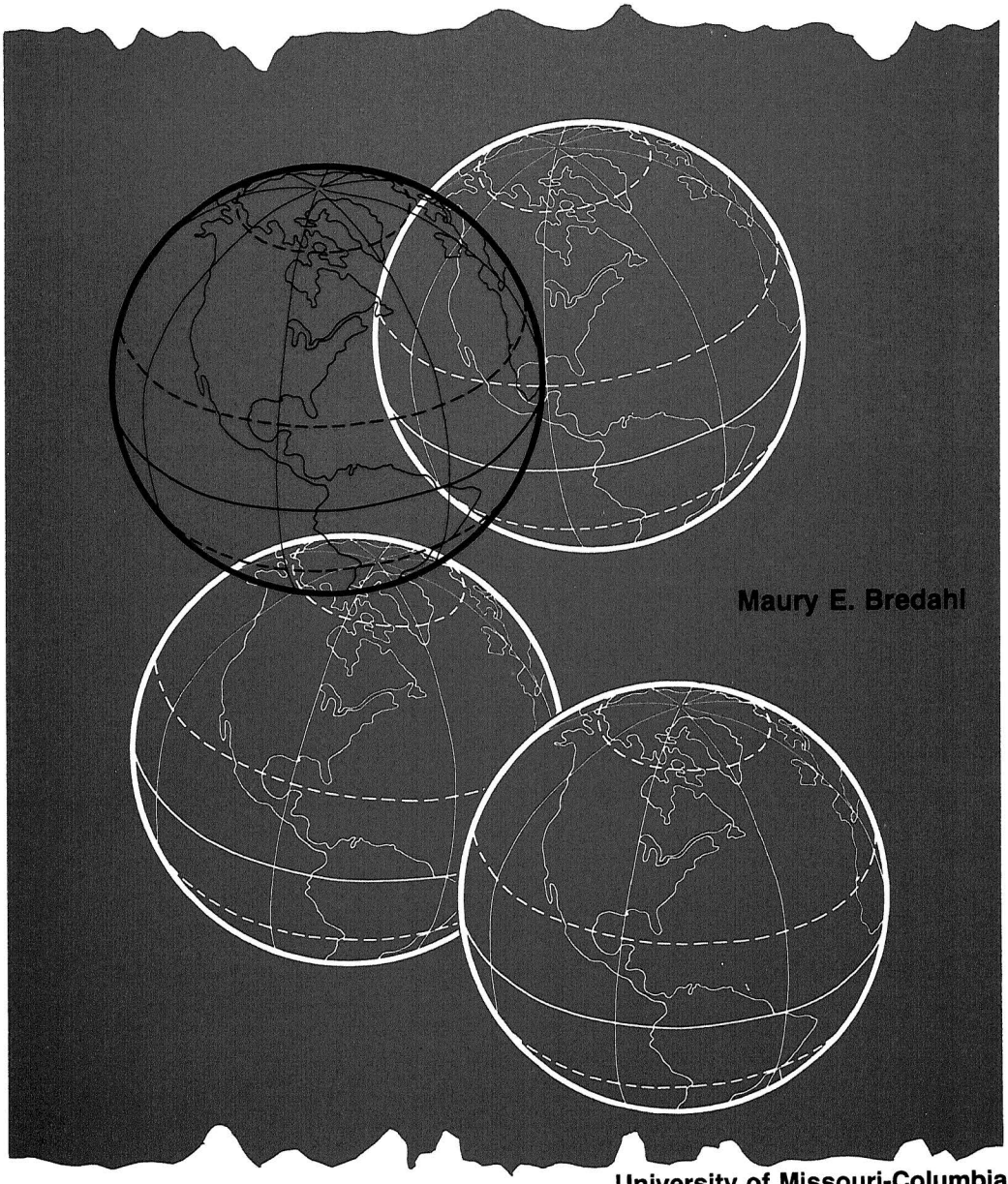
Macroeconomic Policy and Agricultural Development:
Concepts and Case Studies of Egypt, Morocco and Jordan



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International Series 10

Special SR 331

June, 1985

MACROECONOMIC POLICY AND AGRICULTURAL DEVELOPMENT: CONCEPTS AND CASE STUDIES OF EGYPT, MOROCCO AND JORDAN

by

Maury E. Bredahl

June 1985

This study was funded in part by the Agency for International Development under the Agricultural Policy Analysis Project No. 936-4084. Responsibility for its content and views are entirely those of the authors.

