Dialogue on Globalization

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The Bane of Privatization and Liberalization

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'Globalization insights' is a series of feature stories told by journalists from Africa, Asia and Latin America – stories that give an insight into the perceptions and experiences of people as globalization unfolds in their environs. This project is jointly organized by the Friedrich-Ebert-Stiftung and IPS EUROPA.

Majed Hajori, a 32-year-old 'computer typist', was very happy to get a job in a public corporation. But Majed's happiness did not last very long. He lost his job after the government liquidated the Yemeni Industrial Bank and offered it for privatization.

With Yemen, like other developing countries, being pressured to follow the global economic models – imposed by donor organizations such as the International Monetary Fund and the World Bank – privatization is becoming a real nightmare for thousands of low-qualified people working in public institutions.

There is a history to it: The Republic of Yemen was constituted in May 1990 with the unification of North Yemen and South Yemen. But soon after the Gulf crisis erupted, resulting in severe reductions in aid from neighbours, particularly Saudi Arabia and Kuwait as well as from western donors, including the United States.

The Gulf crisis in 1991 and the Yemeni civil war in 1994 were accompanied by government mismanagement. This in turn sharply worsened Yemen's economic predicament forcing the government to turn abroad for external assistance.

Between 1995 and 1999, 40 percent of small and medium-sized public enterprises – including Aden Textile Factory, the National Bank of Yemen and Grains Corporation – were privatized as a pre-requisite to obtaining loans from IMF and the World Bank.

The Social Development Fund administered by the World Bank did carry out several projects which absorbed a lot of the national workforce. But these did not have a sustainable impact on the country's employment situation.

Then came 9/11 attacks on the United States. In Yemen, as in several other countries all over the world, the government began focussing on national security and fighting terrorism. As a result, the second stage of privatization involving Electricity, Yemenia Airlines Company and Aden Refinery was postponed.

For Ali Ghamdan and Abdul Basit al-Noami, both public sector employees, and for thousands others who were on the brink of being rendered jobless, 9/11 attacks that killed thousands of innocent people proved to be "a real

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rescuer". But the spectre of being rendered jobless in the aftermath of privatizations continues to haunt Yemenis.

The reason, Ghamadani and a-Noami say, is that Yemeni officials, are closing their ears and do not hear voices of the needy and the jobless, arguing that the role of the state has become too predominant.

No less than Yemeni President's political advisor Abdul-Karim al-Iryani points out that the government's socio-economic policy is dominated by liberalization, privatization and globalization.

For sure, the government also pursues the Poverty Reduction Strategy. But a large number of Yemeni people who are supposed to be the first target of that strategy are in fact falling prey to the policy of replacing indigenous policies with foreign ones.

People who do not have adequate qualifications – especially women and long-time workers – are thus being asked to pay the price of blind imitation of globalization's demands.

"Many women occupy jobs in some state-run institutions despite the fact that they have only basic education. The private sector will not accept them. Imagine the miserable situation if those institutions are privatized," says Yussra al-Dola'a, executive assistant in the Women's Studies Forum, a non-governmental organization.

Female literacy rate in Yemen is very low – 72 percent of women are illiterate. Many a woman obtains only basic or secondary education.

The dangers of 'global' investments

The investment sector in Yemen was seriously hurt after terrorist attacks on the oil tanker USS Cole in 2000 and French tanker Limburg in 2002 off Yemen's ports. Since then Yemen has been trying to polish the country's image and attract foreign investors.

Foreign corporations are granted special privileges, especially in the oil sector and ancillary industries, leaving local investors in a direct confrontation with outsiders.

The widespread fear is that indigenous Yemeni companies and producers may go out of business due to competition from foreign corporations. Subsequently a large selection of local goods that meet the requirements of different segments of society will vanish.

"Unless local investors succeed to compete with foreign investors, unless the government supports local investors, the Yemeni economy would ultimately depend only on foreign investments," says Abdul Rahman Ba-Fadel, an expert in economic affairs.

Politically, Yemeni people also have doubts that many foreign companies, working in Yemen, are "surreptitiously U.S.-and-Israel-run". For this reason they boycott their products and do not welcome integration with those countries' economies.

Many Yemenis believe that to slave people is to ultimately clutch national economy. Even though investment is an essential source of hard currency and competitive goods, supporting foreign investors instead of local investors holds out grave risks.

Yemen has an enormous potential to build a strong economy able to face global economic challenges, if utilized properly. In addition, it is qualified to play an important role in supporting the Arab economic objectives of dealing with challenges of globalization – all the more so as the country is in a strategic position. It has human resources, fertile land, mineral and fishery wealth and huge reserves of oil and natural gas.

Yemeni people are not convinced of the government's genuine commitment to merging with the Gulf Cooperation Council (GCC) economies – a move that in their view is indeed "a mature vision". It does not make sense for Yemen to stay out of the GCC – and this under circumstances that are truly challenging.

"Yemen should reform its economy under the umbrella of Arabism instead of globalization. Arab countries are well versed with the situation prevalent in their respective countries," says Dr. Mohammed Qahtan, associated professor of economics at the Taiz University.

The best way to enable Yemen and other Arab economies to jointly face challenges of globalization is to do everything possible to become the Arab Free Zone operational as scheduled in 2007.

Presently this Middle East country – bordering the Arabian Sea, Gulf of Aden and Red Sea – with 42 percent poverty rate has serious problems in exchanging products with neighbouring Saudi Arabia, a country that plays a crucial role in the GCC.

Saudi authorities have repeatedly blocked Yemeni agricultural products entering their markets, claiming such products "do not have good quality". On the other hand, Saudi products dominate Yemeni markets.

Agriculture sector amounts to over 25 percent of GDP.

Saudi allegations have harmed the reputation of Yemeni products. Thus thousands of tonnes of national agricultural exports to Syria and Jordan have had to be destroyed recently after authorities in the two countries blocked imports.

"This is the business of the rich. They only look for markets to propagate their products, not to help the poor. In fact, this is exactly the veiled face of globalization," says Ba-Fadel.

In the face of its failure to increase export earnings, the Yemeni government has no alternative to continue receiving aid from international organizations.

But President Ali Abdallah Saleh has left no doubt that the present situation does not allow Yemen to carry out reforms according to the instructions of IMF and the World Bank.

President Saleh was quoted having told this year's G-8 summit on Sea Island, where he was invited along with a few other Arab leaders: "We postponed lifting subsidies on oil derivatives until our situation improves. If the International Monetary Fund and the World Bank understand that, we would be pleased, otherwise it is still a sovereign issue in our hand. Every country has its specifics."

On the author
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