

International Economic Law

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Introduction

In general, international economic law (IEL) is concerned with the governance of international economic relations between states as they affect individuals in a state, including in particular their relations inter se across national boundaries. As such, the principal preoccupations of IEL involve international trade, international investment, international monetary and financial law, and international development law. A traditional drive for this normative framework has been the facilitation of the optimal allocation and use of national and international resources for the development of all the people of the world. Defining IEL is a complex process involving a bundle of questions that need to be understood at the outset before any firm definition is articulated. The process involves first and foremost the “is” question: What is IEL? This question involves a consideration of the legal sources of IEL, the subject matter that is the object of IEL disciplines, and the subjects that are subject to IEL. Second, the process involves the “ought” question: How should IEL be redefined? This can be in terms of its sources, its subjects, and subject matter, even in terms of its very objectives. Third, the process involves refocusing from a global perspective to a closer, microlevel scrutiny of the subject. At this level, the questions focus on defining the sets of regimes that make up the international economic system and configuring them in relation to each other and the international economic system as a whole, including the system of IEL in the wider international order. Fourth, another subtext of the process of defining IEL involves inquiring into how international economic governance should be allocated among the state, region, and multilateral levels. Finally, the process of defining IEL is a dynamic process and involves a constant appraisal of whether international economic relations are developing in such a manner that corresponding adjustments to the definition of IEL are called for. The process of defining IEL in this manner elevates the question from a mere academic discourse to one of the most profound inquiries in international economic relations, one that is highly relevant to informing our responses to contemporary international economic problems and that is ubiquitous in all manner of national, regional, and multilateral economic governance. The approach to IEL herein is from the perspective of public international law, with a focus on the traditional preoccupations with world trade,

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money and finance, investment and taxation, and international development law.

Axis One: Definition of International Economic Law

The content of international economic law includes all the legal principles and rules applicable to international economic relations, which govern the establishment and movement of production elements, including persons, capital, goods, services, money and investments, as well as the exchanges that take place between the various national economic fields and the financing of these activities, in order to achieve the principles of sovereignty, cooperation, economic and social integration and the well-being of nations and peoples.¹

General features: International economic law is characterized by a number of general features that clearly distinguish it from other social and legal sciences in general, and from other branches of international law in particular. The contents of international economic law and its applications are also linked to the extent of stability International economic conditions and their changes.

requirement is the authenticity of origin: first The

: There is no doubt that international economic law is a contemporary and modern concept, but its roots lie deep in history. Archaeological discoveries have shown that the first treaty in history was concluded thousands of years ago by the Pharaoh of Egypt, Ramses II, with the Hittite King, Hattusil, in the thirteenth century BC, and it aimed to establish relations of peace, friendship and trade. A serious attempt was made in ancient times to establish a codification that included economic rules within what was called the “law of nations” that was established by the ancient Romans to regulate trade and other mutual relations with other nations. History also shows us that international economic relations have existed since the amber route was found from the Baltic Islands to

¹ American Law Institute, Restatement (Third) of the Foreign Relations Law of the United States §102(2) (1987)

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Mediterranean Basin, and the silk route was found from China via² the Syria, and then to the rest of the Arab world. Treaties of good neighborliness often included issues related to regulating trade and navigation between the contracting states. The trade agreements that linked Italian cities among themselves and also linked them with most of the European principalities and the countries of the Mediterranean basin, included many rules that approved the principle of freedom of trade without discrimination or monopoly, and also included allowing the appointment of consuls abroad to represent foreign merchants in the countries concerned, and ensuring that they were not subject to internal laws, especially those that included financial burdens, such as fees, taxes, etc. Examples of treaties that dealt with economic affairs include the trade exchange agreement concluded in 1154 AD between the English King Henry II and Cologne, and there is also Henry III's declaration of 1174 AD on the organization of financial rights and obligations resulting from shipwrecks. Like other princes of other countries, the kings of Britain in the Middle Ages realized the importance of foreign trade that brought precious metals such as gold and silver to their kingdoms, so they stipulated in their internal legislation and treaties the principle of freedom of trade, equal treatment, and non-discrimination between foreign and national merchants. With the emergence of traditional capitalist theories the³, and their control over economic life since the sixteenth century AD role of the state was limited to ensuring the minimum level of protection for foreign trade, and this did not prevent the continued plundering of the wealth of the peoples subject to colonialism. However, socialist ideas soon spread in Europe after the victory of the communist revolution in Tsarist Russia in 1917 AD, and state intervention in economic activities in many capitalist countries increased in the period between the two world wars. It is worth noting that (Article 23) of the League of Nations Covenant stipulated the necessity of granting fair treatment to the trade of member states. This article was inspired by the provisions of the third paragraph of the statement of US President Woodrow Wilson in 1918

² Although I use TRIPs as an illustration of issue linkage here, I do not mean to imply that TRIPs standing alone necessarily enhanced global welfare conventionally defined. Here, as in many other settings, one must distinguish carefully between political optima that maximize the interests of parties to negotiations, and conventional welfare optima.

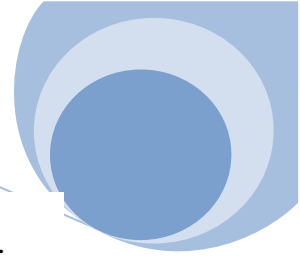
³ Axelrod, Robert (1984), *The Evolution of Cooperation* (Basic Books, New York).

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D (Wilson's Fourteen Points), which indicated the necessity of ⁴A removing economic barriers and creating fair conditions among peace-loving nations. For its part, the Charter of the United Nations in its first article and Article (55) was satisfied with stipulating the necessity of strengthening cooperation and good neighborliness in economic relations between nations. Accordingly, states and international bodies have called for the establishment of specific legal frameworks to regulate economic relations among themselves, most of which seem to emphasize the ideas of economic liberalization. The contemporary financial and monetary system emerged after the Bretton Woods Agreements of 1944, which established the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank). The General Agreement on Tariffs and Trade (GATT) assumed leadership of ⁵of 1947 the international trade system until 1995, when it was succeeded by the World Trade Organization. The New International Economic Order and the Charter of Economic Rights and Duties of States were also announced in 1974. The rules and principles of international economic law were strengthened through the conclusion of many bilateral and multilateral agreements and treaties that addressed various issues of international economic relations, such as trade exchange, settlement of international payments, investment promotion, and the movement of capital, persons, goods, and factors of production. A number of international economic blocs were also established, such as free trade zones and common markets, and specialized international economic organizations were founded, such as the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the International Atomic Energy Agency, and some regional organizations and other bodies to settle international disputes of an economic nature. Finally, contemporary economic concepts emerged, such as globalization, multinational corporations, privatization, and other foreign terms that contributed radically to the imprinting of contemporary international economic law on the doctrine of economic freedom, and its existence is no longer in doubt.

⁴ Bagwell, Kyle and Robert W. Staiger (1990), "A Theory of Managed Trade," *American Economic Review* 80: 779-95.

⁵ Bagwell, Kyle and Robert W. Staiger (1999), "An Economic Theory of GATT," *American Economic Review* 89: 215-48.



branch is the universality of goals. first The

It is clear from the definition of international economic law that it aims primarily to regulate international economic relations and establish the necessary controls that govern these relations, in accordance with the principles and rules of public international law, and what is included in the Charter of the United Nations. The list of general objectives of international economic law, which can be adapted and developed in terms of quantity and quality according to changing international circumstances, includes the following: ⁶

- (1) Contributing to maintaining international security and peace, - avoiding wars and economic conflicts, and seeking fair and effective solutions to them.
- (2) Strengthening trust and mutual dependence between countries in their economic relations, which contributes to revitalizing international trade and achieving the well-being of nations and peoples.
- (3) Eliminating all forms of discrimination and not using economic coercion to exert political pressure on and blackmail vulnerable peoples.
- (4) Establishing the foundations of international cooperation in order to - resolve major international problems and raise the standard of living and prosperity of countries and their peoples.
- (5) Liberalizing international trade in accordance with the rules of justice, equal treatment, and mutual benefit, especially with regard to developing countries.
- (6) Establishing a global monetary system that ensures stability and - consistency in international financial transactions in a manner consistent with the interests of all countries.
- (7) Achieving economic and social development in a way that ensures narrowing the gap between countries and peoples in terms of standard of living and well-being.⁷

- (8) Ensuring a balance between the interests of countries producing and - consuming energy, raw materials and food, and protecting the environment from pollution.
- (9) Coordinating the various economic policies of countries and -

⁶ Bagwell, Kyle and Robert W. Staiger (2002), *The Economics of the World Trading System* (MIT Press, Cambridge, MA).

⁷ Bagwell, Kyle, Petros C. Mavroidis and Robert W. Staiger (2003), "The Case for Auctioning Countermeasures in the WTO" (mimeo).

international organizations.

(10) Formulating fair and just foundations for settling the issue of - international debt and loans, and strengthening international financing institutions.

(11) Encouraging international investments, joint projects, and - transferring technology and knowledge.

(12) Supervising multinational companies and international monopolies, - in a way that guarantees the rights of countries and their peoples and prevents the plundering of their national wealth and resources.

Section Three: Effectiveness of sanctions:

Sanctions within the scope of international economic law have a distinctive specificity, resulting from the special nature of the rules of this law. The international economic system is not closed in on itself and composed only of sovereign states. On the contrary, it is an open system in which several persons with different legal systems coexist (states, international organizations, economic blocs, multinational companies, non-governmental organizations, and natural persons). Therefore, sanctions resulting from non-implementation cannot be left solely to the intervention of sovereign states. Sanctions in international economic law are also characterized by flexibility and speed in implementation, avoiding formalities, the relativity of effects and results, and adapting or adapting to the prevailing economic conditions, which are almost constantly changing. This ensures effectiveness rather than idealism in implementation, as is commonly known regarding respect for the rules of traditional international law. Indeed, a breach of an international obligation of an economic nature requires resorting to imposing an international sanction of an economic nature as well. The aim of resorting to such measures is not to punish those who violate the law, but rather to reintegrate them into the framework of international economic relations, in order to ensure international economic cooperation. For this reason international law currently prohibits resorting to all forms of unilateral⁸ coercive measures of an economic nature (economic blockade and boycott, restricting the activity of foreigners and unlawfully seizing or confiscating their property, etc.), which are often used by states as a tool for political pressure and blackmail. International economic law has

⁸ Bagwell, Kyle and Alan O. Sykes (2004), "Chile—Price Band System and Safeguard Measures Relating to Certain Agricultural Products," (mimeo, prepared for American Law Institute Project on Principles of World Trade Law).

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considered them as tools that hinder its development and conflict with its objectives. This law also does not miss any opportunity to restructure the traditional means of settling disputes, as stipulated in international law, such as negotiations, mediation, good offices, conciliation, adjudication and arbitration, in order to adapt them to the specificity of international economic relations, while at the same time creating its own mechanism for settling international economic disputes and the sanctions emanating from them. Therefore, it is rare for such disputes to be submitted to the International Court of Justice, which usually requires lengthy and complex procedures, in addition to the fact that only States have the right to appear before its jurisdiction, without the rest of the subjects of international law. It is worth noting that other subjects of international economic law also play a decisive role in influencing international especially international⁹ economic relations, just like States organizations and multinational corporations. For this reason, they also prefer to resort to arbitration as an ideal means of settling commercial disputes or disputes related to international investments, in which public interests intermingle with private individual interests. In any case, the sanctions resulting from failure to implement and respect the rules of international economic law range from deprivation of the right to vote for failure to fulfill certain financial obligations, to stopping the representation of the member state in the organization or not participating in its work, or depriving it of benefiting from the organization's assistance and services (Article 19 of the Charter of the United Nations, and Article 5 of the Bretton Woods Agreement of 1944, which constitutes the Statute of the International Monetary Fund). Sometimes this may reach the point of imposing specific economic sanctions. The idea of resorting to the application of such procedures may achieve multiple benefits in terms of respecting international economic rules, as they aim to ensure the legal and material stability of the applicable text, and their approval requires the agreement of political will and the availability of the necessary force to achieve their effectiveness. Therefore, their approval and application are resorted to only rarely and exceptionally, due to the spirit of tolerance that usually prevails in international economic relations.

⁹ Baird, Douglas G., Robert H. Gertner and Randal C. Picker (1994), *Game Theory and the Law* (Harvard Press, Cambridge, MA).

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requirement: Legal nature second The:

Regardless of the ongoing jurisprudential debate about the use of synonymous, similar or divergent expressions, such as the term international economic law, international economic law, law of international economic relations, or international economic law, no one currently disputes, despite this practically futile debate, the existence of a specialized and independent branch within the general framework of international law, namely international economic law, i.e. the expression currently common in academic and jurisprudential circles.¹⁰

relationship with public international law The first section: The:

The link between international law, public and economic, is due to the existence of independent states themselves, as political, geographical and cultural borders constitute a real obstacle to the development of international economic relations. However, the clear difference between them is that the rules of public international law are primarily protective in nature and are entirely based on the idea of ensuring the independence and sovereignty of states and non- interference in their internal affairs. Whereas international economic law is of a comprehensive nature and is based on the idea of achieving the economic and social welfare of the international community, regardless of the obstacles that must be removed and the spirit of cooperation and economic integration between states must be deepened. This transcendence of borders, or what is called in its ideal form: globalization, is practically embodied in legal liberalization at the level of international economic exchanges and the encouragement of private foreign investment, which contributes to the development of the rules of international trade and sustainable development. In terms of the result, it is very difficult to say that there is an international economic law completely independent of international law, as they are linked by a relationship similar to that between a son and a father, and each depends on the other, supports, nourishes and is nourished by the other. In international economic law, the matter does not go beyond containing and organizing the traditional rules of public international law that are affected by the economic factor. International agreements on economic, financial and commercial cooperation are in

¹⁰ Battigalli, Pierpaolo and Giovanni Maggi (2003), "International Agreements on Product Standards: An Incomplete Contracting Theory" (mimeo).

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fact part of international economic law, and can only be considered a special application of those principles recognized within the folds of In light of this result, it can be said that there “¹¹ :public international law are certain rules - within the framework of the general rules of international law - that are distinguished by some characteristics related to the composition, content and application, due to their connection to the economic factor, and they take from the methods of this law what is consistent with the need to adapt to the prevailing economic conditions.”

The relationship with national legislation of Two Section countries :

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Jurists have differed in adapting the relationship between international law, including international economic law, and the domestic law of the state. The subject of this traditional debate can be summarized in that one group of them believes that international law enjoys an independent system in itself and is separate from domestic law, while the other group believes that both laws constitute an indivisible unit and are united by one system. However, it seems that the current prevailing trend in international relations is represented by the necessity for states to respect their international obligations, especially by incorporating the rules of international economic law within the scope of the domestic legislation of states, whether in advance and generally, as in (Article 25) of the German Constitution of 1949, which stipulates that “the general rules of international law are considered part of federal law,” or in a subsequent manner when the majority of states adopt national laws and decrees that include ratification of international agreements and charters, so that their in addition to their international ¹² ,texts enjoy the force of domestic laws character. International economic law is also concerned with unifying the rules of national laws that can be applied at the international level, and thus creating a kind of legal balance between them. The tremendous and rapid developments that contemporary international economic relations are still witnessing in terms of liberalizing financial and monetary trade exchanges have proven the existence of cases of overlap between different economic legal systems that are obligated to coexist, although

¹¹ Bayard, Thomas O. and Kimberley Ann Elliott (1994), *Reciprocity and Retaliation in U.S. Trade Policy* (Institute for International Economics, Washington).

¹² Been, Vicki and Joel C. Beauvais (2003), “The Global Fifth Amendment? NAFTA’s Investment Protections and the Misguided Quest for an International ‘Regulatory Takings’ Doctrine,” *New York University Law Review* 78: 30-143.

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they usually do not agree with each other due to the difference in the ideological foundations on which they are based. This may lead to the outbreak of a number of economic legal disputes between countries, and the emergence of cases of conflict of national laws between sovereign states on the one hand, and natural or legal individuals on the other hand. Therefore, international economic law must sometimes address the rules of private international law related to various national economic issues, which may have effects extending from the national level to the international level. On the one hand, international economic law converges with private international law in that they address common topics, such as the economic legal status of foreigners and their investments, multinational companies, international contracts, and commercial arbitration. But on the other hand, international economic law aims primarily to create objective, independent and unified rules governing the settlement of disputes arising from an international economic relationship. This is what distinguishes it from the rules of private international law, which is primarily concerned with the area of conflict of laws, i.e. determining the applicable national law.

Section Two: Sources of International Economic Law

¹³Article 38 of the Statute of the International Court of Justice defines the primary sources of public international law as international agreements, customs and general principles of law. The alternative sources are court decisions and jurisprudential interpretations, in addition to the principles of justice and fairness. However, international economic law is not served by these traditional sources alone, which are unable to provide sufficient contribution in this regard. Here comes the importance of the newly developed sources within the framework of international economic law, such as the decisions of international organizations and conferences, the unilateral actions of states that have a decisive influence in regulating international economic relations, and international contracts that still play an important role in the scope of economic development and the development of international investments, although they are sources of private law.

section first: Traditional sources :

¹³ Bhagwati, Jagdish and Arvind Panagariya (1996), Preferential Trading Areas and Multilateralism—Strangers, Friends or Foes?”, in Jagdish Bhagwati and Arvind Panagariya (eds.), The Economics of Preferential Trade Agreements (American Enterprise Institute, Washington)

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They are the original and supplementary sources of public international law, which were defined by (Article 38) of the Statute of the International Court of Justice as follows:

General and special international agreements, which establish rules - explicitly recognized by the disputing states.

International customs recognized as law indicated by frequent use -.

General principles of law approved by civilized nations -.

Court rulings and the doctrines of great authors -.

Principles of justice and fairness when the parties have explicitly agreed - to them.

International Agreements Two Section :

: International treaties and agreements have contributed to the formation and development of the rules of international economic law, and have even strengthened many of the principles and customs of this law. At the top of these agreements is the Charter of the United Nations, which states in (Article 55) the following: “With a view to creating conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote the following:

A - Achieving a higher standard of living, providing the means for continuous employment for every individual, and promoting the factors of economic and social development and progress.¹⁴

B - Facilitating solutions to international economic, social, health and related problems, and enhancing international cooperation in matters of culture and education.

C - To promote universal respect for human rights and fundamental freedoms for all without distinction as to race, sex, language or religion.” The international covenants on political, civil, economic, social and cultural rights, adopted by the United Nations General Assembly on stipulated a number of rules and principles applicable to ,1966/12/16 international economic relations, especially with regard to respect for human rights to work, decent living, education, culture, health, a healthy

¹⁴ Blume, Lawrence & Daniel L. Rubinfeld (1984), “Compensation for Takings: An Economic Analysis,” California Law Review 72: 569-628.

environment and development. These contractual rights, which confirm binding international norms, were previously codified in the Universal Declaration of Human Rights, issued by the United Nations General Assembly in 1948. There are currently many international economic treaties and agreements, which are distinguished by their diversity and multiple forms, as they address topics with multiple directions and contents. There are agreements on economic cooperation, mutual assistance, friendship, trade exchange, regulation of customs tariffs, the establishment of international economic organizations and blocs, agreements regulating international trade in certain goods, or those aimed at avoiding double taxation, payment and barter agreements, and other agreement texts.¹⁵

:Section Three: International Customs

At the international level, there are customs of an economic and commercial nature, somewhat similar to those that are dealt with within the scope of a single state. Of course, there are fundamental differences in the extent and method of application and the persons concerned with these customs, especially with the presence of an international element in them. The existence of international custom within the framework of international economic law is evidenced by the repetition of legal acts of an economic nature issued by the various national authorities (legislative, executive and judicial) that deal with international issues or affect international economic relations, in addition to the provisions of international treaties and decisions that states work to follow on an ongoing and permanent basis and feel obligatory. It is worth noting here, for example, that the success of the arbitration method, its repetition and the continued desire of states to resort to it, have transformed it into an established custom in settling international economic disputes. Many principles have also been established that have acquired a binding customary character as a result of their continuous repetition in the decisions of international organizations, especially those related to the decisions of the United Nations General Assembly on the new international economic order, which revealed economic principles of a

¹⁵ Brander, James A. (1995), "Strategic Trade Policy," in Gene M. Grossman and Kenneth Rogoff eds., *Handbook of International Economics*, Volume 3 (Elsevier Science, Amsterdam and New York).