PREFACE

This report was prepared with the support of the AID Agricultural Policy Project in cooperation with the Near East Horticultural Export Marketing Study. The cooperation is based on the need to analyze agricultural trade and domestic policies of potential importers of horticultural products. The intent is to determine the impact of these policies on growth of import demand. It is also based on the need to determine the impact of macroeconomic policies and macro prices -- exchange rates, interest rates and wage rates -- on the ability of the study countries -- Egypt, Jordan and Morocco -- to compete in international markets.

This report addresses the second topic -- that of the impact of macroeconomic policies and macro prices. A companion report entitled "The Common Agricultural Policy, Macroeconomic Forces and Horticultural Trade" addresses the impact of importer policies and import demand.

Maury E. Bredahl, an associate professor of Agricultural Economics at the University of Missouri-Columbia, is a consultant to the Agricultural Policy Project.

The input of Edward Hogan, Michael V. Martin and Ludwig Eisgruber is gratefully acknowledged.

The study of the impact of macroeconomic policies on the competitive advantage of Egypt, Jordan and Morocco in international horticultural markets first develops a conceptual framework and then applies that framework to each of the study countries.

Conceptual Framework. The influences of macroeconomic policies and macro prices -- interest rates, wage rates and foreign exchange rates -- are pervasive, touching all sectors of an economy. In the course of this study, it became apparent that exchange rate and price policies were the dominant factors in the international competitive position of the study countries. Therefore, while the full range of macroeconomic forces is considered, only the conceptual framework for evaluating exchange rate and price policies is discussed here.

Until the debt crisis of the early 1980s, overvalued exchange rates were the norm for most developing countries. These countries fixed nominal exchange rates in spite of rapid domestic price and wage inflation, so the currency became overvalued. Because export prices rose as wage and input costs increased, the fixed nominal exchange rate decreased the international competitiveness of these nations. The increased prices could have been neutralized by a devaluation of the currency.

Developing nations followed a fixed-nominal exchange rate and an appreciating real exchange rate policy for many reasons. For some, the dramatic increase in the prices and value of their raw material exports during the mid 1970s reduced the need to export agricultural and manufactured products. Rather, the prices of consumer goods, particularly foodstuffs, and capital goods imports were their primary concern. A fixed nominal exchange rate minimized the cost of these imports. Since domestic inflation exceeded that of major trading partners, import prices, in the absence of countervailing tariffs and other import restrictions, rose at a lower rate; consequently, imports were substituted for domestic production. Current account deficits -- a signal to depreciate a currency -- were not a concern, as the recycled petro-dollars provided the means to finance the deficits through increased international borrowing.

Since economic growth would be reduced as cheap imports displaced domestic production, these nations selectively limited

imports through tariff and nontariff barriers, thus fostering import substitution. In many cases, import-substitution industries were stimulated by allowing raw material imports but limiting finished product imports. In turn, these policies discouraged production of agricultural and manufactured exports.

On the whole, these nations turned inward for economic growth with those policies financed by international borrowing. Competitiveness and international markets and exports of agricultural and manufactured goods were discouraged. The fixed nominal exchange rate forced domestic inflation to be fully reflected in export prices. The price of import-substitution goods was inflated by trade restrictions, while their imported input costs were reduced by the overvalued currency.

