wife and family, must use the force of reason to disarm the thief and show him to the door, so that he may set about the most urgent task of making peace in the family, and providing a life outside of crime for his brethren. His future depends on it.