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customary nature, such as permanent sovereignty over natural resources and respect for the rights and economic duties of states.¹⁶

:General Principles of Law: Four Section

International law contains many internal legal principles applicable to international economic relations. They are specific applications of the general principles of law established in traditional international relations on the basis of respect for the independence and sovereignty of states, non-interference in their internal affairs, the right to self-determination, and the peaceful settlement of disputes. Here, it is necessary to point out the extent of the contribution of developing countries and their ongoing struggle against developed countries in order to form and establish new principles that are fair and equitable to the nature of contemporary international economic relations. These principles express in particular the new international economic order, and revolve around rejecting the policy of dependency, hegemony, and inequality in economic relations and developing cooperation and peaceful coexistence among countries, on the basis of justice, equality, and mutual benefit.

:Judicial and Arbitration Efforts Section Five:

Given the generality of the text of (Article 38) of the Statute of the International Court of Justice, which examines the sources of public international law, what is meant by court rulings is not only those issued by international courts, such as the former Permanent Court of International Justice and the current International Court of Justice, which can issue jurisprudence in the form of legally binding judicial rulings or morally binding advisory opinions, but also the rulings of national courts that can i

¹⁷ issue similar and identical rulings on a specific issue of an international nature, which gives them the necessary importance in defining, interpreting and developing the rules of international law. It is worth noting that international economic dealings have derived many of their legal rules from the rulings of national courts in various countries, as they have drawn from them what is valid and applicable to international

¹⁶ Carlsnaes, Walter, Thomas Risse and Beth A. Simmons (2002), Handbook of International Relations (Sage Publications, London).

¹⁷ Chang, Howard F. (1995), "An Economic Analysis of Trade Measures to Protect the Global Environment," Georgetown Law Journal 83: 2131-2213.

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economic relations. On the international level, the International Court of Justice unfortunately did not play a noticeable role in defining and developing the rules of international economic law, as its predecessor, the Permanent Court of International Justice, issued rulings in nineteen cases between 1922 and thirteen of which were related to international economic issues. Among the most famous cases that these two courts have considered and issued judicial rulings and advisory opinions on, including valuable interpretations on some issues related to international economic law, are cases related to nationalization and diplomatic protection of foreign investors. For its part, the European Court of Justice has contributed to the adoption of European economic law in every sense of the word, whether by issuing its interpretations of texts and emerging issues in the former European Common Market, and now the European Union, or by exercising a supervisory role for the European legal system and removing conflicts between the national legislation of the member states. As for international arbitration, it represents the best means of settling international economic disputes. The parties to the dispute have the right to choose arbitrators known to them and who are experienced in economic and commercial work, neutrality and independence, instead of relying on the permanent international judicial organization. Arbitration is also characterized by flexibility in determining procedures, their speed, ensuring confidentiality and observing jurisdiction to consider the case presented. Therefore, it is noted that most international arbitration decisions have dealt with disputes arising within the framework of international economic relations, especially the commercial aspect. This has necessitated the conclusion of a number of agreements and the adoption of some international charters that set the controls and foundations related to international arbitration and coordination between national legislations regarding national arbitration procedures and applicable law, such as the 1958 New York Convention on the Enforcement of Foreign Arbitration Awards, the 1961 European Convention on International Commercial Arbitration, the 1965 Washington Convention on the Settlement of Disputes Relating to Investments between States and Nationals of Other States, and the Code of Conduct on International Commercial Arbitration approved by the

¹⁸ Cooper, Richard (1975), "An Economist's View of the Oceans," *Journal of World Trade Law* 9: 357-77.

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United Nations General Assembly in its Resolution No. 2205 of International arbitration centers have also contributed, .1966/17/12 through their successive decisions, to the development of the rules of international economic law, such as those issued by the International Chamber of Commerce in Paris, the Center for Settlement of Investment Disputes, the American Arbitration Association, the London Court of International Arbitration, the Stockholm Chamber of Commerce, and the Cairo Regional Center for International Commercial Arbitration. These examples, in addition to many other arbitration efforts, have contributed to defining and interpreting the rules and general principles of international economic law, especially in the areas of international contracts, compensation for nationalization procedures, confiscation of foreign investments, and invalidation of oil concession agreements.¹⁹

:International Jurisprudential Contributions: Six Section

The doctrines of the great jurists constitute another source of evidence for international public law in all its branches, including international economic law. International jurisprudence contributes to defining legal rules, explaining their content, interpreting the ambiguous ones, and clarifying their historical development. However, one must always exercise the necessary caution when referring to the opinions of jurists and authors, which are often influenced by national tendencies or political motives, although the opinions of many jurists tend towards objectivity and avoiding being influenced by private tendencies. The role of jurisprudence in defining and interpreting the rules of international law has currently diminished due to the increasing importance of judicial interpretations and the codification of most legal rules within international treaties and resolutions, which address most issues of concern to the international community. Here it is worth noting that international economic law owes its origin and scientific development to the studies of many jurists in economics, who made efforts to establish a legal system governing international economic relations, the most famous of whom are:

The Greek Plato (427-347 BC) who spoke in his book “The Republic” - about the ideal city, where everyone lives as partners to meet their

¹⁹ Dam, Kenneth W. (1970), The GATT: Law and International Economic Organization (University of Chicago Press, Chicago, IL).

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common needs.²⁰

The Greek Aristotle (384-322 BC) who addressed in his writings on - “Politics” and “Ethics” the concept of the state that seeks to satisfy the material needs of its citizens, and the importance of private ownership of the means of production and the use and exchange value of goods and money.

The Arab philosopher Ibn Khaldun (1333-1406 AD), who discussed in his famous book “The Introduction” many economic issues, such as the division of labor, cooperation between producers, the functions of money, and the role of the state in stimulating production and exchange, increasing population, and raising the standard of living.

The English thinker Thomas Mann (1571-1641 AD), who is considered - one of the most important representatives of the commercial school, which aims to encourage transit trade, exploit agricultural lands, and reduce dependence on importing foreign goods. The English philosopher William Petty (1623-1687 AD), who believed - in the existence of natural laws governing economic relations.

The French physician François Quesnay, who published several books, - the most important of which are “The Economic Table” and “Natural Law”.

The British economist Adam Smith (1723-1790 AD), whose most - famous book is “An Inquiry into the Nature and Causes of the Wealth of Nations”, in which he defended the capitalist industrial system and explained the principles and rules of the free market economy, the division of labor, and the free movement of production factors across national borders.

The British David Ricardo (1772-1823 AD), who published his book on - “Principles of Political Economy”, which included a set of capitalist theories on value, profit, land rent, circulation, distribution, money, and international trade.

The British priest Thomas Robert Malthus (1766-1834 AD) who

²⁰ Dunoff, Jeffrey L. and Joel P. Trachtman (1999), “Economic Analysis of International Law,” Yale Journal of International Law 24: 1-59.

published two books entitled “An Inquiry into the Principles of Population” and “Principles of Political Economy” in which he discussed the impact of population growth on development and achieving capitalist economic prosperity.²¹

The Englishman John Stuart Mill (1806-1873 AD), who tried in many - of his works to reconcile the principles of freedom and non-interference of the state in economic activities, and social requirements and burdens, such as providing education, helping the poor and needy, and carrying out service projects.

The German Karl Marx (1818-1883 AD), the founder of scientific - socialist thought, and among his most important works are “Capital”, “The Poverty of Philosophy” and “The Communist Manifesto”. He contributed to developing a comprehensive economic theory to criticize the disadvantages and contradictions of the capitalist system, and to replace it with a socialist system based on preventing exploitation, the sovereignty of public ownership of the means of production, and state intervention in economic life.

The German Friedrich Engels (1820-1895 AD), who also contributed to - the development of socialist economic thought, among his works “The Condition of the Working Class in England”, “Notes on the Critique of Political Economy” and “The Wage-Labor System”.

Principles of Justice and Fairness Seven Section -:

It refers to the principles that the human mind considers just and fair, and are usually expressed by the wisdom of legislation and the rules of natural law. However, justice as an idea is surrounded by a lot of ambiguity due to its association with invisible moral values, with multiple contents, general and abstract. What some consider just may not be seen as just by others. This may lead to the relativity of results and effects and the difference in proposed solutions and settlements. For example, former socialist countries and some currently developing countries still question many of the established principles of various capitalist economic systems, and even consider them unjust or unfair, such as the rules related to acquired rights and respect for private ownership of foreign investments. For these reasons, Article 38 of the Statute of the International Court of Justice states that an international judge cannot resort to applying the

²¹ Eaton, Jonathan and Michael Engers (1992), “Sanctions,” Journal of Political Economy 100: 899-928.

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principles of justice and fairness unless the disputing parties agree to do so. The issue of compensation for nationalization and confiscation procedures is one of the most important issues that international arbitration bodies resort to in order to implement the rules of justice and fairness.²²

:The second requirement New sources -:

Contemporary international dealings have witnessed the emergence of other sources of international law, which were not noted or stipulated in (Article 38) of the Statute of the International Court of Justice. The jurisprudence of international courts and jurisprudence have acknowledged the existence of new and non-traditional sources within the framework of public international law, which have emerged and developed in parallel with the development of contemporary international relations. These sources derive their legal force from the fact that they express the explicit will of the subjects of international law. They also play a vital and important role in the formation and disclosure of the rules of international economic law, and relate in particular to the decisions of international organizations, the unilateral actions of states, and international contracts.

Decisions of International Organizations One Section -:

Although international organizations have been issuing many binding decisions, which are often merely an application of the legal rules stipulated in the charter establishing the organization, and therefore do not in themselves create new rules, there are examples of a number of general and abstract legislative decisions that states usually take into account as an independent source of the legal rule in itself. This applies in particular in the field of technical and economic cooperation, when states are lenient in granting international economic organizations the power to legislate, unlike what is the case with other international organizations, as these states adhere to their traditional concept of sovereignty. As for recommendations, declarations, statements and other instruments issued by international organizations, they are not considered legally binding in principle, but this does not mean, on the other hand, refraining from

²² Eaton, Jonathan and Alan O. Sykes (1998), "International Sanctions," in Peter Newman ed., The New Palgrave Dictionary of Economics and the Law, Volume 2 (MacMillan, London).

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ince they ²³implementing them or stripping them of any legal value, s often express the will of most members of the international community. When states commit to respecting them repeatedly and consistently, they may become binding international custom. Indeed, regardless of the jurisprudential debate surrounding the legal adaptation of the decisions of legal organizations and their binding nature, the repetition of texts and provisions adopted by these decisions cannot be ignored or denied in determining the legal rules applicable to international economic relations. Especially since these decisions stem from the will of states and often contribute to the formation and disclosure of international customary rules. In this regard, it is necessary to recall the decisions of the United Nations Conference on Trade and Development since its first conference in Geneva in 1964, as well as the decisions of the United Nations General Assembly issued in 1974 on the New International Economic Order and the Charter of Economic Rights and Duties of States, and the Lima United Nations Industrial ²⁴ Declaration of 1975 adopted by the Development Organization (UNIDO) and directed primarily towards narrowing the gap in economic development between developed and developing countries. In addition to the decisions of the World Trade Organization that aim to liberalize international trade exchanges, and the decisions of international financial institutions, such as the International Monetary Fund, the International Bank for Reconstruction and Development, and regional development banks, related to financing investment and service projects for developing countries and achieving balance in the exchange rate and balance of payments, and the final document of the 1975 Helsinki Conference on Security and Cooperation in Europe, and finally the decisions of specialized international agencies and regional economic blocs, such as the European Union.

Unilateral actions of states Two Section ::

International economic law also derives its provisions from legal acts issued by the unilateral will of states that have certain legal effects at the international level (domestic legislation, administrative decisions, written or oral declarations or announcements, etc.). These acts then acquire their distinctive status within the framework of regulating international economic relations. In fact, no country is without national legislation and

²³ Epstein, Richard (1985), *Takings: Private Property and the Power of Eminent Domain* (Harvard Press, Cambridge, MA).

²⁴ Ethier, Wilfred (2000), *Reciprocity, Nondiscrimination and a Multilateral World* (mimeo).

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regulations aimed at regulating the state's economic activities in the public and private sectors, including the regulation of production, marketing, trade and monetary exchange, financial markets, exchange rates, taxation and customs duties, banking and credit systems, and the treatment of private foreign investments. These provisions may also include determining the development strategy and economic relations with other states. It is legally established, and even commonly known, that the internal law of a state has no authority outside its national borders, in respect of the principles of sovereign equality and non-interference in internal affairs. However, if the same internal rule is repeatedly stated in the laws of different states, this becomes clear evidence of the states' recognition of the existence of the international legal rule. These actions, whether they come from the legislative, executive or judicial authority of the state, have an important impact on international economic relations. For example, the floating of the exchange rate of a state's national currency and the raising or lowering of the value of this currency is something that no one disputes as being within the national jurisdiction of the state. However, no one can deny that this unilateral sovereign action will inevitably affect the state's economic relations with other trading partners, especially in the flow of foreign investments and funds, and with regard to the state's imports and exports. The means of settling international economic disputes also derive some of their origins from national legal systems, especially with regard to resorting to commercial arbitration. International economic customs are similar to those in force at the national level.

International Contracts Three: Section:

It constitutes an important source that distinguishes international economic law in particular, due to the decisive role that these contracts play, not only within the framework of the national economy, but also at the level of the development of international economic relations in which persons of different legal nature interact and are influenced, from states, international organizations, natural and legal individuals, and especially multinational companies. The contract expresses the agreement of two or more wills with the intention of creating a legal effect, represented by the commitment of one or more persons, in the face of one or more persons,

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to give something or to do an act or refrain from doing an act, in exchange for material or in-kind compensation. This definition also applies to international contracts that are characterized by the specificity of the lack of equality in the legal status between the parties to the contract and in their actual capabilities. International contracts are concluded between the state, with its independent legal personality, or through one of its public bodies or those working on its behalf, and a foreign person, natural or legal, often a private or multinational company, with the intention of carrying out a specific commercial activity related to buying, selling, importing, exporting, exploiting natural resources, or establishing an investment project, in return for a consideration agreed upon between the contracting parties, whether it is an amount of money, a share of the extracted wealth, or a percentage of the profits. Conventional expressions are usually used in economic and commercial circles to define the term party to the international contract, such as importer, supplier, exporter, investor, seller, buyer, lessor, lessee, and beneficiary. International contracts appear in various forms, as there are exchange contracts, such as buying and selling, borrowing and insurance contracts, as well as economic development contracts, such as investment contracts, public works, services, supply, industrial cooperation, technical assistance, consulting, joint projects, contracting, and contracts for oil exploration, exploitation, marketing, factory construction, and transfer of technology and scientific knowledge. International contracts are characterized by a long implementation period, as they are related in most cases to the investment of natural resources, and sometimes grant the foreign private party some rights and privileges, such as freedom of import and export and obtaining some tax and customs benefits. The options of the contracting parties are usually limited to determining the law applicable to the international contract, whether it is the national law of the contracting state, as is the case in most international contracts, or the general principles of law applied in the field of international economic relations, or by returning to the rules of public international law, or even by creating an independent legal system that the contract itself determines in light of what is called the theory of the free contract. The parties may wish to adhere to accuracy in drafting and formulating their contract, so they resort to including the provisions stipulated in a

²⁵ Ethier, Wilfred (2004), "Trade Agreements Based on Political Externalities" (mimeo).

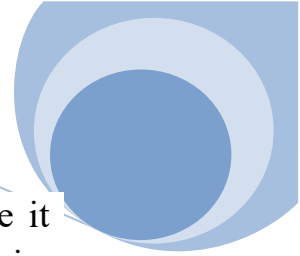
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specific law in the body of the concluded contract, or they may simply refer to the rules of this law to avoid burdening the texts of the contract. The inclusion of certain legal provisions in the contract does not mean that they will govern the dispute that will arise later, if the parties did not intend this explicitly or implicitly. Therefore, the role of the applicable law is initially limited to determining the content of the contract. International contracts are also subject to the provisions of many agreements and treaties that govern some types of international contracts and their subjects, and whose texts are superior to the provisions of the national laws of the contracting states, in application of what is known in international law. Reference is made here in particular to the Hague Conventions of 1955 and 1964 on international sales of tangible movables, the Hague Convention of 1977 on commercial representation contracts, the Vienna Convention of 1980 on international commercial sales, and the Organization of American States Convention of 1994 on international contracts. The will of the parties to choose the law applicable to the international contract is therefore the basis for attribution for conflict of laws in international contracts. In the event of the absence of an express will, the implied will of the contracting parties must then be sought and extracted from the facts, circumstances and ²⁶.conditions of the contract

The World Bank Axis II :

The World Bank is a very important topic that relates to two aspects. The first aspect relates to the largest financial body in the world, which includes almost all the countries of the world, in addition to the fact that it works to finance and develop projects for member countries. The second aspect relates to the countries of the Third World, including Algeria, which is struggling with increasing financial problems that have made it always in need and constant contact with the bank. This is all a result of the economic developments that the world is witnessing, from blocs and unions and the emergence of what is known as the concept of economic globalization.

²⁶ Eaton, Jonathan and Alan O. Sykes (1998), "International Sanctions," in Peter Newman ed., The New Palgrave Dictionary of Economics and the Law, Volume 2 (MacMillan, London).



The importance of the World Bank at the present time and the role it plays in financing and raising the performance of international economies made us wonder about some points related to the World Bank, which are mainly:

- * What is the administrative organization that allows a major financial institution such as the World Bank to perform its duties in the best possible way

- * Where does he get the financial resources

- * What role did the bank play towards Algeria

To answer these questions, we made the following hypotheses:

- * The World Bank is a major financial institution that has close relations with other international organizations to facilitate the performance of its duties.

- * It can provide loans with interest and impose contributions on member countries.

- * Considering that Algeria is a developing country, it has certainly benefited from several loans and projects from the World Bank.

On this basis, we divided our research into three sections. In the first section, we addressed the nature of the World Bank, where we discussed the origin and definition of the bank, in addition to its tasks.

In the second section, we discussed the organizational aspect of the World Bank. We discussed the body supervising the bank, its capital, and the types of loans it provides.

Finally, in the third section, Algeria's relationship with the World Bank, we discussed Algeria's communications with the World Bank, the reasons for resorting to debt, in addition to Algeria's dealings with the bank, and finally the rescheduling of Algerian debts.²⁷

The Nature of the International Bank for Chapter One : Reconstruction and Development

The World Bank currently plays an important role in financing and raising the performance of international economies. To learn more about this bank, we discussed in this section its origins in the first section, its definition in the second section, and finally its tasks in the third section.

The first requirement: the establishment of the World Bank

²⁷ Eaton, Jonathan and Michael Engers (1992), "Sanctions," *Journal of Political Economy* 100: 899-928.

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On April 1, 1944, the United States of America invited 44 countries to hold an economic, financial and international conference in the American city of Bretton Woods.

On July 22, delegates from 28 countries met to establish the necessary regulations for international exchange rules, such as loans and investment. This meeting resulted in an agreement to establish two international organizations in the field of money and loans, namely:

International Bank for Reconstruction and Development.

International Monetary Fund.²⁸

On December 27, 1945, the World Bank agreement entered into force, but the bank did not begin its work until January 25, 1946, at its headquarters in Washington.

On November 15, 1947, the World Bank was linked to the United Nations.

The difference between it and the International Monetary Fund is that the latter provides short-term loans, while the World Bank provides long-term loans

Definition of the World Bank The second requirement :

The World Bank is an important source of financial and technical assistance to developing countries around the world. The World Bank helps governments of developing countries reduce poverty by providing the funds and technical expertise they need for a wide range of projects, including education, health care, infrastructure, communications, government reform, and many other purposes.

A distinction must be made between the World Bank and the World Bank Group:

The term “World Bank” refers only to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

While the term “World Bank Group” includes five institutions that are closely related to each other and cooperate together to achieve the goal of reducing poverty, they are:

The World Bank (IBRD and IDA), the International Finance Corporation (IFC) the Multilateral Investment Guarantee Agency ,(MIGA) the ,

²⁸ Dam, Kenneth W. (1970), *The GATT: Law and International Economic Organization* (University of Chicago Press, Chicago, IL).