The evolution of price policies and their linkage with exchange rates and other macroeconomic variables are major factors shaping the current economic environment. The prices of many basic consumer goods are fixed and heavily subsidized. These subsidies contributed significantly to government expenditures and fiscal deficits. But, as long as international and domestic credit were available to finance the deficit, the subsidies were not a major concern. The overvalued exchange rates tended to minimize government expenditures as import prices were held down. The overvalued currency coupled with the price policies discriminated against agricultural production for domestic as well as export markets.

Economic Environment. All of the study countries face a similar set of internal and external constraints. Each faces large fiscal and current account deficits. Each is dependent on external forces -- exports of raw materials, international credit or aid and worker remittances -- for economic growth. The degree of economic crisis varies across the study countries, but each faces significant economic challenges in the next several years.

Each of the three countries has faced large fiscal and current account deficits since the late 1970s. These deficits have been financed by international lending, so the level of international debt has rapidly grown to the point that a large proportion of export earnings must be devoted to meeting debt service obligations. Indeed, Morocco has been unable to meet its international obligations and has been forced to reschedule its debt and debt service. A

primary concern of each of the three governments is the generation of sufficient foreign exchange to meet debt service requirements and to finance economic growth.

The second aspect of the current economic environment is these nations' dependence on external forces for economic growth. Egypt is dependent on oil exports, tourism and Suez Canal receipts. For Jordan, economic stability depends on financial transfers from OPEC and other countries. Morocco is dependent on the price and quantity of phosphate exported. Each of the three countries depends on worker remittances for a large portion of its foreign exchange earnings.

The result of the economic environment is a recognition by the governments of the need to reduce their nation's dependence on external sources of growth. Each must turn from an inward oriented -- import substitution -- to an externally oriented -- export promotion -- policy. These policies are the focus of the next section.

Economic Policies. In general, each of the three countries has adopted export promotion policies. But the implications of these policies for international competitiveness in horticultural trade vary greatly across the countries.

The macroeconomic policies of Jordan promote its two major exports -- skilled people and services. The policies attempt to maximize national income from its greatest national asset, a highly skilled and educated labor force. An extension of the exploitation of that asset is the export of services by providing financial and other services to the Mideast.

In order to maximize worker remittances and the inflow of capital to its banking system, the Jordanian currency has been pegged to the SDR (Special Drawing Rights). A stable and predictable exchange rate promotes skilled labor and service exports. As a consequence of its linkage to the SDR and the appreciation of the U.S. dollar, the currency has recently appreciated with respect to those of most potential trade partners. The appreciation encourages labor exports, but it discourages agricultural and manufactured exports. The unique situation of Jordan precludes an exchange rate policy that would stimulate agricultural exports.

LIST OF FIGURES

Morocco, on the other hand, has adopted a broad sweeping set of policy initiatives to promote agricultural and manufactured exports. An important component of the export promotion program is periodic devaluation of the currency. It is unclear if the currency is undervalued at this time, but it has depreciated against the currencies of major trading partners and competing exporters. In order to mitigate the negative impact of the depreciating currency on worker remittances, special interest-bearing bank accounts have been established. In addition to the exchange rate policy, tax holidays, guaranteed repatriation of profits and other changes in investment laws are intended to promote investment. The program adopted by the Moroccan government is, by far, the most aggressive in the study countries.

Egypt, like Morocco, has adopted an impressive array of export promotion policies. But the obstacles to overcome are much greater. Exemplary of these obstacles are exchange rate and pricing policies. Egypt maintains several "official" exchange rates. Government foreign exchange earnings from most agricultural and petroleum exports and Suez Canal receipts are converted at a clearly overvalued exchange rate. This overvalued exchange rate limits the government deficit, as imported food can be resold at a much lower price than if an appropriately valued exchange rate were used.