International Centre for Settlement of Investment Disputes (ICSID) and the International Development Association.

The third requirement: The tasks of the World Bank

1) Rebuilding what was destroyed by the wars of independence in developing countries, investing their national wealth, and granting loans for reconstruction or development projects.

2) Providing technical assistance.

3) Improving basic facilities such as power generation facilities, irrigation, roads, railways, agricultural services and other projects

The Bank has the right to manage, operate and exploit these projects, and ensure their safety during the term of the loan agreement and its²⁹ collection.

4) Supporting development programmes in developing countries, including providing aid and advice to formulate economic policies that ensure raising economic growth rates.

5) Helping developing countries reduce poverty and expand the process of sustainable development.

6) Encouraging international investment movement by stimulating and supporting private investments to contribute to financing productive projects.

7) Working to achieve balanced growth in international trade through its role in achieving balance in the balance of payments

Section Two: The organizational aspect of the International Bank for Reconstruction and Development

In this section, we will discuss the various bodies supervising this bank in the first section, its capital and the types of loans it provides in the second section, and in our final section, the institutions that assist the World Bank in its tasks.³⁰

First requirement: The bank's supervisory body

The International Bank for Reconstruction and Development includes three main bodies: the Board of Governors, the Board of Executive Directors, and finally the Advisory Board

(1) Board of Governors:

Each member state appoints a governor and an alternate to this council for a period of five years. The council consists of these governors.

²⁹ Ethier, Wilfred (2004), "Trade Agreements Based on Political Externalities" (mimeo)

³⁰ Fon, Vincy and Francesco Parisi (2004), Stability and Change in International Customary Law (mimeo).

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This Council usually meets once a year during the month of September at the Bank's permanent headquarters in Washington.

Voting is done on the basis of the "distinction between votes" system, with each country having two hundred and fifty votes, in addition to one vote for each share it has in the bank's capital. Decisions are issued by a two-thirds majority of votes, except for some matters in which a special majority is required for voting.

All the powers of the bank are concentrated in this council. It is the one that sets the general policy of the bank. However, it delegates many powers to the executive directors

2 Executive Directors:

The Board of Executive Directors currently has over twenty members. The countries holding the largest shares in the Bank's capital appoint five members (these countries are the United States of America, France, the United Kingdom, Germany, Japan

As for the remaining members, they are elected for a period of two years by the governors representing the remaining members of the bank.

This Council has broad powers, as the Board of Governors has delegated to it the exercise of most of its powers, with the exception of some important matters, such as appointing new members and dismissing or suspending current members.

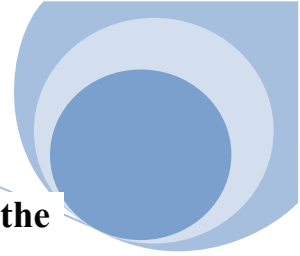
This board is headed by the bank's director, who is selected by the executive directors for a period of five years. He also heads the bank's administrative body, as he is responsible for management, including the appointment and dismissal of directors.

It is worth noting that the director does not have a vote on the board, but in the event of a tie, he has the deciding vote.

3) Advisory Council:

The Advisory Council consists of members representing various economic interests (industrial, commercial, agricultural). Five members of the Council are appointed by the five countries with the largest shares in the Bank's capital, while the remaining members are chosen by the remaining members of the Board of Governors. The term of membership is two years, renewable.

The Advisory Council assists the Bank's management in exercising its powers through monthly meetings, in which decisions are taken by a simple majority (with the exception of some exceptional decisions).



The second requirement: The capital of the World Bank and the types of loans it provides

1) Bank capital:

The bank's capital when it was established was 10 billion dollars divided into 100 thousand shares, each share worth 100 thousand dollars, and over successive periods the bank's capital increased until it reached more than 23 billion dollars. America alone owns more than a third of this amount (37.43%), followed by Britain, where its percentage is (11.23%), of the bank's capital, followed by France, Japan

Germany.³¹

The bank's capital is derived from the subscription of its members, distributed according to the proportion of the economic resources of the member state. The number of member states participating in the bank is approximately 120 countries.

The country participating in the bank must be a member of the International Monetary Fund. The total loans provided by the bank since its establishment until 6/3/1979 amounted to approximately 51 billion dollars. (1)

The bank's sources of funds are as follows:

a) Subscription:

It is the sum of the member states' shares, which constitute the bank's capital.

b) Co-financing:

These are contributions from international financial bodies and organizations such as the Inter-American Development Bank, the Asian Development Bank, and others.

c) Commercial banks and financial institutions.

d) Contributions of borrowing governments.

2) Types of loans provided by the World Bank:

a) Software loans:

These loans are granted to finance a development or sectoral programme or to finance the import process. These loans are considered emergency loans provided in the event of natural disasters or economic crises. These loans are usually provided without conditions.

b) Project loans:

³¹ Fox, Eleanor M. (1999), "Competition Policy and the Millennium Round," *Journal of International Economic Law* 2: 665-80.

These loans are granted to finance an irrigation project or a power .generation station, etc

These loans constitute a large share of the World Bank's loans. When granting these loans, the World Bank stipulates that the project must achieve a return on capital of no less than a certain percentage, and that .the project management must implement it in a good manner

c) Structural adjustment loans:

These loans are granted to settle the imbalance in the balance of payments of countries and to increase their ability to pay their debts. This type of loan is granted under strict conditions that include correcting macroeconomic policies in addition to structural corrections in the structure of the economy.

d) Sectoral air conditioning loans:

These loans are granted to finance a specific sector such as agriculture or industry in order to correct the course of the sector to be financed.

The third requirement: Institutions that assist the World Bank in its tasks

a) International Financial Corporation:

As a result of the increasing burdens on the World Bank, whether in the field of reconstruction or development, attention turned to establishing a financial company to assist the bank and reduce the burden on it.

In 1954, the United Nations requested the World Bank to prepare a project for the international institution. On 4/11/1955, the member states of the bank signed the agreement for the international financial institution and called it the "International Financial Corporation." The corporation began its work on 7/20/1956.

On 2/20/1957, an agreement was concluded between it and the United Nations. This company remained connected to the World Bank, with its apparatuses, objectives, and members...

The company's headquarters is in Washington, which is the headquarters of the World Bank.³²

America is the largest shareholder in the company, and the company's capital is more than one billion, subject to increase.

The World Bank contributes 100% to the construction of any project, i.e. all of its expenses. As for the company, it does not exceed 50%, and the project owner pays the remaining 50%.

³² Fudenberg, Drew and Jean Tirole (1991), Game Theory (MIT Press, Cambridge, MA).

b) International Development Foundation:

It was established based on a proposal submitted by US Senator (Mr. Monifon) on March 1, 1958, for the purpose of lending to developing countries, at the lowest interest.

On February 1, 1960, the project was approved after 68 member countries of the World Bank signed it. The institution began its work on November 1960, 8.

The highest percentage required by the institution for loan interest does not exceed 1%

Its wealth consists of subscriptions, general compensation from its members from industrialized and developed countries, contributions and transfers of net profits to the institution.

The Authority is fully affiliated with the World Bank and is headquartered in Washington.

The third topic: Algeria's relationship with the World Bank

The role of the World Bank in managing the global debt crisis has developed significantly, both in terms of its significant contribution to the financing granted to developing countries and in terms of the significant impact on appropriate financing from various international, republican, governmental and private sources, which the World Bank classified within the Middle East and North Africa group, as it obtained 81 loans directed to all sectors, and this since its establishment until the year 2003³³.from the first half

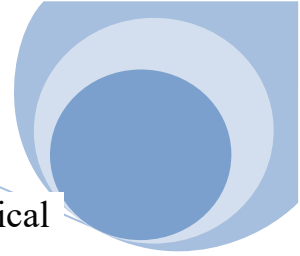
The World Bank was interested in helping Algeria due to several financial and other problems that we will discuss later.

The first requirement: Algerian communications with the World Bank

The last years of the eighties were characterized by the exacerbation of the debt crisis in Algeria, as its external debts developed to reach more than 34 billion dollars, and the rates of debt service continued to increase dangerously, devouring more than 80% of export revenues, and debt service developed from

0.3 billion in 1970 to \$5 billion in 1987 to \$7 billion in 1989 to more than billion in 1992. All these developments made governments unable to 9\$ finance the necessary needs of food and intermediate goods and capital

³³ Epstein, Richard (1985), Takings: Private Property and the Power of Eminent Domain (Harvard Press, Cambridge, MA).



equipment and became unable to pay their debt service dues as a logical and objective result of the futility of the implemented programs

With the aggravation of the debt crisis and the growth of its negative visas, the thinking of successive governments turned to imported solutions and began to work on implementing them on the basis that original local self-solutions require public conviction and popular confidence, which these governments lack. So, in pursuit of easy political solutions that calm the crisis and do not solve it, official secret and then public contacts began with the World Bank in order to gain its support and backing from the following aspects:

- In terms of using its programmes as ready-made solutions to alleviate the growing crises.
- Obtaining a certificate of good standing from it as a necessary document to ensure the flow of external financing.

(2) Salamani Nabil, Ait Hussein Ghanima, The Role of the World Bank in Developing Third-Year Countries, Bachelor's Degree Thesis, Blida, p. 68

The World Bank's relationship and missions with Algeria are summarized in the following diagram:

World Bank

International Monetary Fund

Financing conditional on commitment to liberal reform agenda

Structural Adjustment Program

Intensification and stabilization program

Long-term measures to change liberalism Short-term measures to change liberalism

Local reforms in Algeria

Country Algeria

Request for financing

Funding flow

Source: Saleh Salihi, Economic Studies, Dar Al-Khaldounia, First Issue, 1999

Explanation of the diagram

If Algeria is thinking of obtaining a loan from the World Bank, it must submit a request to the bank, which in turn gives the International Monetary Fund the opportunity to grant the loan. If it refuses to grant the loan, the bank in turn refuses to grant the loan to Algeria. However, if the

fund agrees to this, the bank agrees, so we conclude that the relationship between the International Monetary Fund and the World Bank is similar to that of the Office of Economic Studies.³⁴

When the Fund and the Bank agree to grant loans, these loans are subject to conditions and are conditioned by programs aimed at liberal reforms. This is what actually happened in Algeria, where the Algerian economy began to be managed in a directed manner according to structural adjustment programs. Take, for example, the intervention in the state budget, such as the Ministry of National Defense sector, which reduced its budget, which in turn reduced several needs and imposed several steps, such as reducing the number of armies and amnesty for some batches in performing national service.

All these measures were taken by the World Bank in coordination with the International Monetary Fund in order to advance the national economy and to keep pace with global economic life (1).

The second requirement: Reasons for resorting to debt

Like all developing countries, Algeria has resorted on many occasions to requesting loans in order to improve the standard of living of individuals. The idea of resorting to requesting loans, especially from the World Bank, was focused on several reasons, the most important of which are:

a) Historical reasons:

Considering that Algeria was a colony during the period from 1830 to 1962, it emerged economically collapsed and destroyed, so it resorted to the World Bank for the first time in 1963, requesting a loan in order to begin the process of infrastructure. Then came the seventies during the era of President Houari Boumediene, whose period was known as the period of construction and building, as this period increased the request for loans from the bank.

b) Political reasons:

Politics has played a distinctive role in Algerian economic life, especially in the nineties, in terms of its instability and successive governments, which is a result of the transition from the socialist system to the capitalist system, and this is due to the failure to take into account the economic transition between the two systems, which caused major imbalances.

)³⁵ Social reasons

³⁴ Ethier, Wilfred (2000), Reciprocity, Nondiscrimination and a Multilateral World (mimeo)

Perhaps the most important social reason for the increase in Algerian debt is the demographic growth factor, which has developed until the population has reached about 31 million people to this day.

D) Factors of weakness of the Algerian economy:

Perhaps the most important factor in the fragility of the Algerian economy is its dependence and its connection to external factors, which in turn has been a distinctive feature of the economic structure since independence, as the Algerian economy depends mainly on the hydrocarbon sector, which has made it respond to external shocks as a result of the fact that oil prices are determined in the international market, which has made it flounder in financial crises that have always made it in contact with the World Bank in order to obtain loans.

The third requirement: Algeria's dealings with the World Bank

The World Bank's tasks in Algeria have been many. In addition to granting loans, it provides economic observations and consultations that help in good management. We take, for example, the research conducted in August 2003 on the possibilities of investment in Algeria and how to use the basic components in carrying out real industry. It also intervened in the case of the Khalifa Bank, where it sent a mission to study the bankruptcy crisis and attempt to save the Khalifa Bank.

In addition to all this, the bank has, to this day, granted about 81 loans to Algeria, in order to support sensitive sectors such as agriculture, industry,³⁶ education, stocks, etc

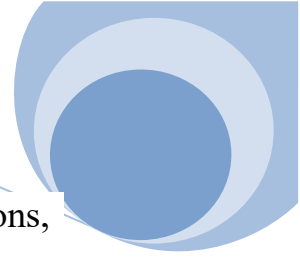
The World Bank has financed several projects in Algeria since independence until today. It has been interested in most sectors, so that the most important loans granted to Algeria are recorded in the following table, unit: million dollars

Table No. 02

Date	Loan Amount	Project Name
04/29/2003	95	Creating job opportunities in rural areas
08/08/2002	89	Natural Disaster Prevention
06/02/2001	18	Energy and Minerals Project
06/27/2000	23.7	Update of the budget system
06/25/1998	150	Low Income Housing Projects
03/25/1997	89	Rural Development

³⁵ Ethier, Wilfred (2004), "Trade Agreements Based on Political Externalities" (mimeo).

³⁶ Fon, Vincy and Francesco Parisi (2004), Stability and Change in International Customary Law (mimeo).



The rescheduling of Algerian debts has created several repercussions, some positive and some negative

As for the positive repercussions, the most important element is postponing the debt repayment phase, which is considered a positive thing because the country was going through a stifling financial crisis

The negative repercussions were reflected in the political, economic, social and cultural arenas.³⁷

The rescheduling has had a negative impact on the Algerian political arena, as is evident from the succession of governments and their inability and inability to bear responsibility for proceeding according to the World Bank and International Monetary Fund programs. In addition, adherence to the imposed programs is considered an infringement on the sovereignty of the state. (1)

From an economic perspective, it has created terrible effects. The first effect is the increase in the value of debts, as when rescheduling part of the debts, the interest rate is added as a result of the delay in payment. The third effect is the decrease in the value of the dinar compared to foreign currencies, as it decreased by about 50% of its real value. The fourth effect is the bet on oil wealth, in addition to the emergence of the unemployment problem.

As for the social aspect, we find individuals' commitment to following an inspection policy, and this is due to the decline in the value of individual income, as well as the emergence of the problem of dismissing workers, or rather making corrections in institutions. The number of workers included in the reduction process reached 264,000 workers.

It can be said that the World Bank is a major financial power with an administrative organization that is consistent with its activities. In addition to that, it is an institution that has a legal personality and has the right to borrow and obtain interest and profits as a result of borrowing. The bank also has subsidiaries that help it in its activity and try to relieve pressure on it.

The Bank's activities have diversified over the years. In addition to granting loans with conditions, it works to provide technical assistance, coordinate technical assistance, and coordinate financial assistance to developing countries. In order to increase its role and activities, it has

³⁷ Fox, Eleanor M. (1999), "Competition Policy and the Millennium Round," *Journal of International Economic law* 2: 665-80.

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established strong relations with other international organizations, whether financial or humanitarian.

The World Bank has worked hard to solve the problems of third world countries, including Algeria, by financing several projects on the one hand, and we find that it has contributed to raising the debt on the other . hand, and this is a result of the large interest rates required by the bank

The third axis

Distinguish between

World Bank and International Monetary Fund

Section One: The World Bank and the International Monetary Fund

Origin - Definition - Objectives

introduction

International financial institutions are institutions that work in the field of investment and development, and are owned by their member states. The institutions work to provide financing, technical assistance, policy advice, research, and other forms of non-financial support to governments in developing and transitional countries. A not insignificant number of international institutions also work to provide financing to companies operating in the field of investment in the developing world. Among the most important and widely known international financial institutions are the World Bank and the International Monetary Fund. The

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two institutions are generally known to play three important roles, as³⁸ follows

- **:Lenders and investors**
International financial institutions, most notably the World Bank and the International Monetary Fund, are the largest source of financing for development operations in the world, with lending volumes reaching between 40 billion and 50 billion US dollars annually directed to low- and middle-income countries. These international financial institutions also play different roles, including providing loans and grants to governments for specific projects or to be spent in the field of political reforms and technical assistance. Other institutions also invest in private sector projects or provide guarantees for private sector projects
- **:Knowledge brokers**
International financial institutions, led by the World Bank, are considered one of the important sources of knowledge in the field of development and policies. They are also, in fact, the body responsible for preparing standards for international finance and investment. Given the role played by international institutions in the field of lending and knowledge, they have a great impact on the policy-making process in most countries in the regions of Latin America, Asia, Africa, the Middle East, and³⁹ Central and Eastern Europe
- **:Gatekeeper**
International financial institutions influence the total amount of development finance available to countries and its components, both directly and indirectly. Research and analysis by the World Bank and the International Monetary Fund on countries' economic policies often influence the amount of contributions that may be received from donors or the amount of investment that can be made in these countries. The role of the Bank and the Fund as gatekeepers in the field of international finance and

³⁸ Fudenberg, Drew and Jean Tirole (1991), *Game Theory* (MIT Press, Cambridge, MA).

³⁹ Goldsmith, Jack L. and Eric A. Posner (1999), "A Theory of Customary International Law," *University of Chicago Law Review* 66: 1133-77

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credit is stronger for countries that depend on aid than for countries that have access to capital markets

The following is a presentation of the origins and objectives of the World Bank and the International Monetary Fund

The World Bank First :

The International Bank for Reconstruction and Development (IBRD) known as the World Bank, was established in 1944 to help Europe recover and regain its health from the effects of the destructive legacy of World War II. The success of this project led to the transformation of The Bank's attention, within a few years, turned to developing countries. In the 1950s, it became clear that the poorest developing countries needed softer conditions than those which the bank was offering at that time, so that it could borrow the capital it needed to achieve growth.⁴¹

The World Bank is like a cooperative institution, whose member countries are considered contributors thereto. And its number 187 contributors are represented by the Board of Governors, World Bank's top policymakers. Generally, the Governors are the Ministers of Finance or Ministers of Development of the Member Countries. They meet once per year at the annual meetings of the Boards of Governors of the World Bank and the International Monetary Fund

Because the governors only meet once a year, they delegate specific duties to 25 Executive Directors. They work inside The World Bank. The five largest shareholders, France, Germany and Japan, the United Kingdom and the United States, appoint Executive Directors, while the other member countries are represented by nineteen executive directors.

⁴⁰ <http://web.worldbank.org>

⁴¹ Goldsmith, Jack L. and Eric A. Posner (2004), A Theory of International Law (mimeo).

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In addition to [International Bank for Reconstruction and Development](#) and the [International Development Association](#) There are three other institutions that are closely related Closely associated with the World Bank: The [International Finance Corporation](#) [Multilateral Investment Guarantee Agency](#)^(MIGA) , [International Centre for Settlement of Investment Disputes](#)^(ICSID) . Together, these five institutions constitute [Bank Group International](#)

The objectives and tasks of each institution can be explained in the

The two overlapping institutions that make up the World Bank-- [the World Bank for Construction and Development \(IBRD\)](#) and

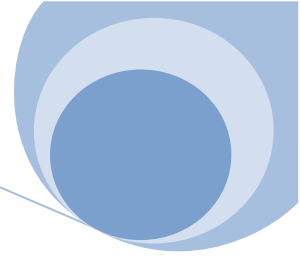
[The institution International Development Association \(IDA\)](#) ⁻⁴²⁻ low-interest loans or Interest-free and grants to countries that cannot access international credit markets in a favorable context or those who are unable to obtain these services at all. And Unlike other financial institutions, the World Bank does not operate for profit The International Bank for Reconstruction and Development operates on a market basis. The World Bank also uses His high credit rating is passed on to him by the low interest he pays on his money To the borrowing countries -- that is, developing countries. The World Bank bears the costs Operational, as it does not resort to external sources to provide funds for the purposes of financing expenses General.

The International Bank for Reconstruction and Development relies on its lending Developing countries mainly sell AAA- rated bonds in global financial markets. While the World Bank earns Construction and Development has a small profit margin on these loans, the bulk of its income comes from He lends his own capital. This capital consists of reserves accumulated over The years and funds are paid by the Bank's shareholders from its 186 member countries. The income of the International Bank for Reconstruction and Development also finances the operating expenses of the World Bank, as well as Contribute to the work of the International Development Association and debt relief.

⁴² Ethier, Wilfred (2000), Reciprocity, Nondiscrimination and a Multilateral World

International Economic Law

The World Bank, through the International Bank for Reconstruction and Development, provides The International Development Association and the World Bank have two basic types of loans and credits: [loans](#) [Investment and development policy loans](#).



Investment operations (1)

Investment loans, credits and grants provide financing resources for a wide range of activities aimed at establishing physical infrastructure and social needs necessary to reduce poverty and achieve sustainable development. The operations have constituted Investment, over the past two decades, has averaged around 75-80 percent From the bank account

43

Investment processes have changed over time. Lending and granting have become more concentrated Investment operations - initially - to secure access to equipment and services Engineering and **civil**. Construction, but now it has become more focused on establishing institutions, development Social, and improving the infrastructure of public policies necessary to enhance the sector's activity private.

The International Bank for Reconstruction and Development provides The International Development Association (IDA) provides investment operations to borrowing countries, provided that they are not Any arrears due to the Bank Group.

Policy operations (2 Development)

Policy Operations provide rapid financial assistance that allows Countries have actual or potential development financing requirements that have domestic or external assets. In These processes usually help achieve a set :of specific developmental outcomes through Medium-term programme of actions for institutional policies and procedures that are consistent with The economic and sectoral policies of the country concerned, and over the two fiscal years 2006 and 2007, did not exceed the policy operations Development in IDA and IBRD 30 percent Of the bank's total financial commitments.

Development policy processes can be stand-alone processes or Part of a programmatic series of operations, most often. In programmatic ,operations The Bank is supporting the implementation of a medium-term .policy reform programme through a series of operations Annual, each of .which is disbursed for a set, mutually agreed upon, of actions

⁴³ Fudenberg, Drew and Jean Tirole (1991), Game Theory (MIT Press, Cambridge, MA).

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Institutional policies and procedures. In low-income countries where governments have adopted It has a strategy to reduce poverty, as the .development policy series supports the implementation of this Strategy, .development policy operations can be called support credits for reduction The numbers of the poor, and usually these credits consist of a series of programs that include Three annual operations.⁴⁴

Eligibility. .Agreement on procedures subject to supervision is required On policies and institutional reforms, and maintaining a sound macroeconomic policy framework To meet the eligibility requirements for development policy operations. Low-income countries are considered Only countries eligible for IDA borrowing that are experiencing a severe increase in Its debt burdens are eligible for development policy operations in the form of grants, please see on [The ability to continue to bear the burden of debts and grants.](#)

Conditions: The International Bank for Reconstruction and Development provides The International Development Association (IDA) provides operations for development policy purposes to borrowing countries, provided that they are not Any arrears due may be due from :other sources, such as Trust funds, by making such operations available.

Tools. ,There is a new policy Adopted in August 2007, it was given .official status On the idea of direct budget support, it led to the .unification of different types of loans The adaptation that the bank used in the nineties of the last century with the introduction of lending for the benefit of Development policies.

.Countries use commodity-linked investment loans Businesses and services to support economic and social development projects in a broad range From the economic and social sectors. Development policy loans formerly known as) In the past, air-conditioning loans were quick-.repayment financing to support policies and reforms Institutional in the country concerned.⁴⁵

⁴⁴ Goldsmith, Jack L. and Eric A. Posner (1999), "A Theory of Customary International Law," University of Chicago Law Review 66: 1133-77.

⁴⁵ Goldsmith, Jack L. and Eric A. Posner (2004), A Theory of International Law (mimeo).

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The borrower's project proposal is evaluated to ensure that its safety from economic, financial, social and environmental aspects. During the negotiation of Loan, the bank and the borrower agree on development objectives and desired outcomes And performance indicators, implementation plan, in addition to the loan disbursement schedule. While The World Bank supervises the implementation of each loan it provides and evaluates its achievements Results: The borrower shall implement the project or programme in accordance with the terms and conditions set forth Agreed upon. Since more than 30 percent of World Bank staff work in more than From 100 country offices around the world, it manages three-quarters of outstanding loans Country directors working away from the World Bank offices in Washington.

Trust funds (3 And grants

Donor governments and a wide range of Private and public sector institutions depositing amounts in [Funds Trust](#) located in the World Bank. Donor resources are mobilized for the benefit of A wide range of development initiatives. These initiatives vary widely in terms of Their size and complexity, ranging from multi-billion dollar arrangements – such as the Carbon Trust Fund, the Global Environment Facility, and the Debt Reduction Initiative The Indebted Poor, and the Global Fund to Fight AIDS, Tuberculosis and Malaria, to Smaller, simpler stand-alone projects.⁴⁶

The World Bank also mobilizes external resources for operations [Financing Facilitator](#) And [grants](#) provided by the International Development Association In addition to financial resources for non-lending technical assistance and advisory activities from In order to meet the special needs of developing countries, and to participate in project financing And programs.

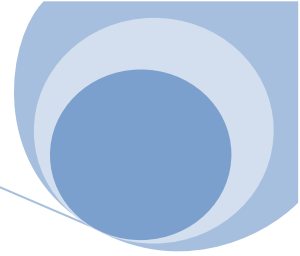
⁴⁶ Eaton, Jonathan and Michael Engers (1992), "Sanctions," Journal of Political Economy 100: 899-928.

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And confirms [Grants](#) Direct assistance provided by the World Bank to Civil society organizations on the importance of broad participation by all parties A direct stakeholder in development, these grants aim to .enhance the voice heard The tangible impact of the poor and marginalized groups in the development process.

It is worth noting that the International Development Association grants Which are directly funded or managed through partnerships – have been used in The following:

- **Debt relief for heavily indebted poor countries In debt**
- **Improving water supply and sanitation services Healthy**
- **Supporting vaccination and immunization programs to reduce infection with infectious diseases such as malaria**
- **Combating the AIDS epidemic**
- **Strengthening civil society organizations**
- **Creating initiatives to reduce greenhouse gas emissions Greenhouse**



Analytical services (4 And the consultant

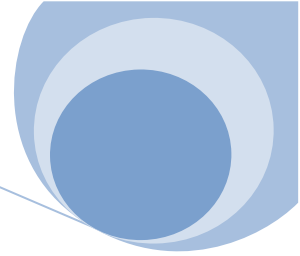
While the World Bank is primarily known as a financing institution, one of the Other roles include providing analytical and .advisory services and information services to member countries to enable .them to make permanent improvements that their peoples need on the economic and social levels. The World Bank adopts methods There are .many different ways to achieve this. One way is to conduct research Economic and data collection on broad issues such as the environment and poverty Trade and globalization. Another way is through activities .driven by national considerations In particular, non-lending activities .such as economic and sectoral work, where prospects are assessed The economy of a country by examining its banking systems and financial markets, in addition to Trade, infrastructure, poverty and social safety .nets issues, for example Example.⁴⁷

The World Bank also draws on the resources of its Knowledge .Bank to educate clients And educate them so that they become equipped .to solve development problems and promote economic growth With the knowledge bank, that wealth of connections, knowledge, information and .experience that he has acquired The World Bank has been working on development projects from country to country and project to project for years. The ultimate goal of the World Bank is to promote the information .revolution in countries Developing.

:Below is a list of some of the ways in which the World Bank Through it, it provides its analytical, advisory and knowledge services to its clients .from countries And their governments, and those working in the fields of .development, and to the general public also:

- Poverty assessment studies
- Social and structural studies
- Sector Reports
- Knowledge exchange
- Public spending reviews
- Qatar Economic Notes

⁴⁷ Goldsmith, Jack L. and Eric A. Posner (1999), "A Theory of Customary International Law," University of Chicago Law Review 66: 1133-77.



Capacity building (5)

One of the functions is Another core objective of the World Bank is to increase and strengthen the capacities of its partners and the people of .developing countries and its staff and experts to enable them to acquire .the knowledge and skills necessary to provide assistance Technical, improving government performance, providing services, encouraging economic growth, and maintaining On the continuity of programs aimed at reducing poverty. The World Bank has established links Connect with knowledge exchange networks, such as those listed below, in order to .meet needs Great information and to enrich the dialogue on development :

[Global Network for Learning for Development](#) It is a wide network that includes Dedicated centers for distance learning, this network uses advanced technologies in the fields of information Communications to achieve communication between development workers throughout the .world the world.⁴⁸

[Knowledge for Development](#) It provides advisory services to the Bank's client countries on the pillars of The four pillars of a knowledge-based ,economy: economic and institutional system, education Creativity and innovation, and information and communications technology, in order to help countries Dealing with the bank to move to the knowledge-based economy.

[Capacity Building Resource Center](#) It is a repository of economic and .financial literature Case studies, lessons learned and good practices in capacity development As a crucial factor for achieving effective development.

[Global and Regional Programs at the World Bank Institute](#) Where it meets Development workers online and face-to-face through these programs to exchange Gained experience and development of capabilities and skills.

⁴⁸ Goldsmith, Jack L. and Eric A. Posner (2004), A Theory of International Law (mimeo).

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Internet radio for development It is a radio station that broadcasts seminars held by the World Bank and episodes Study and conferences on sustainable development and poverty reduction using Video. In fact, discussions and dialogues are literally transmitted on pressing development issues It attracts the attention of government officials, development practitioners, and academics Students, researchers, journalists, representatives of civil society organizations, and the general public The audience.⁴⁹

International Development Association

The International Development Association (IDA) is the arm of the World Bank that By helping the world's poorest countries. The institution, which was established in 1960, aims to Reducing poverty by providing interest-free credits and grants for programmes aimed at enhancing Economic growth, reducing inequality, and improving living conditions For the peoples.

At the initiative of the United States of America, a group of countries decided Members of the Bank create an agency that can lend to the poorest countries under the most stringent conditions possible. They called this agency the "International Development Association". The founders saw This agency, the International Development Association, is a means by which the "rich" can The world's affluent people wanted to help the world's "poor". But they also wanted it to be managed IFC is on the same path and in the same system as the bank. That's why US President Dwight D. Eisenhower proposed, and other countries agreed, that The International Development Association (IDA) is part of the World Bank (International Bank for Reconstruction and Development) And IBRD construction).

And it has become [agreement establishment](#) The institution became effective in 1960, and the first loans were approved The Foundation,

⁴⁹ Gordon, H. Scott (1954), "The Economic Theory of a Common Property Resource: The Fishery," Journal of Political Economy 62: 124-42.

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known as the Trust, was established in 1961 to Chile, Honduras, and India Sudan.⁵⁰

:IDA currently includes 170 member countries^(E). Members subscribe in the initial subscription of the institution and in subsequent resource renewal operations, by submit the necessary documents and make the required payments under the renewal arrangements Resources.

The Foundation complements the work of the International Bank for Reconstruction and Development, its lending branch The other is the World Bank's advisory services to middle-income countries And those related to capital investment. We note that the employees of the World Bank for Reconstruction and Development The reconstruction is the same as the employees of the International Development Association, as these two institutions have the same Headquarters and evaluate projects with the same stringent standards.

The Foundation is one of the largest sources of assistance to the most vulnerable countries The world's poorest countries are 79, including in Africa. It is also the largest 39 A single source of donor funds to finance basic social services in countries The poorest

The institution lends money (or what is known as credits) on terms Facilitated. This means that the institution's credits are provided without interest, and their repayment period extends to Between 35 and 40 years old and includes a grace period of 10 years. The Foundation also provides grants to Countries with high debt burdens.

:Eligibility for IDA support depends first and foremost on It all depends on the relative poverty rate prevailing in the country in question, which is defined as the share of The per capita gross national income is less than a certain limit. The gross income data is updated National Annually, this amount reached in the fiscal year 2011: \$1,165 American

The Foundation also supports some countries, including several island countries Small, above the practical threshold for eligibility for

⁵⁰ Fox, Eleanor M. (1999), "Competition Policy and the Millennium Round," Journal of International Economic law 2: 665-80.

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borrowing but not solvent Sufficient credit to enable it to borrow from the World Bank for Reconstruction And construction.

Some countries, such as India and Pakistan, are eligible to borrow from the institution International development based on its per capita income, but it also enjoys solvency Credit to obtain some IBRD loans. They are known as "blend countries".

There is currently [79 countries](#) Qualified to receive the Foundation's resources. Together, these countries are home to about 2.5 billion people, making up half of the world's total The population in developing countries. It is worth noting that about 1.5 billion people in this Countries living on \$2 or less per person per day.⁵¹

:The division according to regions is divided into

Sub-Saharan Africa...49% South Asia.....32%
East Asia and Pacific.....11% Europe and Central Asia.....4%
Latin America and the Caribbean Caribbean...2% Middle East and North Africa.....1%

:The division according to sectors is divided into

Public Administration and Law18% Sector Social... 29%
Agriculture... 8%... ..Industry2%...
Financial sector... 5%..... Financial sector3%.....⁵²

Terms Current IDA ^{Loans}

,In fiscal year 2010 (ending June 30, 2010) The total value of the commitments made by the institution is 14.5 billion US dollars, 18 of which were made percent of which are on a grant basis. New 100 :commitments in FY10 included new transactions. Since 1960, the 190 .institution has lent \$222 billion US to 108 countries. Annual

⁵¹ Grossman, Gene M. and Elhanan Helpman (1995a), "Trade Wars and Trade Talks," Journal of Political Economy 103: 675-708

⁵² Grossman, Gene M. and Elhanan Helpman (1995b), "The Politics of Free Trade Agreements," American Economic Review 85: 667-90.

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commitments have been steadily increasing, with an average of Loans in the past three years amounted to approximately 13 billion US dollars.

The operations funded by the Foundation mainly address: education Basic health care services, clean water, sanitation facilities, and procedures Environmental protection, improvements to the business climate, and infrastructure basic, and institutional reforms. These projects ,pave the way for economic growth Create jobs, increase income levels, and improve living conditions. [Discover IDA Projects^{\(E\)}](#)

:IDA focuses on broad-based growth, including This includes:

- sound economic policies, rural development, and private sector business activities Private, sustainable environmental practices
- ,investing in people, education And health care, especially in the field of combating HIV/AIDS, malaria and tuberculosis
- Expand The scope of borrowing countries' capacities to deliver basic services and establish accountability in Relating to public resources
- achieving recovery from the effects of civil wars and unrest Civil, armed conflicts, natural disasters
- and promoting trade integration ⁵³And regional

The Foundation also conducts analytical studies to build the knowledge base that It enables the intelligent design of policies to reduce poverty. The Foundation provides Advising governments on ways to broaden the base of economic growth and protect the poor from shocks Economic.

.The Foundation also coordinates donor assistance to provide aid And relief for poor countries that cannot manage their debt service burdens. It has established a system To allocate grants based on the severity of countries' debt distress, this was designed System to help countries ensure [continuity Its ability to bear the burden of debt](#).

While the International Bank for Reconstruction and Development gets most of its financial resources Through global financial markets, .IDA obtains its resources Financed mainly through contributions from

⁵³ Grossman, Gene M. and Elhanan Helpman (2002), Interest Groups and Trade Policy (Princeton University Press, Princeton, NJ).

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the governments of the most Enriched by the World Bank. The Foundation also receives additional funds from the World Bank's net income For construction and development and from payments of previous credits obtained by countries Borrowed from it.

IDA Replenishments

Donors and countries meet every three years to replenish the international organization's resources For development. Contributions from donor countries and entities constitute 60 percent of the special drawing rights Which amounts to 27.3 billion (41.6 billion US dollars) that the fifteenth operation provides To replenish the Foundation's resources, through which projects are financed over a three-year period Ending June 30, 2011.⁵⁴

countries contributed to the 15th replenishment of the 45 institution's resources The largest pledges in the 15th replenishment of the Foundation's resources were from USA, UK, Japan, Germany, France, Canada Italy and Spain

:Second: The International Monetary Fund

is a specialized agency⁵⁵ The International Monetary Fund (IMF) of the United Nations system established by international treaty in 1945 to work to promote the health of the global economy. The IMF is headquartered in Washington, D.C., and is administered by its members, which include almost all countries in the world. The IMF is the central institution of the international monetary system, i.e. the system of international payments and exchange rates that allows trade transactions between different countries to proceed smoothly. It supervises the system and provides the global institutional framework through which countries cooperate in international monetary affairs. The objectives of the IMF include facilitating a balanced expansion of world trade, achieving

⁵⁴ Grossman, Gene M. and Petros C. Mavroidis (2004), "United States—Definitive Safeguard Measures on Imports of Circular Welded Carbon Quality Line Pipe from Korea," (mimeo, prepared for American Law Institute Project on Principles of World Trade Law).
⁵⁵<http://www.imf.org>

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exchange rate stability, avoiding competitive devaluations of currencies, and conducting an orderly correction of balance-of-payments imbalances

:The Fund does the following⁵⁶

- Monitoring the Qatari and global economies and issuing warning signals when danger signs are sensed
- Providing advice to its members on economic policies, and working to establish good standards for economic policies and banking and financial regulation
- Lending to member countries experiencing economic difficulties to facilitate their necessary adjustment and help them address long-term economic problems through reforms
- Providing technical assistance and training to member country governments and their central banks

The Fund obtains its funds from its member countries, and can use them to lend to countries experiencing financial difficulties. According to the size of the quotas, which depend primarily on the economic size of the member countries, the number of votes allocated to each member country and the limits of the lending that the Fund provides to it are determined. The International Monetary Fund, which can also arrange funds through borrowing, has previously obtained grants and financial aid to provide special assistance to low-income countries

The Fund helps its member economies manage and mitigate the volatility resulting from global interconnectedness, through economic analysis, policy advice, and lending to countries experiencing financial distress. The Fund's role is to find solutions to economic and financial problems that are in the best interests of all, and then to convince governments and sovereign countries of the benefits of implementing⁵⁷ those solutions

Any member country can borrow from the Fund if it faces payment problems with the rest of the world, i.e. if its funds and balances begin to

⁵⁶ Grossman, Gene M. and Elhanan Helpman (2002), *Interest Groups and Trade Policy* (Princeton University Press, Princeton, NJ).

⁵⁷ Guzman, Andrew T. (1998a), "Why LDCs Sign Treaties That Hurt Them: Explaining the Popularity of Bilateral Investment Treaties," *Virginia Journal of International Law* 38: 639-88.

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run out as a result of purchasing more goods or services from abroad than the goods and services it can export, or as a result of investors transferring their capital abroad. The International Monetary Fund provides temporary financing to facilitate the necessary adjustment process for the country concerned

The IMF does not impose loans on countries, but rather provides financial support when a country is in real need of assistance and has applied for such assistance. Interest rates vary with the type of loan, but they are significantly better than market rates. Many of these countries have limited access to financing from international capital markets, partly due to economic difficulties

The IMF is accountable to the governments of its member countries, primarily through their representatives on the Executive Board, which consists of 24 members chosen by all member countries. The Executive Board, which usually meets three times a week, oversees the Fund's daily work in cooperation with the Managing Director, his deputies, and a body of Fund staff. This is under the supreme authority of the Board of Governors, which consists of the finance ministers of all member countries and other senior officials. A major reform has recently been carried out, increasing the voting power of emerging economies, so that Brazil, Russia, India, and China are now among the top ten countries in terms of voting power

Difference between IMF and World Bank

The IMF was created at the same time as the World Bank to perform different, though related, functions. The IMF focuses primarily on the actions that countries should take to achieve the overall economic and financial stability necessary for sound and sustainable economic growth. The World Bank was created to promote long-term economic development, alleviate poverty, and help finance specific projects. The IMF is the most likely first resort to help a country in a financial crisis by providing advice and rapid financing, while the World Bank primarily provides development assistance. The IMF and the World Bank cooperate on a number of issues, particularly poverty reduction in low-income countries

International Economic Law

we reviewed the concept, origins and objectives of the World Bank and the International Monetary Fund, as they are among the largest⁵⁸...international financial institutions, but

Are these goals expressed by the two banks noble goals that are the reality? Or are there hidden and concealed roles and goals that these institutions seek to achieve? This is what we will discuss in the following :topics as follows

Chapter One: The Objectives of the World Bank and the International Monetary Fund in Developing Countries

Section Two: Loan Pirates

The third topic: The impact of implementing the policies and conditions of the World Bank and the International Monetary Fund on Egypt, Turkey and Malaysia. Egypt fully adhered to the conditions and instructions of these institutions, while Turkey and Malaysia were among the countries that rejected these conditions and instructions and relied .heavily on their own resources

⁵⁸ Fudenberg, Drew and Jean Tirole (1991), Game Theory (MIT Press, Cambridge, MA).