The private sector obtains foreign exchange from a pool funded by tourism and worker remittances. The "free market" exchange rate reflects the demand of the private and public sector and the supply from worker remittances and tourism. The recent large current account deficit prompted restriction of imports which reduced the demand for foreign exchange. At the same time, increased worker remittances caused the free market exchange rate to appreciate, further aggravating the current account deficit. The exchange rate has not reflected internal price inflation and other forces that tend to reduce current account deficits. In contrast to Morocco and Jordan, whose exchange rate policies promote exports of services or people, those of Egypt serve no clear purpose in promoting exports. Of course, within the present framework, the Egyptian government could declare and enforce an exchange rate policy beneficial to horticultural exports.

Agricultural price policies of Egypt have tended to discriminate against agricultural production and exports in favor of domestic consumption. Although recent steps have been taken to reduce the distortions of price policies, those policies will continue to skew agricultural production. The impact on horticultural products may well be beneficial, as most are not subject to price controls. But most are subject to a myriad of export regulations and some are subject to export taxes.

Conclusions. Clearly, the current policies of Morocco and Jordan are more carefully formulated and potentially more effective in promoting exports than are those of Egypt. That conclusion is not to deny the significant changes in Egyptian policies to promote exports but rather to recognize that those changes fall short of those of the other countries. Policies must be evaluated on the basis of the policies in other countries, not on the basis of past policies within a country. The policies of Morocco should promote agricultural and horticultural exports. Those of Jordan should promote exports of skilled people and service which may not promote agricultural and horticultural exports.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF APPENDIX TABLES

CONCEPTUAL FRAMEWORK

Introduction

Opportunity costs determine the level and the mix of economic activities. The opportunity cost of a consumption activity is the next-best activity foregone; of consumption, it is the price of the next-best good that could have been purchased. The opportunity cost of a production activity is the next-best activity; of producing a good, it is the price of the next-best good that could have been produced. If governments do not intervene in markets, opportunity costs tend to equalize as resources flow to their "highest and best use."

But the highest and best economic use may not be best for the overall welfare of the nation. So governments often affect opportunity costs directly by, for example, setting maximum consumer prices for basic goods. This type of direct intervention in agricultural and food markets falls into the general category of food price policy. In effect, the government influences the opportunity cost of producing and consuming goods in order to influence the mix and level of production and consumption activities. And in the process, it influences the distribution of income as well. Often food price policies have unintended effects. Setting a food price too low may reduce profits and lower production. The production decline may increase imports because demand increases. The production impact is less if a subsidy is used to reduce the consumption price.

Governments, of course, change opportunity cost in many other ways. Investments in infrastructure, education and information reduce the opportunity costs of agricultural production. Similarly, the opportunity costs of consumption may be changed. Increasingly, economists have come to recognize that the adoption of a production (or consumption) technology requires a change in opportunity costs. A complementary change in food price policy is needed to facilitate economic development.

The interactions of food price policy with food consumption and production are usually self-evident. But the interactions of macroeconomic policies -- fiscal, monetary and budget -- with the

food system are more varied and complex. These policies coupled with those for the macro prices -- exchange, interest and wage rates -- may fundamentally change opportunity costs and thus the mix of food production and consumption. The interactions of these policies, depending on their nature, may significantly alter the intended impact of food price policy and development investments. Evaluating the change in opportunity costs due to these policies is a fundamental but often neglected part of designing a development strategy.

Finally, the government's opportunity costs determine the type and nature of policies adopted. In recent years, the opportunity costs of isolation and restricted trade have increased significantly. The imperative need for foreign exchange to meet debt service payments has fundamentally altered opportunity cost and hence government policies. Much more so now than in the past, external constraints are influencing policies that determine opportunity costs. Consequently, the opportunity cost of food production, consumption and trade have been dramatically altered.