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Section Two: Policies of the World Bank and the International Monetary Fund

In developing countries

introduction

we reviewed the concept, origins, and objectives of the World Bank and the International Monetary Fund, as they are among the largest international financial institutions. In this section, we analyze the objectives of these institutions in developing countries in detail, and then conclude whether these policies are in the interest of these countries and the poor and middle classes, or whether they aim in the long term to crush these classes at the expense of the capitalist class

IMF and the treatment of economic problems in developing countries

The IMF's recipe for treating economic problems in developing countries stems from the neoclassical school of thought. Therefore, any country that resorts to the IMF asking it to support it in solving its economic problems, the IMF has a recipe consisting of two⁵⁹:basic parts

1. Policies to reduce the resource gap in the private sector
These policies mean supporting and encouraging the private sector, by all means, to launch its economic role so that it has the necessary resources to undertake various investments. Therefore, these policies aim to increase the :resources available to the private sector through
 - Reducing taxes on income and revenues generated by the private sector, so that its net returns after paying taxes can be increased, in the Fund's belief that this will lead to increased incentives for saving and investment, the application of new technology, and the transfer of resources from labor and capital to the .most productive sectors, namely businessmen

⁵⁹ Guzman, Andrew T. (1998b), "Is International Antitrust Possible?" New York University Law Review 73: 1501-48.

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- Providing generous exemptions from taxes imposed on profits and incomes achieved by local and foreign private capital from its activity in new projects, in order to motivate investors to increase their investments and encourage them to invest in priority areas, especially the private sector
- Providing tangible customs facilities on investment and intermediate imports for new investment projects in order to reduce production costs and achieve high rates of profits and income
- Preventing price controls, eliminating government intervention in the pricing of private sector products, and leaving market forces to determine the prices of products in this sector
- Increasing the interest rate on savings deposits to encourage the family sector to save, and exempting this interest from taxes

From the IMF's point of view, these measures will lead to a reduction in the state's tax resources, but this reduction will be temporary, as these measures and incentives will cause a rapid boom in growth, raising incomes and creating new opportunities in the local market, which will stimulate further growth in output, which in turn will bring in greater tax revenues and allow governments to expand their public services and investments while keeping tax rates and percentages at relatively low levels

2. ⁶⁰Policies to reduce the deficit in the state budget

The International Monetary Fund believes that the state's general budget deficit represents a surplus of demand, because public spending, both current and investment, is part of the national aggregate demand. Therefore, containing this deficit requires curbing the growth of public spending. Based on this vision, the International Monetary Fund obliges

⁶⁰ Guzman, Andrew T. (2002), "A Compliance-Based Theory of International Law," California Law Review 90: 1823-87.

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developing countries to implement a set of policies aimed at reducing the deficit in the state's general budget. These policies are

- Getting rid of the economic support borne by the state, as a result of the existence of production units in the public sector that incur losses. Therefore, these units must be disposed of and sold to the private sector or managed on economic and commercial bases in order to achieve a profit
- Reducing the support directed to food and essential goods. In this regard, the International Monetary Fund recommends several methods: either the complete cancellation of this support at once, by increasing the prices of these goods to equal their cost, and in the event that economic and political conditions prevent this, there will be a gradual reduction of the support and a gradual increase in the prices of these goods, provided that these methods lead to a continuous reduction in the ratio of commodity support to total spending in each year of the program
- Changing the state's policies towards employment, by gradually lifting the state's hand from the obligation to hire new graduates, so that the labor market can be restored to supply and demand relations, even if this leads to an increase in unemployment rates in the first years of implementing the program
- Reducing wages, setting a maximum and freezing them, cancelling vacant or temporary jobs, dismissing redundant or incompetent workers, and reviewing the issue of social security and retirement salaries
- The state's refusal to enter into investment areas that the private sector can undertake, and the role of public investment should be limited to areas related to building infrastructure only
- Raising the prices of energy materials, especially energy materials used for family consumption purposes, and making them equal to their global prices, as well as increasing the prices of public government services such as transportation, communications, education, health, and other services

International Economic Law

- Selling state-owned projects to reduce the financial and administrative burden on the state, in addition to liquidating unprofitable economic projects owned by the state
- Setting upper limits on bank credit allowed to the government⁶¹ and the public sector and its ratio to GDP

These are the financial and monetary policies and procedures that the International Monetary Fund requests from developing countries that resort to it to solve their economic problems. They are determined in the form of specific quantitative and numerical goals that must be achieved during the period of the stabilization program, in light of a specific timetable. In the event that they are not achieved, the country's right to obtain the financial resources stipulated in the program is suspended, and the International Monetary Fund sends a mission every six months to ensure that performance is consistent with what is stated in the program, which is formulated in the form of what is called a letter of intent

The World Bank and the Treatment of Economic Problems in Developing Countries

When a developing country turns to the World Bank to solve its economic problems, the World Bank requires that these countries first agree to what the International Monetary Fund sees fit so that the World Bank can grant this country the loans it needs

This means effective coordination between the Bank and the Fund, in dealing with developing countries, as there is complete and effective coordination between the stabilization programs of the International Monetary Fund, and the structural adjustment programs of the World Bank

The World Bank's structural adjustment programs include three main axes: price liberalization, freedom of trade and shift towards exports, and privatization of the public sector

The philosophy of the World Bank on privatization, intended to be applied in the case of developing countries, has evolved as follows

⁶¹ Grossman, Gene M. and Elhanan Helpman (2002), *Interest Groups and Trade Policy* (Princeton University Press, Princeton, NJ).

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- At first, this philosophy meant achieving efficiency in the management and operation of public projects, relying on market mechanisms, and getting rid of government monopoly, by managing public projects according to management contracts by the private sector, while the state retains ownership of the projects
- Leasing production units owned by the operating sector to the private sector, through special contracts, and the state retains ownership of these units, with the profit being shared between the lessee and the government⁶²
- Liquidation and sale of project assets if the project is a failure and there is no hope of fixing it
- Allowing the local and foreign private sector to contribute to joint projects
- Allowing private sector companies to implement some public services such as health, education, and public facilities through contracts concluded by the government with the private sector to undertake the implementation of these services
- ,Shift to private ownership
- ⁶³By selling entire public projects to the private sector

The reason for the development of the World Bank's policies towards privatization is due to what is called the Washington Consensus, which was formulated in 1989 between the World Bank, the International Monetary Fund, and the United States of America. This consensus was formulated to apply to any historical period and any economy with the aim of reaching as quickly as possible the liquidation of any body or organization by countries and the complete liberalization as quickly as possible of all markets (wealth - capital - services - patents) and in the end there will be a unified and completely self-regulating global market. The most important principles of the Washington Consensus are as follows

- ❖ It is necessary in every debtor country to start reforming public finances according to two criteria

⁶² Grossman, Gene M. and Petros C. Mavroidis (2004), "United States—Definitive Safeguard Measures on Imports of Circular Welded Carbon Quality Line Pipe from Korea," (mimeo, prepared for American Law Institute Project on Principles of World Trade Law

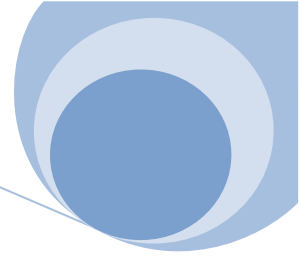
⁶³ Guzman, Andrew T. (1998b), "Is International Antitrust Possible?" *New York University Law Review* 73: 1501-48

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- Reducing the tax burden on the highest incomes to encourage businessmen to invest
- Expanding the tax base means cancelling tax exemptions for individuals with lower incomes in order to increase tax revenues
 - ❖ Liberalization of financial markets
 - ❖ Ensuring equal treatment between national and foreign investments
 - ❖ Public sector liquidation
 - ❖ Liberalization of international trade and reduction of customs duties
 - ❖ Encouraging economic sectors capable of exporting
 - ❖ Reducing the state budget deficit and canceling support or grants to companies in order to reduce prices

These basic principles of the Washington Consensus were formulated to regulate the relationship between the rich North and the poor North in order to control the economic and social conditions in developing countries, the pattern of allocation and division of labor, the distribution of income, the role of the state, international economic relations, and low wages

These new mechanisms are included in the stabilization and structural adjustment programs, to ensure the control of international capital with the aim of subjecting the South to the conditions of accumulation and capitalist expansion in the North. This project is promoted by international organizations such as the International Monetary Fund and the World Bank and multinational companies with a primary interest in implementing these policies



Loan Pirate Section Three :

introduction

Loan sharks are an elite group of men and women whose primary goal is to build a global empire. They use international financial organizations such as the International Monetary Fund and the World Bank to create conditions in which other countries are subject to government or corporate monopoly

The lenders of the economy perform some services, the most important of which is granting loans to establish infrastructure, build power stations, extend main roads, and establish ports, airports, and industrial zones. These loans are conditional on American companies undertaking the establishment and management of these projects, and the essence of the matter is that the largest amount of the loan money does⁶⁴.not leave the United States of America

The main criterion for the success of a loan shark is his ability to make the loans he makes with any country so large that they will be unable to repay their debts, thus leaving them burdened with debts and making it easy to control that country

Confessions of an Economic ,⁶⁵ John Perkins revealed in his book Hit Man that he was not chosen to be a loan shark for nothing. He was , nominated by several parties who assigned a woman named "Claudine Martin, a special advisor to Chas T. Maine" to train him in his new profession as a loan shark. She told him that he had two main goals for his work as a loan shark:

First: Inventing justifications for the huge international loans granted to the country in which he will work, and re-injecting this money into .American companies

⁶⁴ Guzman, Andrew T. (2002), "A Compliance-Based Theory of International Law," California Law Review 90: 1823-87.

⁶⁵ *John Perkins* , Confessions of an Economic Hit Man, Publishing by: Berrett-Koehler Publishers, Inc. San Francisco, CA, USA, 2004

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Second : Working to bankrupt those countries that have obtained loans so that these countries remain indebted forever, and become easy targets when the need arises for services that include establishing military bases, voting in the United Nations, or achieving economic and commercial interests

Claudine explained to John Perkins the nature of their work, saying, "We are a small club that gets paid a lot of money to deceive many countries around the world, and we steal from them billions of dollars. A large part of the work of the loan shark is to convince the leaders of countries to be part of a vast network that promotes the commercial interests of the United States of America. In the end, these leaders will be tied down by a chain of debts that guarantee their loyalty. We can demand from them what we want and when we want in order to satisfy our political, economic, and military needs. In return, these political leaders enjoy the support of the United States of America for their regimes, even if they are oppressive, and they are supported by large infrastructure projects that do not achieve economic returns, but they achieve social returns that provide them with a cover for their political stability." John Perkins admits that he and the economists have adapted the language to wrap their strategies of economic plunder, using concepts such as - good governance - trade liberalization - consumer rights, so that economic policies are not good except from the perspective of large corporations

The book is a testimony to one of those professional men who wear fancy clothes, travel around the world on lavish trips and receive astronomical wages in order to plunder billions of dollars from many countries around the world

These men take money from the World Bank, USAID, and other foreign "aid" organizations, and funnel it through devious means to big corporations, to be made available to a handful of wealthy families who control the planet's natural resources. Their methods range from financial fraud and election fraud to bribery, extortion, sex, and murder

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The book consists of four parts divided according to the time⁶⁶ periods that the author, John Perkins, spent serving the economic .assassination system of peoples. These four parts include 35 chapters

John worked for the National Security Agency in 1968 as a loan shark and was selected for the Peace Corps in Ecuador. In Ecuador, he met the vice president of MAIN Global Consulting, who was also a liaison officer for the NSA. He joined MAIN and underwent secret training in Boston to obtain the loan shark position. He was then sent to Indonesia as part of an 11-member team, followed by subsequent trips to Asia, Latin America, and the Middle East. In 1975, he was promoted to .become the youngest partner in MAIN

Among the most important confessions in the book are the :following

- The American empire depends on the dollar playing the role of the international standard currency. The United States is the one that has the right to print the dollar and thus can provide loans in this currency, with full awareness that most .developing countries will not be able to pay their debts
- The hidden element in the projects financed by the loan shark: they are designed to create huge profits for American contracting companies, to concentrate wealth in the wealthy and influential families in the countries receiving the loans, ensuring economic and political dependence, and finally and most importantly, the burden of servicing these loans will deprive the poor in these countries of government services and financial support for the poor class. In this deceptive way, the money does not leave the headquarters of the international donor agencies, most of which are located in the United States, but is simply transferred from the accounts of banks in Washington to the accounts of companies in New York, Houston or San Francisco. While this money is immediately returned to the members of the corporate bureaucracy, the recipient country still has to pay the .principal and interest on the loan

⁶⁶ Hathaway, Oona (2002), "Do Human Rights Treaties Make a Difference?", Yale Law Journal 111: 1935-2041

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- The catastrophes that befell many peoples of the world were caused by the assassinations and economic piracy that he and a handful of his colleagues practiced, which brought economic tragedies to the peoples, in addition to getting rid of national leaders and leaders who were killed because of their opposition to that system of giant corporations, governments and banks that seek to build a global empire. The author acknowledges that when the economic pirates failed to attract those former national presidents, another team of pirates, **the intelligence foxes**, intervened to carry out their missions

Part of the answer comes from Perkins's argument that Third World debt reached \$2.5 trillion and that debt service amounted to \$375 billion annually in 2004, a figure that exceeds what all Third World countries spend on health and education and represents 20 times what developed countries provide annually in foreign aid

- Good economic concepts through the demand for privatization of companies and service sectors, then the cancellation of support and all trade restrictions that protect national companies, while the United States and its partners from industrial countries continue to provide support to their business sectors and impose restrictions to protect their industry, such as intellectual protection
- Overcoming the high oil prices by directing investments to the polar regions and Alaska to extract oil and compensating for the surplus in the trade balance in favor of the Arab Gulf states by exporting weapons to the Middle East and building giant non-productive entertainment projects in the Arab Gulf by American companies
- The octopus-like entanglement between the US administration and major corporations is evident through the Food for Peace Program, which aimed to support US agricultural companies on the one hand and to consolidate the dependence of others on US food on the other hand

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- Dividing the world into areas of influence for American companies
Venezuela, Mexico, and Gulf Oil Companies-
Central America, Caribbean cheap labor-
China for consumption-
- :The United States and Europe sought through
International financial institutions such as the International -
Monetary Fund and the World Bank
World Trade Organization-
⁶⁷Multinational companies-
To establish a system to rule the world indirectly and
unfairly, giving part of the global pie to the wealthy ruling
class in developing countries to implement the interests of
multinational companies by opening the markets of those
countries to them, eliminating price, tax and customs
barriers, and providing various types of support for local
.industries
- Intellectual property rights in the field of inventions,
pharmaceutical industries and agriculture for major countries
so that the gap between developing and developed countries
continues. In contrast, there are no intellectual property
rights on the secrets of herbal medicines and other natural
treatment methods that have accumulated experience in
.developing countries
- The term "Corporatocracy" refers to the elite of
businessmen and politicians in the United States who seek to
build a global empire controlled by a group of major
.American companies
- If the loan sharks fail, a more evil faction will enter the
arena, the fox faction. These are dirty businessmen who aim
to assassinate. If these foxes fail, there is only one solution,
.which is war, as happened in Iraq
- One of the main tasks that the loan shark is trained to do is to
encourage world leaders to become part of a vast network of
contacts that promotes US commercial interests so that these

⁶⁷ Hay, Bruce L. (1992), "Conflicts of Law and State Competition in the Product Liability System,"
Georgetown Law Journal 80: 617-52.

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leaders fall into the trap of burdensome debts that ensure their submission, so they resort to the economic sharks and fall into their schemes, and whenever they ask for money and aid, they find what they ask for

In return for their obedience to the American economic and intelligence pirates, these leaders guarantee a flow of aid money to build power plants, industrial facilities, and airports for their citizens. From time to time, these leaders find themselves asked to “return the favor” and comply with the creditor’s conditions, which range from agreeing to a certain vote in the United Nations, or controlling certain resources in the debtor country, or establishing a military base on its territory, or turning a blind eye to the invasion of a neighboring country, and perhaps assisting in its invasion logistically at times and materially at other times

The obedience of countries burdened by debts does not stop at the international arena, but rather opens its doors to American companies that roam the country, hiring local workers and subjecting them to harsh working conditions, paying them nothing but slave wages

In all the previous examples, the goals were the same: pushing these countries into a state of bankruptcy, raising the poverty line, increasing unemployment, worsening the public debt, and confusing the annual budget by paying off foreign debts

The writer supports these confessions with a set of examples that illustrate the contradiction in American policies in many issues, whether or not this interest is available

❖ The media and intellectual propaganda celebrated the victory of the American capitalist model after the collapse of the Soviet Union and the fall of the socialist camp, but in 1971, with the emergence of signs of competition from Europe and Japan, President Nixon announced the new American policy, which was to dissolve the existing economic system, the Bretton Woods system, and lifted the gold cover of the dollar, which gave a huge

advantage to the American financial and industrial system to move⁶⁸ across the world without restrictions

❖ The extra revenues Saudi Arabia received from high oil prices were more of a blessing than a curse. Billions of dollars filled the state coffers, undermining some of the strict Salafi beliefs. Wealthy Saudis traveled the world, attended schools and universities in Europe and the United States, bought luxury cars, and furnished their homes in Western styles. A new form of worldly indulgence replaced conservative religious beliefs. This consumerism offered the answer to fears of a future oil embargo. Almost immediately after the embargo ended, Washington began negotiating with the Saudis, offering to trade technical assistance, equipment, and military training for petrodollars and, most important, a guarantee that the oil embargo would never happen again. The negotiations resulted in the creation of the most bizarre development agency in history, the U.S.-Saudi Commission for Economic Cooperation, better known by its acronym JECOR. JECOR spent billions of dollars each year, with no oversight from Congress. Because there was no U.S. government money involved, Congress had no authority to intervene, although the Treasury Department acted as a mediator. And so began a long journey of transferring Saudi oil revenues to American companies

❖ In previous practices, a country like Ecuador found itself forced to sell its forests in the Amazon basin to American oil companies because the Amazon forests contain oil reserves that rival those in the Middle East. In Ecuador and other experimental fields where pirates played their role, 75% of the oil revenues go to American companies, while the experimental country gets the remaining percentage, 75% of which goes to pay off foreign debts and government expenses. The result is that only 2.5% remains for health and education programs and support for the poor

❖ Oil is not the only target of economic assassination of nations. In the agricultural field, global hegemonic companies have emerged, such as the American United Fruit Company, which has become one of the dominant forces in Central America, with its

⁶⁸ Guzman, Andrew T. (1998a), "Why LDCs Sign Treaties That Hurt Them: Explaining the Popularity of Bilateral Investment Treaties," *Virginia Journal of International Law* 38: 639-89

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large farms in Colombia, Nicaragua, Costa Rica, Jamaica, Saint Domingo, Guatemala and Panama. When some leaders tried to confront the agricultural monopoly of this company, the CIA plotted coups against them, bringing in loyal presidents who preserved the interests of these companies

❖ The matter did not stop at the level of American-backed military coups, but rather went beyond that to invasion and military landing, as happened in several countries, most notably Iraq and Panama. During the invasion, American forces spared no effort in burning cities, killing thousands of children and innocent civilians, and displacing the population. In a case like Iraq, the author confirms that its importance is not limited to oil, as there are water, a seafront, a strategic location, and a vast market for selling American technology. It has become clear since 1989 to the American elite who supported Saddam Hussein in his war against Iran that he would not follow the economic scenario drawn up for him, and thus he received his harsh punishment, to be a lesson to the neighbors in this way of painful examples that reveal secrets. The book takes us from one continent to another and from one country to another: Saudi Arabia, Iran, Panama, Ecuador, Colombia, armed with evidence, documents, interviews, and recently published records to achieve several goals at the same time, to clarify what is happening in secret to subjugate countries and peoples

The above shows the hidden role of international financial institutions and the strategic alliances between these institutions and the intelligence agencies of Western countries and multinational companies in order to politically and economically dominate developing countries in general and Islamic countries in particular, and to work to perpetuate the poverty of these countries and prevent them from recovering from their slump, and to impose on them many agreements such as GATT with the aim of subjugating these countries and establishing the principle of international specialization, as the gap continues between developed countries that export expensive industrial products and third world countries, including Islamic countries, that specialize in cheap raw materials and agricultural goods

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Chapter Four: The Impact of the Policies of the World Bank and the International Monetary Fund on Egypt, Malaysia and Turkey

introduction

After reviewing the policies of the World Bank and the International Monetary Fund in developing countries and anticipating their negative effects, and the testimony of one of the loan pirates about the hidden role of these institutions, we prove through experience and practical reality the impact of these policies on Egypt as one of the countries that committed to implementing these policies, and Turkey and Malaysia as examples of countries that refused to surrender to all the conditions and instructions of ⁶⁹.these institutions and relied on their own resources

Egypt's relationship with the World Bank

She was Egypt was one of the first countries to join **the World Bank** in 1945. In 1999, Egypt obtained On loans benefiting from the Bank's lending window serving low-income countries However, Egypt is currently considered among the middle-income countries and has the ability to borrow large sums from the International Bank for Reconstruction and Development, but it is no longer eligible to obtain interest-free loans or grants from the International Development Association. In 2006, the World Bank financed 114 operations in Egypt, the amount allocated to which reached 7.8 billion dollars. In 2007, the amount of lending granted to Egypt reached 700 million dollars, in order to implement important financial sector reforms and adopt a plan to .finance the financial sector restructuring program

Egypt joined the International Finance Corporation (IFC) in 1975, the World Bank Group's arm for supporting the private sector. Since then, the volume of IFC investments in Egypt has reached \$1.3 billion, distributed among 68 projects. This has made Egypt the largest recipient of financing from the Corporation among the countries in the Middle East .and North Africa region

The International Finance Corporation works to encourage the private sector in Egypt through direct investments and advisory services it

⁶⁹ Hay, Bruce L. (1992), "Conflicts of Law and State Competition in the Product Liability System," Georgetown Law Journal 80: 617-52.

provides. The Corporation has played an important role in the financial sector, providing assistance to public sector banks in relation to privatization, as well as providing loans to banks that have undergone privatization, such as the Alexandria Bank project. The International Finance Corporation has also prioritized investments in extractive industries, especially through petroleum and mining projects. However, the work of this corporation exposes the influence of the World Bank on the Egyptian economy, which is supposed to encourage investment in projects that work to reduce poverty. However, all clients included in the IFC's investment file in Egypt are non-Egyptians, as foreign companies obtain financing from this corporation, and the developmental effects of its projects are unclear, especially with regard to the net job opportunities⁷⁰ created by these projects

The Multilateral Investment Guarantee Agency is another arm of the World Bank Group that works to support the private sector. This agency provides private companies with financial guarantees to insure against political risks with the aim of encouraging the private sector to invest in developing countries. It also supports host governments by providing legal services and strategic recommendations on ways to attract private sector investments to the country

The International Investment Guarantee Agency has one project in Egypt, which is the solid waste management project in Cairo, which was implemented by a Spanish company

Egypt's relationship with the International Monetary Fund

Egypt is one of the founding countries of the International Monetary Fund in 1945, and its share at the time of establishment amounted to \$45 million. However, it was increased more than once in line with the general increases in members' shares that the Fund decides periodically, and Egypt obtained resources from the Fund to finance the⁷¹ balance of payments deficit

⁷⁰ Horn, Henrik and Petros C. Mavroidis (2001), "Economic and Legal Aspects of the Most-Favored-Nation Clause," *European Journal of Political Economy* 17: 233-79.

⁷¹ Hathaway, Oona (2002), "Do Human Rights Treaties Make a Difference?," *Yale Law Journal* 111: 1935-2041.

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In May 1962, Egypt signed its first stabilization agreement with the Fund, following the deterioration of the cotton crop and the decline in the country's foreign exchange earnings in 1961. Under this agreement, the Fund provided Egypt with facilities amounting to 20 million pounds sterling. In return, the Egyptian government committed to reducing the Egyptian pound from \$2.24 to \$2.30 per pound, and to unifying the exchange rate for all transactions except for Suez Canal transit fees and salaries of students sent abroad. The agreement also included raising local interest rates and following an austerity policy

However, the decisive phase in Egypt's relationship with the International Monetary Fund began in the mid-seventies. In May 1974, the International Monetary Fund began its role in adapting the Egyptian economy in the era of openness, and this coincided with the launch of the economic "openness" policy under Law 43 of 1974. At first, the Fund intervened in the Egyptian economy through the lending path to address the balance of payments deficit and pay off loan arrears. The report of the mission that visited Cairo at the time pointed to the deficit in the balance of payments and the accumulation of arrears and advised that the matter required a radical "reform" of the external sector to be an entry point for economic reform. "Specifically," the mission requested that the scope of the parallel market for foreign exchange be greatly expanded as a major step towards establishing a single exchange rate at a realistic level, and ⁷².restructuring prices in the internal and external trade sectors

At this stage, the so-called "Egypt Consultative Group" was formed, which is a bloc of creditors and aid providers, with the aim of imposing certain economic policies and priorities in exchange for providing financial resources. The International Monetary Fund played a prominent role in the deliberations and meetings of the Egypt Consultative Group, and the Fund demanded that Egypt take "serious steps towards economic reform." Egypt's response to these demands was represented in the two letters of intent that it submitted to the Fund in May 1976 and June 1978. It was also necessary to resume annual consultations in accordance with Article IV of the Fund's Agreement, and to appoint a resident representative of the Fund in Egypt. The adjustment

⁷² Jackson, John H. and Alan O. Sykes eds. (1997), *Implementing the Uruguay Round* (Clarendon Press, Oxford, UK).

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process that the IMF subjected the Egyptian economy to can be monitored by reviewing the letters of intent that the Egyptian government submitted to the IMF. Reading the letters of intent (1976-1978) reveals the following mechanisms

- (a) Preference for agriculture over industry. (b) Preference for the private sector over the public sector
- (c) Preference for foreigners over nationals. (d) Preference for commercial activities over productive activities
- (e) The dominance of market forces over planning

Below is a presentation of the letters of intent between Egypt and the International Monetary Fund

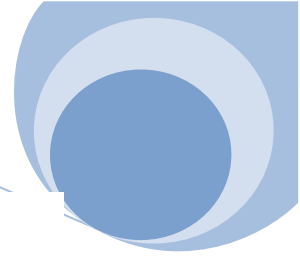
Letter of Intent of 1976 -1

This letter was issued in May 1976. It included a one-year economic reform" program under a support arrangement from the Fund " ⁷³.in the amount of SDR 125 million (one unit is worth US\$1.20)

The speech includes measures in the areas of reforming the exchange rate system, foreign trade policy, defining internal transactions, decentralization, fiscal policy, monetary and credit policy, foreign debt policy and arrears. Among the measures to contain current spending are reducing the cost of food subsidies by more than EGP 100 million in exchange for granting a living allowance for low-income earners of EGP million. In addition, it is expected that another wage increase will be 30% necessary at the end of the year

Egypt is also committed to the text of paragraph 22 of the Letter of Intent to respond to the request of the Managing Director of the Fund for consultation whenever he deems it necessary. It is worth mentioning in this regard that the economic policies implemented in accordance with this program and in accordance with what was stated in the Letter of Intent (1976) were the main reason for the Egyptian people's uprising on January 18 and 19, 1977

⁷³ Johnson, Harry G. (1953), "Optimum Tariffs and Retaliation," Review of Economic Studies 21: 142-53.



:Letter of Intent of 1978-2

This letter was issued in June 1978 and included an extended facility of 600 million SDRs to implement a three-year structural adjustment program covering the period 1979-1981. The structural adjustment included in this letter is based on four pillars: eliminating the imbalance between prices and expenditures, reducing subsidies, encouraging agriculture, and giving public sector enterprises the freedom to hire workers

If the years 1974 and 1975 represented the beginning of the IMF's adaptation to the Egyptian economy with the launch of the "open door" policy, the period from 1976 to 1987 witnessed the IMF's penetration through its three channels together: lending to address the deficit in the balance of payments, ensuring the flow of loans from governments and international banks, and intervening to reschedule debts after the arrears⁷⁴.of loans and interest worsened

The factors of the severe economic crisis combined with its various aspects, and it entered into arduous negotiations with the head of the IMF mission in May 1986 in order to reach an agreement with the Fund that would enable it to obtain more loans on the one hand and pave the way for it to reschedule the Paris debts on the other hand. In May 1987, the Egyptian government signed an 18-month support agreement with the Fund after completing negotiations on its "draft letter of intent" in February 1987

Letter of Intent 1987-3

In February 1987, negotiations between Egypt and the International Monetary Fund were completed on the "Draft Letter of Intent." The introduction to the draft letter indicates that the government aimed, through its economic reform program, to

- And controlling inflation through effective cuts in government spending while increasing state revenues

⁷⁴ Kemp, Murray C. and H. Y. Wan (1976), "An Elementary Proposition Concerning the Formation of Customs Unions," *Journal of International Economics* 6: 95-97

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- Increase role Market mechanisms and giving an increasing role to the price system in the economy
- Treating the balance of payments deficit by rationalizing imports of consumer goods and encouraging exports
- Reducing the variability in the exchange rates of the pound, reducing the number of goods subsidized by the state, increasing gasoline prices and the new customs tariff
- Gradual increase in interest rates on bank deposits and increased savings
- In financial policy, the deficit in the state budget was reduced by reducing the number of goods subsidized by the state, reducing its proportion to the state's general spending in the budget, and controlling the government's investment spending by encouraging the private sector, in addition to increasing the state's tax revenues through tax reform, liberalizing agricultural crop prices, and increasing the prices of petroleum products and electricity to bring local prices closer to global prices⁷⁵

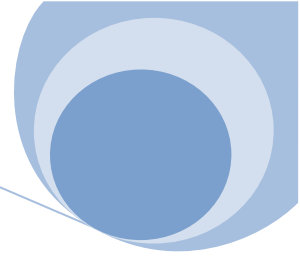
By obtaining the Fund's certificate, Egypt was able to negotiate with the members of the Paris Club (May-July 1987) and obtain their approval to reschedule its debts estimated at \$12 billion. It was also able to obtain \$500 million in the form of Western loans

By the end of the 1980s, Egypt needed the IMF certificate again to go to the Paris Club to reschedule its debts. The donor countries exerted pressure to push Egypt to conclude an agreement with the IMF on the terms it deemed appropriate. For example, the United States froze the cash aid for the years 1988-1989, amounting to 230 million dollars (115 for each year), which it decided in 1987 to allocate for the purpose of achieving economic stability in Egypt, encouraging reform, and confronting the payments crisis

The following is a summary of the policies or prescriptions of the International Monetary Fund and the World Bank⁷⁶

⁷⁵ Johnson, Harry G. (1953), "Optimum Tariffs and Retaliation," *Review of Economic Studies* 21: 142-53.

⁷⁶ Kemp, Murray C. and H. Y. Wan (1976), "An Elementary Proposition Concerning the Formation of Customs Unions," *Journal of International Economics* 6: 95-9



:The tax field First :

- ❖ Reducing taxes on income and revenues generated by the private sector
- ❖ Providing generous exemptions from taxes on profits and income
- ❖ Providing customs facilities on investment and intermediate imports for investment projects

The tax policy in the previous period in Egypt was in accordance with the instructions of international financial institutions by expanding the base of the tax community so as to cover the largest number of taxpayers regardless of their living conditions and the distinction of the business class. This is evident in the following elements

Reducing the income tax rate-

The maximum tax is 20%. The tax rate is unified for those with an income of 20,000 and for those with an income of one million pounds or more.

Introducing a general sales tax that does not differentiate between rich and poor

Introduction of real estate tax-

The Egyptian tax system after the economic reform failed to achieve social justice. On the contrary, it contributed to the increase in the maldistribution of income among Egyptian citizens. It supported the capitalist class at the expense of the middle and poor classes by expanding the tax base to include all members of the people regardless of their needs and living conditions, reducing the highest tax rates, and imposing indirect taxes that do not differentiate between the rich and the poor.

Second: Devaluation of the currency

The call to allow the pound to devalue may be based on a number of arguments, the most important of which is the desire to increase exports and reduce imports, thus improving the trade balance, encouraging tourism and encouraging foreign investment to flow into the

Egyptian economy, thus relieving pressures in the foreign exchange market. These arguments were not achieved when Egypt devalued the pound against the US dollar, and the common citizen and the middle class were the ones who paid the price for that. We will review each reason and respond to it through the economic reality

Does the devaluation of the Egyptian pound lead to an improvement in the trade balance? It is linked to the conditions of high price elasticities of demand for both exports and imports, in addition to the necessity of this being accompanied by an increase in the ability of the local supply of goods to respond to the increase in demand for exports with the devaluation of the currency. In practical reality, we find that the response of exports to the devaluation of the pound is very limited, and that the substantial devaluations of the Egyptian pound in 1979 - 1989 - 1991 - 2003 - 2001 were not accompanied by any significant development in the growth of exports, and also the weakness of the pound will not lead to the result that observers expect with regard to imports; It is noted that the import response is clearly weak to the devaluation of the Egyptian pound, and that the opposite is expected, as the value of the import bill (in Egyptian pounds) will increase, which is a major problem for a country like Egypt that imports a large part of the inputs of raw materials and intermediate goods necessary for production processes, and most of the capital goods from abroad, which means that the devaluation of the currency will inevitably lead to an increase in the cost of production and an increase in the prices of locally produced goods on the one hand, in addition to an increase in the prices of final goods imported from abroad on the other hand. The result of the above is that the devaluation of the pound will not lead to an improvement in the trade balance as much as it will lead to more inflation in prices.

an official meeting dated January 8, ⁷⁸ According to the minutes of between Youssef Boutros Ghali and David Welch, the US 2003 Ambassador to Cairo, 20 days before the decision to liberalize the

⁷⁷ Lawrence, Robert Z. (2003), Crimes & Punishments?: Retaliation under the WTO (Institute for International Economics, Washington)

⁷⁸ voice The nation Issue No. 234 On 23-5-2005

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exchange rate, the ambassador asked the minister to solve the exchange rate problem in exchange for the success of Gamal Mubarak's visit to America during the same period, and the exchange rate rose to 6.5⁷⁹. Egyptian pounds to the dollar

The following is a statement of the trade deficit before and after the devaluation of the Egyptian pound: \$1 billion

2005	2004	2003	2002	2001	2000	Statement
10.6	7.7	6.2	4.7	4.1	4.7	Commodity exports
19.8	12.9	10.9	12.5	12.6	14.1	Commodity imports
30.5	20.6	17.1	17.2	16.7	18.8	Trade Volume
9.2	5.2	4.8	7.8	8.5	9.4	Trade deficit

It is noted that exports and the trade deficit were not affected by the change in exchange rates and the devaluation of the Egyptian pound, meaning that only the poor citizen and the middle class bore the impact

Does the devaluation of the Egyptian pound encourage tourism? On the other hand, Egypt, unfortunately, despite having the largest stock of ancient world antiquities in the world, its very long beaches on the Red Sea and the Mediterranean, and its relatively moderate climate, especially in winter, Egypt's international ranking in the Global Travel and Tourism Index is modest. Some may even be surprised if they know that according to the latest report in 2011, with the exception of Kuwait, the GCC countries rank better internationally than Egypt in this index, as the UAE ranks 30th, Bahrain 40th, Qatar 42nd, Oman 61st, and Saudi Arabia 62nd while Egypt ranks 75th, and finally Kuwait 95th, out of 139 countries covered by the report

⁷⁹ Maggi, Giovanni and Andres Rodriguez-Clare (1998), "The Value of Trade Agreements in the Presence of Political Pressures," *Journal of Political Economy* 106: 574-601

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The following is a statement of the development of the number of tourists during the period from 2000 to 2009: One million tourists

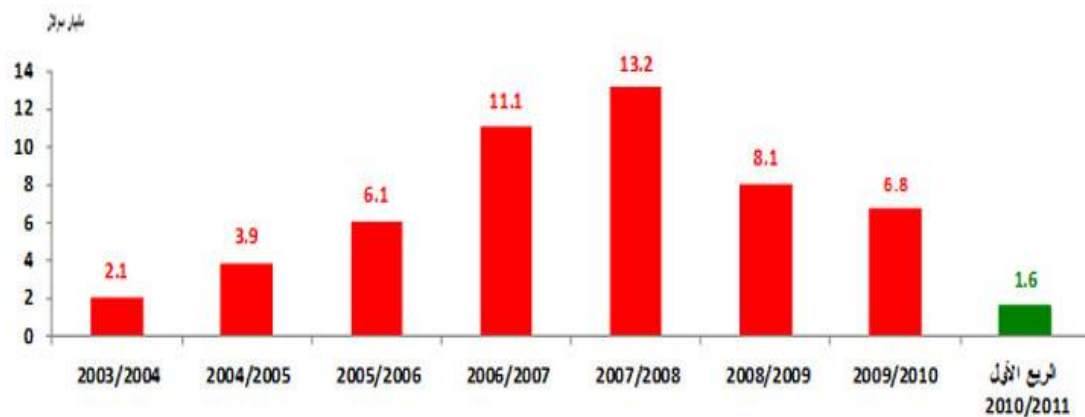
2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Statement
12.1	12.8	11.1	9.2	8.6	7.3	6.0	5.5	4.6	5.1	Number of tourists

From the previous table it is clear that the decline in the value of the .currency did not affect the number of tourists coming to Egypt

Does currency devaluation attract foreign investment? There are many -3 factors that affect foreign direct investment primarily, such as market size, purchasing power, quality of the business environment, stability of laws, tax levels, and other factors that play a decisive role in these flows. As for currency devaluation, it creates an advantage for foreign companies, as production costs, especially wages, become relatively cheap in the country where the devaluation occurred, provided that the devaluation does not result in increased inflationary pressures. However, on the other hand, the stability of the foreign exchange rate also plays an important role in these flows. The higher the degree of instability of the exchange rate, the greater the degree of uncertainty associated with the investment decision, which negatively affects foreign direct investment flows.

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The following figure shows the foreign investments received by Egypt⁸⁰ during the period from 2004 to 2010: Million dollars



It is noted from the previous table that foreign direct investment was not affected by the change in the currency value during the period from 2004 to 2010.

In addition to the failure of arguments to devalue the currency, there are many negative effects associated with the devaluation of the currency, such as: high inflation rates, low standard of living, especially for the middle and poor classes. The more inflationary effects resulting from the devaluation of the currency, the less corrective effect of the devaluation on the trade balance. Also, the announcement of the intention to devalue will push many speculators in Egypt and abroad to speculate on the pound, which will raise the value of the dollar in the Egyptian market and lead to a deterioration in its value even before the devaluation process actually takes place. There is no doubt that such harmful speculation will have negative effects on the foreign exchange market.

Finally, it is expected that with the devaluation of the pound, there will be a decline in the demand for keeping deposits in local currency, due to the decline in its value with the gradual devaluation of the pound, and the increasing demand for deposits in foreign currencies such as the dollar and the euro, which is called currency substitution, which will put additional pressure on the exchange rate with the increasing demand for

⁸⁰ Maggi, Giovanni (1999), "The Role of Multilateral Institutions in International Trade Cooperation," *American Economic Review* 89: 190-214.

currency substitution operations and the disposal of deposits in Egyptian pounds, and this is what happened in Egypt after the devaluation of the ⁸¹.currency

Liberalizing prices and canceling support -3

The instructions of the World Bank and the International Monetary Fund are to liberalize prices according to supply and demand and :eliminate support through the following means

- Prevent price controls and eliminate government intervention in .product pricing
- Eliminate state-sponsored economic support
- Reducing support for food and essential goods, whether by completely cancelling this support at once
- Raising the prices of energy materials, especially energy materials used for family consumption purposes, and making .them equal to their global prices

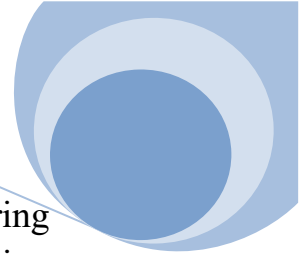
World Bank Representative for Social and ⁸² ,Bernard Funk Economic Development in the Middle East and North Africa, stressed the need to reduce and rationalize subsidies in Egypt, pointing out that there is a huge loss of resources directed to subsidies and that the same goal .can be achieved with fewer resources

He added that the World Bank is preparing a paper on reducing fuel and energy subsidies and rationalizing their consumption, which will be presented soon to the Egyptian government, in addition to preparing a report to study the production of local bread and the political options .proposed to reduce the production of some bakeries

The report, presented by Dr. Sherine El-Shawarby, a researcher in the field of poverty reduction at the World Bank, stated that 45% of the total support goes to the richest 60% in Egypt, noting that 63% support .can be provided for the benefit of the poor

⁸¹ Leebron, David W. (1997), "Implementation of the Uruguay Round Results in the United States," in John H. Jackson and Alan O. Sykes eds., *Implementing the Uruguay Round* (Clarendon Press, Oxford)

⁸² Source forum.alnel.Com :<http://forum.alnel.com/thread-11972.html>



He revealed that the local bread leakage rate reached 31% during this year, while the leakage rate in the ration cards reached 26%, noting that the percentage of flour loss is still large, as the percentage of loss⁸³ represents a third of the volume of subsidized flour

He said that the cost of the leaked support amounted to about 5.5 billion pounds according to the fiscal year 2008/2009, with wheat representing the largest proportion of it at 61%, followed by oil at 18%

The report explained that the Upper Egypt governorates, which are among the poorest governorates in Egypt, benefit the least from support, followed by the Lower Egypt governorates, indicating that Cairo is completely far from not benefiting from it, as it receives the largest part of the support, and pointed out that the rich receive the largest part of the support compared to the poor

that support⁸⁴ Former Finance Minister Samir Radwan announced allocations reached 33% of the value of the first Egyptian budget after the January 25 Revolution, and that 75% of this support does not reach those who deserve it. Out of the 490.6 billion pounds that is the value of spending in the new 2011-2012 budget over 12 months starting in July, the support “item” accounts for about 137 billion pounds, of which about billion pounds is for fuel support. Experts confirmed that this 95.5 support always goes to those who do not deserve it and are in need of rationalization

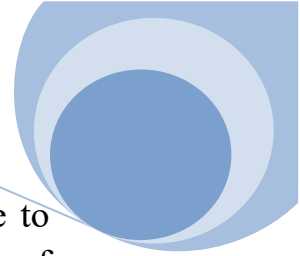
Regarding the support details, about 1.5 billion pounds were allocated to support low-income housing, an increase of 250 million pounds over what was expected this year, 850 million pounds to support passengers, and more than 420 million pounds to support medicines, in addition to an amount of 3.5 billion pounds to support free treatment at the state’s expense, while the total allocations for supporting petroleum products in the state’s general budget amounted to 95.5 billion pounds⁸⁵

There is no doubt that reducing or cancelling support will have the greatest impact on the middle and poor classes in Egypt and increase the

⁸³ McConnell, Michael W. (1988), “A Choice-of-Law Approach to Products-Liability Reform, in Walter K. Olson ed., *New Directions in Liability Law* (Academy of Political Science, New York).

⁸⁴http://www.moheet.com/show_files.aspx?fid=478959

⁸⁵ Olson, Mancur and Richard Zeckhauser (1966), “An Economic Theory of Alliances,” *Review of Economics and Statistics* 48: 266-79.



burdens on them. Also, cancelling the support provided by the state to producers and exporters will lead to strengthening the control of international capitalism over the local market after expelling local producers who are unable to compete either by cancelling the support or increasing the prices of inputs of raw materials, energy prices and services, and thus raising the prices of their production and the inability to compete externally and exit the market. What is required is not to cancel the support, but to re-legalize and rationalize it so that it reaches those who deserve it

Privatization (selling the public sector) -4

maybe identification practical ⁸⁶Privatization That it is The process that Produce on sale Companies Owned For the state Complete or Sell shares Big From it to Investors from Sector private whether ?Were they from Citizens or Foreigners. Although from that sale Companies Owned For the state he more Shapes Privatization ,Most commonly Then Governments .It can be privatized Lands((privatized some Countries Asian Ports) or Housing((Order that It was completed in Britain and some Countries Other) or until Services(such as The case in some States in States United American, on way ,Example that Privatized education And create Roads And collect Garbage and others from Services on Support path Implement it to Companies (Especially. the important to understand Logic that Moves practical Privatization- ALA And he is non presence border when maybe For governments to ,implement In addition to that some Projects And on The most specialized Industrial From it maybe For the sector private Dealing with it In the picture The most efficient.⁸⁷

And while Next Methods The Seven Followed To implement Privatization:

Sell The year For shares Companies Owned To the state: on Although from difficulty the proposal The year For stocks And its high

⁸⁶ Privatization Companies Owned For the state - center Projects International Private ,
, Cairo www.cipe-arabia.org :

⁸⁷ Ordovery, Janusz A. and Alan O. Sykes (1988), "The Antitrust Guidelines for International Operations: An Economic Critique," in Barry Hawk ed., North American and Common Market Antitrust and Trade Laws (Matthew Bender, New York).

cost in Countries that Suffering from Markets the money ,weak Then Campaigns Media Wide Scope She can skip This is amazing Aqaba

Sell private For shares Companies Owned For the state: It is considered this Type from Privatization more Types Commonly and from during practical For bidding Competitiveness For the purpose of to avoid problems Corruption And favoritism. Aether Controversy About Operations Privatization in Mexico a result For claims The saying That Companies Sold For friends Party members The ruler At prices Discounted. And Raised same allegations around Privatization in Russia a result For lack of transparency.⁸⁸

Investment New in Companies Owned For the state: No It is considered Supporters Privatization Complete this Type doubt . For security Shapes ,Privatization where Keep the government By fate The biggest in ,The company The order that Affects On decisions Investment Which Reflected Negatively on success The company in The future. Can . procedure Investment New either By asking Stocks For sale The year or on road Sell private.

sale Origins Companies Owned For the state: works this Style on Liquidation The company And payment any Debts Related to it. Then It is done situation Assets in Groups after that For sale For investors But At a price less from Its value before Liquidate it. . Usually what It is done to implement this Style when presence hope in rescue The company -Re Its structure Internally. . Adopted Poland Depending Big on this Style in Privatization Its sector Industrial.

sale Elements Companies Owned For the state: sale Parts Winner from The company In a way ,single in Many Countries same Systems Economic Central There is Companies Holding Big It consists of from Types Different ,From the facilities So It is necessary to divide This is amazing Companies Holding And replay Assemble it before to implement any style last From methods Privatization.

buying Staff/ Managers For the company Owned For the state: from more Methods Privatization Commonly that Who does on program

⁸⁸ Posner, Eric and Alan O. Sykes (2004), "Optimal War and the International Rules of Jus Ad Bellum (mimeo).

Ownership Stocks ,For employees where It consists of a company New from number from Staff who subscribe With their resources And they borrow funds ,New on that buy The company New The company List ,State owned So that become The company New a company Especially. . Succeeded this The program in States United American result For incentives Tax Private that Enjoy With it. . Use it this The program As a means from means Protection From the forms takeover Violent or from Okay limit from Unemployment when He is alternative he Liquidation Origins The company.⁸⁹

leasing employment Companies Owned For the state: It is Style The one who stands on leasing The company Owned For the state To the company Other especially or Conclusion a contract administration between The company General And another ,especially with survival ownership Actual company And its origins And her opponents in Hawza Government. . Other that this Style that I followed him number from African countries for him Faces failure on Range Far away. In coast Ivory on way Example Well done Private management from efficiency to provide ,Water not that this Progress He was temporary because the government It continued in Investment Management with Keep With policies Pricing Distinctive. And in a way general when Login in a contract administration With the government no Enjoy The company that Manage The facility With control Real because the government dictate Terms that The company works Management Accordingly.

Privatization in Egypt

It is program Privatization in Egypt One pillars practical Reform Economic in beginning 90s from ,twentieth century that came with Seeking The State about catch up I ride Changes Global. . Started program Privatization As a result of the requirement fund Criticism International Opposite presentation loan To Egypt year 1991.⁹⁰

Here we must mention that in 1991, 314 companies were offered for sale, of which 254 were profitable, i.e. those that were making profits. However, 254 were offered for sale, while the losing companies did not

⁸⁹ Rasmusen, Eric (1989), *Games and Information: An Introduction to Game Theory* (Cambridge Press, Cambridge, UK).

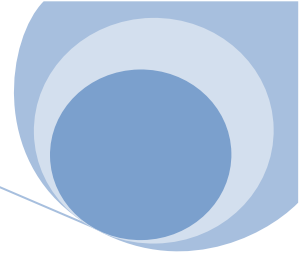
⁹⁰ Rodrik, Dani (1995), "Political Economy of Trade Policy," in Gene M. Grossman and Kenneth Rogoff eds., *Handbook of International Economics*, Volume 3 (Elsevier Science, Amsterdam and New York).

.exceed 60 the government By asking 316 a company For privatization He was number The biggest From it Enjoy By achieving Profits. And Solutions year 2003 She was may Done Privatization 133 a company Complete And privatization 55 In a way ,partial As(% (achieved outcome Privatization 3, 4 one billion dollar American. .I went most This is amazing The result to ministry Finance in when I went 18% of it to Pensions Early gesticulate He increases on 30% of it to settlement Debts Owned Companies For the state in when I went 5% of it to re Structuring.

I followed the government number from Methods Privatization: Done Privatization 28% of Companies on road Subtract Its shares in ,stock market And sold 22% of Companies to Investor ,big as Done Privatization 26% of Companies For sale to union Contributors from ,Staff in when Done Privatization 24% liquidation Origins/ Advertising Bankruptcy And sell this Assets Later. In condition Sell For unions And after evaluation Committee Privatization Ministerial She was This is amazing Unions get on Discounts It arrived in some Sometimes to 20% down payment The future on Orbit ten Years. And in case Privatization Partial I used the government style Contracts Rent that I allowed For the sector private Corporate Management that She remained Owned For the ,state And It was completed following this Style in condition Companies The weak that She was Suffering from Loss And it's hard Find on Investors To buy it. And in This is amazing Cases I continue Sector private in Company management until an end ,The contract And after Its over He was The landlord Grants option buying The company.

The many aspects of corruption left behind by the previous government that stole and looted the money of the Egyptians , In ways Illegal and sometimes through legitimate and legal means, it hid behind it . the theft and looting of Egyptians' money Privatization was the most prominent legal means taken by the previous government to seize public money . Which led to the loss of ⁹¹.. approximately 98 companies and sell them at the lowest prices

⁹¹ Sandler, Todd and Jon Cauley (1975), "On the Economic Theory of Alliances," Journal of Conflict Resolution 19:251-76.



Perhaps the most prominent companies that were sold for less than their price are the following

- 1- Starch and Glucose ” company, which was unique in “ the Middle East region, was privatized in 2003 and sold for 160 million pounds, of which 126 million pounds were paid . Although its assets exceed 400 million pounds , the company's assets are two factories, one in the Tora El-Balad area on the Nile Corniche, with an area of 8 acres, the price per square meter is 12.5 thousand pounds, and the other in the Mostorod area, with an area of 14 acres, and warehouses in Alexandria and Boulaq, in ⁹² addition to apartments
- 2- The Egyptian Company for Telephone Equipment Manufacturing was established in 1960 with the aim of developing communication equipment in Egypt . It was subject to the authority of the state until the year 2000 and remained a permanent support for the state budget, with the savings and profits it achieved, which reached To nearly 30 million pounds , The local manufacturing rate represented 80 % of its production and the company contributed to the continuous development of the armed forces’ missions in peace and war .
Within the framework of privatization, the Engineering Industries Company sold 90 % of the company’s total shares to a major investor or a group of investors, with allocated to the union of workers who are %10 ⁹³ .shareholders in the company
- 3- Pepsi Cola Company was sold for 158 million Egyptian pounds on condition that the investor invest 180 million

⁹² newspaper today Seventh , March 10 2011

<http://www.youm7.com/News.asp?NewsID=366772&SecID=274&IssueID=158>

⁹³ Privatization The company Egyptian For industry Equipment Telephone And corruption " system congrats " , center Helwan For Law And consulting Legal
<http://legal.maktoobblog.com/1383667/quicktel/>

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pounds during the following five years in 1994, although the price of only two factories (Minya, Port Said) was million pounds. So how could 8 factories with 18 150 production lines and a fleet of distribution vehicles be sold for the price of only two factories? Not only that, but the main investor sold his share to Cola International for ⁹⁴.million dollars 400

- 4- Alexandria Bank, Lawyer Shehata Mohamed Shehata, Director of the Egyptian Center for Integrity and Transparency, filed a lawsuit before the Administrative Court against both the Prime Minister and the Minister of Investment, demanding the invalidation of the contract to sell Alexandria Bank to the Italian San Paolo Group for billion, while banking experts estimated the market 1.6\$ value of the bank at \$5.5 billion. He added that the government restructured the bank and cleaned its portfolio of debts immediately before the sale, which cost the state EGP 9.11 billion. The sale was completed despite the fact that the bank was making annual profits of EGP 532 million according to the 2005 budget. Shehata added that the deal included the sale of 188 branches across the country and large areas of land in residential areas in Cairo and Giza. The bank contributed to the capital of 12 projects, 13 investment funds on the stock exchange, and 154 companies operating in various investment fields. It also participated in bonds issued by entities distributed among different banks and 9 companies. It also caused harm to shareholders' interests by selling the bank's shares for about \$12 for San Paolo Bank, while Alexandria Bank sold its stake in the Egyptian-American Bank, which amounted to about ⁹⁵.for \$38 per share ,%22

⁹⁴ , slave The glorious rightly guided , looting Organizer To Egypt model Privatization
<http://www.ahewar.org/debat/show.art.asp?aid=80212>

⁹⁵ newspaper Constitution Egyptian On 9/7/2011
<http://www.dostor.org/crime/11/july/9/47684>

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- 5- Nasr Boilers Company (steam boilers) with an amount of million dollars, including fixed assets and inventory 17 as well, the fixed assets of which are buildings and lands are estimated at 115 million dollars. The company is one of the strategic Egyptian companies, as it used to produce pressure vessels from one to 12 tons with capacities of up to 1300 tons of steam per hour, in addition to producing electricity generation boilers, liquid gas containers, and drinking water purification units. To clarify the size of the loss from selling this company, we mention that the Egyptian government contracted with the purchased company to manufacture power station equipment and .⁹⁶ supports for an amount of 650 million dollars
- 6- The Egyptian Glass Company, which was making annual profits of 50 million pounds, was sold for 150 million pounds, which is the company's profits for three ⁹⁷.consecutive years
- 7- The Dekheila Steel Company, which needs books to uncover corruption, consists of an industrial city with an industrial port attached and contains the only rolling mill in Egypt. It was sold for 4 billion pounds on the stock exchange, i.e. the company's profits in two years, and its .price has not been paid yet
- 8- Nubaria Seed Production Company (Nubasid) was sold in 1999 for 103 million pounds. This amount does not equal the strategic loss, as it deprived the Egyptian economy of meeting its needs for existing agricultural seeds and developing new, high-quality and productive varieties. The company's book value is estimated, ⁹⁸.according to the 1998 budget, at 214 million pounds

⁹⁶ . slave The glorious rightly guided , Reference before Previous
<http://www.ahewar.org/debat/show.art.asp?aid=80212>

⁹⁷ , slave The glorious rightly guided , Privatization The traitor<http://rashd-karama.maktoobblog.com/156208/>

⁹⁸ newspaper sunrise , the details Complete For scandal sale a company Nubaria Nobasid
<http://www.shorouknews.com/contentData.aspx?id=416736>

- 9- The sale of Omar Effendi Company, which turned into a political scandal by all standards, the scandal that was exposed by Engineer Yehia Hussein, a member of the evaluation committee that evaluated the company at 1.14 billion pounds, while Dr. Mahmoud Mohieldin, Minister of Investment, insisted on selling it for half a billion pounds, less than half of what it was estimated at. As we followed how the deal went and ended as Mohieldin estimated, what kind of investment is this when he only knows how to sell and sell what neither he nor his regime owns? Finally, the deal was completed and Omar Effendi Company was sold to the Saudi investor, owner of the Anwal Saudi Arabia” Company, for 589.5 million “pounds, an amount that does not equal the price of the land on which 82 branches of the company are located in Egypt’s governorates, nor does it equal what the company owns in terms of warehouses, a huge transportation fleet, rest houses and apartments. The evaluation committee had estimated some branches at more than what the Saudi investor had offered, for whom .Mohieldin insisted on completing the deal
- 10- Cement companies are a common occurrence, and all of .these companies are profitable
- Assiut Cement Company 576 million pounds
 - Alexandria Cement Company 209 million pounds
 - Beni Suef Cement Company 143 million pounds
 - Egyptian Cement Company 1 billion and 494 million pounds
 - Suez Cement Company 1 billion and million pounds 144

- Al-Ameria Cement Company 134 million pounds

It was sold and the Egyptian cement market was controlled by this strategic commodity by three companies - Lafarge of France - Seymour of Portugal - Cemex of Mexico, and the Egyptian government only had an 8% share in the market through the National Cement Company

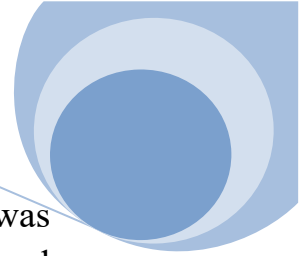
Who is responsible for the consumer price of 750 pounds per ton, even though the cost of production is less than 200 pounds only? The strange thing, according to the report, is that these companies were and still are profitable, which requires an urgent investigation into the waste of public money . It is sufficient to say here that Assiut Cement Company achieved, according to the latest financial statements , an amount of 199 million pounds . Alexandria Cement achieved 209 million pounds , Beni Suef Cement achieved 341 million pounds . Egyptian Cement achieved 1 billion and 494 million . The National Cement Company achieved 8 million pounds . As for Suez Cement, it achieved a net profit of 1 billion and 441 million pounds . Al-Ameriya Cement achieved a net profit . estimated at 431 million

Egypt not only lost the high profits of cement companies, which no other sector in Egypt was able to achieve except the petroleum sector, but

⁹⁹Revealing the privatization series About the loss of approximately 89 of the best Egyptian companies that were seized by businessmen of the previous government Without justification and with invalid contracts, which wasted millions of dollars for the country and displaced a huge number of workers in these companies, whose new managements laid them off or terminated their services with an early . retirement system

Privatization and Businessmen " was the title of the study " prepared by Dr. Salah Gouda. - Director of the Center for Economic . Studies - About the corruption bill that Egypt paid over thirty years The study revealed that privatization companies cannot return. To the

⁹⁹ Sandler, Todd and Keith Hartley (2001), "Economics of Alliances: The Lessons for Collective action," Journal of Economic Literature 39: 869-96.



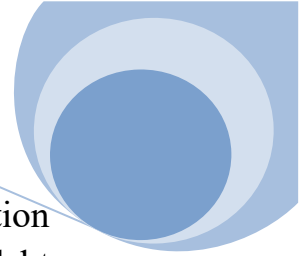
public business sector unless young Invalidation of sales contracts It was one of the best Egyptian companies with distinct purposes and achieved huge profits . , And labor intensive , While it is The number of companies that were invalidated is approximately 89 companies. , Whether at a price lower than the appraisal price or through violations of the terms of the ¹⁰⁰. contract

According to the study, it is not possible to go back on the agreements concluded between some foreign companies. , Or it is cancelled because it was done in accordance with treaties and laws that must be respected. And the companies that can be recovered in all privatization eras , starting with the Atef Ebeid Ministry and ending with the Mahmoud Mohieddin Ministry. , We can only recover companies that have been invalidated or fraudulently executed in some proceedings. , In this case the government can either recover these companies or claim the price differences. , But if the government nationalizes these companies, . there will be panic in the market

The matter is much bigger and more dangerous than we imagine. The World Bank and a number of international organizations estimated the value of public sector companies at 500 billion pounds, and the Al-Ahram Center for Economic Studies and the National Investment Bank estimated the value of the same companies at 500 billion pounds. However, 241 companies out of a total of 314 companies were sold for a sale proceed of 16 billion and 741 million pounds. At these prices, the proceeds of selling the entire public sector, as estimated by specialists, will not exceed 22 billion pounds. So where did this huge difference go between international assessments and neutral organizations and the ?actual reality

The picture becomes even darker when we know that the value of what Egypt received from the proceeds of selling the public sector after organized corruption operations was wasted on displacing workers through early retirement and paying off the debts of the sold companies. According to government figures in 2003, the proceeds of selling the public sector up until that time were 16.9 billion pounds, of which 14.7

¹⁰⁰ Schwartz, Warren F. and Eugene W. Harper (1972), "The Regulation of Subsidies Affecting International Trade," Michigan Law Review 70: 831-58.



billion pounds were paid, 3 billion of which were spent as compensation for workers who were given early retirement, 4.5 billion in debt settlements for companies, 6.6 billion were transferred to the Ministry of Finance to be wasted in the state's general budget, and 0.9 billion was spent on administrative reform of companies. In other words, the proceeds of selling the public sector were wasted entirely, while leaving behind more than 450 thousand workers who joined the unemployment¹⁰¹ queue through the early retirement system

The Egyptian privatization program did not include any restrictions preventing foreigners from owning strategic economic projects related to Egyptian national security, such as cement companies and lands that have a strategic security dimension, for example, fence lands in Sinai, for which compensation of 400 million pounds was spent

But governments in most capitalist countries protect their strategic industries. In England, the House of Commons objected in 1986 to the increase in the Kuwaiti government's share in the ownership of British Petroleum, which Kuwait had purchased through the stock exchange, and was forced to cancel the deal

Another example is in the United States of America. The deal to sell some American ports to Dubai Ports Company was cancelled, despite the transparency of the deal and Dubai's entitlement to the deal. However, it was cancelled

After the Egyptian revolution on July 20, 2011, the interim government in Egypt decided to cancel the privatization program for public sector companies. It seems that there is consensus not to move towards "nationalizing" companies that were sold at less than their real prices, especially the largest ones, although there is a trend towards reviewing the contracts of those companies

Deputy Prime Minister for Political Affairs and Supervisor of the Business Sector, Ali Al-Salmi, has already announced the cancellation of the privatization program, describing it as "unfair." Minister of Manpower and Immigration, Ahmed Al-Burai, has rejected the idea of

¹⁰¹ network Information Legal Arabic
<http://www.eastlaws.com/Forums/DawreyaViewPost.aspx?ID=35>

nationalizing major companies, considering that this will harm the investment climate in Egypt. I hope that this will not be too late

But what is the result of the Egyptian government following the policies of the International Monetary Fund and the World Bank? Has it achieved what the countries that opposed the policies of the International Monetary Fund and the World Bank, such as Turkey and Malaysia, have achieved

:To answer this question, do the following

Egyptian economic performance indicators-

Comparing it to the performance indicators of the economies of Türkiye and Malaysia as cases similar to the Egyptian economy in the early eighties when implementing the policies of the World Bank and the International Monetary Fund

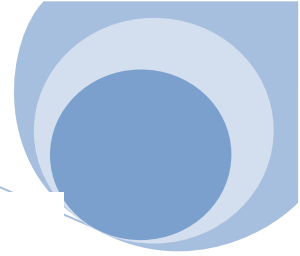
.First: Indicators of the performance of the Egyptian economy

:There are many indicators that may appear positive, which are

- According to estimates at the end of 2009, the GDP amounted to 187.3 billion US dollars
- The annual growth rate of the gross domestic product achieved an unprecedented increase in the years from 2003 to 2007, exceeding 8%, then declined somewhat due to the global financial and economic crisis, to settle at 5% for the years 2009¹⁰² and 2010
- The third indicator is the annual average of per capita GDP in at US\$1,447. This average rose in 2009 to US\$1,990 2000 despite the continued population increase (at a rate of 1.76% annually) which brought Egypt's population today to 83 million

In the three matters, however, this economic progress and recovery is nothing more than the beautiful face of an Egyptian economic scene that still has much ugliness

¹⁰² Sandler, Todd and Keith Hartley (2001), "Economics of Alliances: The Lessons for Collective action," Journal of Economic Literature 39: 869-96.



:Let's look at the rest of the economic indicators

- 1- The ratio of domestic public debt to GDP exceeded 80% in 2009, sounding a serious alarm bell about the future path of the Egyptian .economy
- 2- While the total external debt remained almost the same (29.5 billion US dollars in 2000 and 28.1 billion in 2009), its percentage of the GDP decreased, with the latter doubling during the past .years
- 3- Inflation rates have gone out of the government's control and .reached 11.8% last year after approaching 19% in 2008
- 4- The annual unemployment rate approached 10%. Structurally, there was a continued imbalance between the services sector on the .one hand and the industrial and agricultural sectors on the other
- 5- The industrial sector's contribution to GDP increased by only 2.4% between 2000 and 2009, reaching 38%, compared to 48% for the services sector. The agricultural sector's contribution even declined .from 16% in 2000 to 13.8% in 2009
- 6- .The trade deficit amounted to 17.48 billion pounds billion in 3\$ October 2010, compared to EGP 12.25 billion (£2.1 billion) in .2010 Dollar) in the same month of 2009.
- 7- The value of imports also increased by 33% during the same month, reaching 30.23 billion pounds (\$5.2 billion), compared to .billion pounds 22.69 billion pounds (\$3.9 billion) in 2009 1
- 8- The value of exports amounted to 12.75 billion pounds (\$2.2 billion), compared to 10.43 billion pounds (\$1.8 billion). (USD) in October 2009, an increase of 22%.
- 9- The Egyptian economic scene becomes even uglier when we look at the percentages and figures related to poverty and the gap between the poor and rich Egyptians. According to international estimates, today the percentage of Egyptians living below the poverty line reaches 25% (defined as one US dollar as daily income) and the percentage of those living on the poverty line .ranges between 15% and 20%

t occurred between 2000 ¹⁰³This means that the improvement that and 2010 in the GDP, its annual growth and the average annual share of the per capita share of it did not yet arrange positive changes regarding the phenomenon of poverty and the percentage of the population suffering from it. Also, the upper segment of the richest Egyptians - i.e. of the population - increased its share of the GDP to nearly 28%, %10 providing clear evidence of the growing concentration of wealth in Egypt and the widening gap between the poor and the rich. The best way to describe the growth rates in Egypt is to say that it is growth without development directed towards sectors of extravagance and waste, such as luxury real estate investments, which increased the unfair distribution of .income in Egyptian society

:Second: Economic development in Malaysia and Turkey

In Malaysia he says Dr. Mohammed Mahter: That the important here statement that Malaysia may I showed on model Development

that I praised him And she did By advertising for him Countries Northern from during The bank International " Bank" International. For construction " Reconstruction" and the Union Global .For marketing

And that's why I went ahead Malaysia Starting Since 1986, in place strategy For development from during plan 1986 Quintet stimulate activity Sector private Consider it Engine Basic For growth. And for .liberation Its economy as Stated So the president Ministers Mohammed Mahathir that Took over Responsibility 1982 , AD saying we in Malaysia We believe ,Edited by commerce And raise Restrictions on Exports and Imports

Many researchers have limited the reasons for progress in Malaysia to :the following factors

Malaysia's political climate is characterised by suitable conditions for -1 .accelerating economic development

¹⁰³ Schwartz, Warren F. and Alan O. Sykes (1996), "Toward a Positive Theory of the Most Favored Nation Obligation and its Exceptions in the WTO/GATT System," International Review of Law and Economics 16: 27-51.

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Malaysia has become one of the top five economies in the world in -2
104 .terms of local economic strength

Malaysia has adopted a largely self-reliant strategy by relying on the -3
.country's indigenous population, who represent the Muslim majority

Malaysia's interest in improving the social indicators of Islamic - 4
human capital, by improving the living, educational and health conditions
of the indigenous population, whether they are indigenous people of the
country or Muslim immigrants to it whom the authorities welcome to
.settle

Malaysia relies heavily on domestic resources to provide the capital -5
needed to finance investments, as total domestic savings increased by
between 1970 and 1993, and total domestic investment increased by %40
.during the same period %50

For his part, Dr. Mahmoud Abdel Fadil, Professor of Economics at
Cairo University, believes that in addition to the previous reasons, there
are other factors that contributed to the success of the Malaysian
:experience, which he mentioned as follows
Malaysia dealt with foreign direct investment with caution until the -1
mid-eighties, then allowed it to enter but under the conditions that the
goods produced by the foreign investor do not compete with national
industries. 2- Malaysia has a future vision for development and economic
activity through successive and integrated five-year plans since
independence until now, and even Malaysia's early readiness to enter the
.current twenty-first century through planning for Malaysia 2020

The great diversity in the industrial structure and its coverage of most -3
branches of industrial activity (industries: consumer - intermediate -
105).(capital

¹⁰⁴ Guzman, Andrew T. (1998b), "Is International Antitrust Possible?" New York University Law Review
73: 1501-48.

¹⁰⁵ <http://pulpit.alwatanvoice.com/articles/2003/09/27/277.html>

Dr. AbdulThe Merciful slave The One , Dr. lecturer Mohammed ... with eyes Arabic
And Islamic , The atmosphere For publication , The UAE Arabic United , Edition The
.first , October 2003

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In 2008, the Malaysian economy was ranked 29th in the world in terms of economic expansion, with a GDP of \$397.5 billion and an annual growth rate of 4.6%. The per capita share of the GDP was with an inflation rate of 5.8% and a population below the \$15,700 poverty line of 3.5%. Agriculture contributes 9.7% of the GDP, industry and services 45.7%. The size of the labor force is 11.2 million individuals, 13% of whom work in agriculture, 36% in industry and 51% in services. The unemployment rate was 3.7%. Malaysia has achieved steady economic progress and rapid development in the past three decades, especially during the last two decades of the last century, thus becoming a country classified as newly industrialized

In income distribution, in 2007, the indicators show that income distribution is equitable. There are about 5.8 million households, of which have a monthly income of less than RM1,000, 29.4% between RM1,000 and RM2,000, 19.8% between RM2,000 and RM4,000, 8.6% between RM4,000 and RM5,000, 15.8% between RM5,000 and RM10,000, and 4.9% over RM10,000

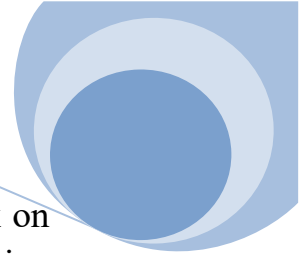
Malaysia's exports in 2008 amounted to about \$195 billion, and ¹⁰⁶ imports amounted to \$156 billion

Mahathir Mohamad also rejected the World Bank and International Monetary Fund plan to confront the financial crisis that hit Southeast Asian countries in 1999-2000. Malaysia's local plan is now being studied in universities around the world to confront the financial crisis. This plan embodies the seriousness of the national economic transformations proposed by a lecturer to replace the recommendations of the International Monetary Fund to help Malaysia overcome its monetary ¹⁰⁷ crisis

First: Continuing success in managing the macroeconomics and financial policies, with the aim of achieving an information-based economy, with a low inflation rate supported by strong demand and private investment in

¹⁰⁶ A. MadhatAyoub , Developments Economy Malaysian in Confrontation The crisis Finance Global , program Studies Malaysian , college Economy And science Politics university Cairo , , In cooperation with center Studies Asian , 2009.p. 100:101

¹⁰⁷ Dr. AbdulThe Merciful slave The One , Dr. lecturer Mohammed ... with eyes Arabic And Islamic , reference former



the local economy and stable growth of the global economy, to work on bringing the average annual per capita income to 17,779 Malaysian ringgit (dollar = 3.80 ringgit) and reducing the unemployment rate to .by the end of the plan period in 2005 %2.7

Second: Strengthening income distribution programs for more balanced participation among ethnic groups, maintaining the goals of previous plans to address the problem of poverty, reducing extreme poverty rates to less than 1% in 2005, and restructuring job distribution among .ethnicities and states with the aim of building a just and unified society

Third: Enhancing development driven by more competitiveness, by improving the levels and performance of workers and employees, and .raising the level of research and development

Fourth: Enhancing competitiveness in the main economic sectors with the increasing intensity of competition between countries to attract investment and market industrial, agricultural and service production. The industrial sector, which grew by 9.1% annually during the previous plan, is expected to grow by 8.9% during the eighth plan, due to the shift towards focusing on technology and reducing labor, while the services and agriculture sectors are expected to grow by only 7.7% and 3% .respectively

Fifth: Expanding the uses of “information communication technologies” and making Malaysia a regional and international center for its services and production, while working to provide the constitutional and legal environment, with the aim of reducing the digital gap between the poor and the rich, and between the economic sectors, by expanding the .communication infrastructure

Sixth: Supporting human resource development through an effective education and training system, building more schools, and implementing .the central education system and the concept of integrated schools

Seventh: Achieving the concept of “balanced and stable development” to benefit from the country’s wealth with the utmost efficiency and preserve .the environment

Eighth: Providing better opportunities for all Malaysians to improve their living standards, and expanding access to the benefits of public services (education, housing, and health) for the poor and a section of the middle class - the majority of urban residents

Ninth: Continuing education on positive behaviors and moral values in work and living life, through the educational curriculum and special programs for workers in governmental organizations and institutions, religious preaching and guidance institutions, and the media, considering that the existence of a morally disciplined society and a population imbued with the values and principles of upright dealings is the basis for¹⁰⁸ the country's success

In Turkey, Turkish Prime Minister Recep Tayyip Erdogan stated that his government's primary goal is to implement the economic program in full until the end of 2004, and that after this date Turkey will continue its progress through its own efforts without the need to conclude special agreements with the International Monetary Fund. This came in response to a question from a journalist who reminded him of Malaysia's position on the economic crisis that hit a number of Asian countries and how Malaysia rejected the IMF programs and was able to emerge from the crisis and continue its progress through its own efforts. Erdogan said that internal and external debts are a disaster for Turkey, and that Turkey's debts to the IMF have begun to decrease, and that they currently amount to twenty-one billion dollars, all of which Turkey will pay by the end of 2004. Erdogan expressed his admiration for what he saw during his visit to Malaysia, and his hope that Turkey will follow suit in order to get rid of the pressures of the IMF in addition to the dangers resulting from internal debts. It is worth noting that the total accumulated external and internal debts on Turkey amount to two hundred and twenty billion dollars. The interest on these debts amounts to more than forty billion¹⁰⁹ dollars per year

¹⁰⁸ Hathaway, Oona (2002), "Do Human Rights Treaties Make a Difference?", Yale Law Journal 111: 1935-2041

¹⁰⁹ Al-Riyadh Saudi Newspaper Tuesday 17 Rabi' al-Thani 1424 Issue 12779 Year 39
Corresponding to May 17, 2003

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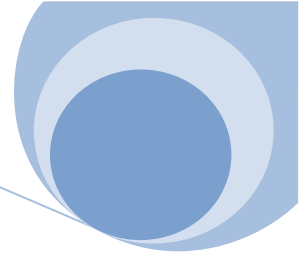
The Turkish economy grew at a compound annual growth rate of 8.4 percent to reach \$724.2 billion in 2010 from \$52 billion in 1998, becoming the 17th largest economy in the world, the 7th largest among the 27 European countries, and the largest emerging market in Europe.¹¹⁰

Among the main reasons that helped the Turkish economy to flourish and grow at these rates are the measures taken by the country in the past, such as¹¹¹

- Banking reforms and rebuilding the financial sector following the local banking crisis of 2001
- Structural reforms implemented that allowed different institutions and markets to function properly and well (independent central bank, independent authorities, privatizations, in addition to the reforms carried out by the European Union)
- Macroeconomic stability, political stability
- The currency reforms of 2002, through which the country succeeded in removing six digits from the Turkish currency
- Providing support to small and medium-sized enterprises, which account for more than two-thirds of the Turkish economy
- Trade initiatives through which the country has been able to strengthen its ties with various African and Latin American countries
- Established the Housing Development Administration, which provided low-cost housing to more than one million Turkish citizens
- Social Security Reforms, which implemented a unified social insurance system for the self-employed) BAĞ - KUR and () merged the Social Security Institution SSK (and the

¹¹⁰ a report on Economy Turkish And compare it By economy Arabic , Issued on administration Research Investment in a company Projects Kuwait Investment To manage Assets (KAMCO) , May 11 , 2011

¹¹¹ look General on Economy Turkish , house Investment Global Glowell , March 2011



Retirement Fund into one body. With these measures, there is no longer a single worker who is not registered in the social security system

- Health care reforms through which the country provided free health care services to the elderly
- The contribution of the agricultural sector to GDP declined from 9.4 percent in 2005 to 8.3 percent in 2010, while in real terms its contribution increased at a CAGR of percent during 2005-2010 to US\$59.9 billion. The 5.7 agricultural sector accounted for 29.5 percent of employment in 2009
- The industrial sector has remained the country's main economic sector and has taken a leading position in the development process. The industrial sector has grown at double-digit rates since 2007, except for the decline in 2009. The sector grew at a CAGR of 7.0 percent between 2005 and reaching \$155.9 billion. The industrial sector has ,2010 witnessed tremendous growth after the economic liberalization process and the level of production in this sector has risen to global standards. Among the many sub-sectors of the Turkish industrial sector are defense, electronics, iron and steel, automotive, glass and sugar. The cement industry plays an important role in the country and occupies a high position in global production. Another advanced sub-sector in the country is the textile and clothing sector, with Turkey increasing its exports of textile products annually as a major cotton producer. The Turkish service sector is a rising star in the fast-growing Turkish economy. The sector has grown steadily from US\$339.7 billion in 2005 to US\$526.9 billion in 2010, at an annual growth rate of 9.2 percent. The sector's contribution to GDP increased from percent in 2005 to 72.8 percent in 2010. Within the 70.3 services sector, the transport, storage and communications

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contributing ¹¹², sector was the largest contributor to GDP percent in 2010, followed by the property and housing 13.4 sector with a contribution of 12.5 percent, and the wholesale and retail trade sector with a contribution of 10.8 percent to the services sector's GDP. The transport and communications sector has more than 100 airports, including seven international airports. The railway network was 8,697 kilometers long in 2008, including 2,133 kilometers of electrified lines. As of 2008, the commercial marine fleet included 612 ships, ranking 19th in the world. As for the telecommunications sector, the number of subscribers in the Turkish mobile phone sector reached 61.5 million as of the first quarter of 2011, down from 61.8 million as of the end of March 2010 and 63.7 million as of June 2009. The penetration rates of mobile and fixed phone services reached .percent and 24.2 percent as of 2009 84.7

¹¹² Horn, Henrik and Petros C. Mavroidis (2001), Economic and Legal Aspects of the Most Favored-Nation Clause," *European Journal of Political Economy* 17: 233-79.

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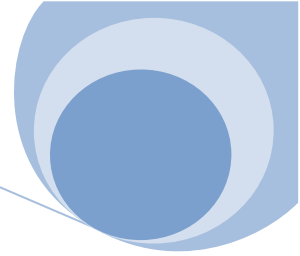
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