Elements of Macroeconomic Policy

The first step in unraveling the complex interactions of policies is to identify the elements of macroeconomic and macro price policies. Fiscal policy is the willingness and ability to generate government revenues and the willingness to spend. The measure of the complementarity or conflict of these activities is the budget (fiscal) surplus or deficit. An additional consideration is the dependence of developing nations on external sources for revenues. The revenues from sales of a non-renewable resource (e.g., oil), tourism, worker remittances, and external credit vary significantly across years and cannot be controlled or even influenced by government policies. An unanticipated decline in external revenues may significantly increase the budget deficit. Together, fiscal policies and the deficit are the first elements of macroeconomic policy.

The method used to finance the fiscal deficit is the second element. If the government is unable to finance the deficit by internal or external borrowing, it must create money to do so. The

extent to which the deficit is financed by creating money influences the rate of price inflation. Inflation will alter the opportunity cost of food production and consumption. The nature of the impact depends, in turn, on macro price policy which is discussed in the next section.

The third element of macroeconomic policy is the allocation of expenditures or budget policy. In general, allocations to the food sector may be divided into food production and consumption categories and, within each of those categories, into current consumption and investment activities. On the production side, current consumption or recurrent expenditures include input and output subsidies and the provision of essential government services. On the consumption side, recurrent expenditures are primarily consumer subsidies. On both sides, investment is broadly defined as any activity that increases the efficiency of converting food to human productivity, such as health care and sanitation.

Monetary, fiscal and budget policies generate pervasive, economy-wide effects in two fashions depending on macro price policy. First, the level and variability of macro prices are influenced if they are determined by market forces. Second, if macro prices are administratively or legislatively determined, non-market solutions must be found for the distortions that often result. For example, a fixed exchange rate may necessitate regulations to control capital flows and to allocate foreign exchange earnings.

Events of the 1970s and early 1980s illustrate these policy interactions. Almost globally, developing nations and newly industrializing nations adopted expansionary economic policies in the mid 1970s. In some cases the enabling factor was the commodity price boom of the early 1970s that greatly increased the level of realized and anticipated government revenues. In other cases it was the ready availability of international credit -- in part due to the recycling of petrodollars. The ability to finance fiscal deficits externally changed the opportunity cost of government policy because it allowed budget deficits while generating minimal rates of inflation. The funding from external sources allowed the allocation of capital to projects with long-term, delayed payoffs. The fiscal deficit (a product of monetary and fiscal policy) and budget policy contributed

significantly to the current economic difficulties of developing nations.

The opportunity cost of food price policy changed as well. External borrowing, increased export revenues, and worker remittances financed growing consumer subsidies and food imports. Subsidies grew because inflation, although moderate in many countries, increased as economic growth accelerated and money creation financed a portion of the fiscal deficit. Over time, the subsidies became a large component of the deficit and a driving force of government expenditures. Agricultural production was discouraged because producer prices increased less than the rate of inflation.

The policies of many nations led to overvaluated exchange rates. Their inflation rates exceeded those of their trading partners. The differential could have been offset by a devaluation of the developing countries' currency, but many held the exchange rate fixed. The overvalued exchange rate kept food import prices and thus domestic prices low, encouraging consumption and discouraging production. Moreover, the overvalued exchange rate discouraged export production. A depreciation of the currency would have increased export prices and allowed producers to maintain profits in spite of increasing domestic input costs. The fixed exchange rate policy coupled with trade restrictions on industrial and non-food consumer goods tended to increase production of import substitutes at the expense of export goods.

As international capital markets closed and commodity prices declined in the early 1980s, these countries created money to finance the budget deficit, which in turn increased inflation. The rising level of prices forced increased consumer subsidies, which increased budget deficits. At the same time, as their inflation rates continued to exceed those of their major trading partners, their exchange rates became further overvalued. And so their competitiveness in export markets declined, which further increased the budget and current account deficits.

The opportunity cost of government policy has changed. Generating foreign exchange to meet debt and debt service payments and to finance economic growth is imperative. Such policies as more realistic exchange rates and reduced consumer subsidies have been

adopted to reflect these opportunity costs. Agricultural production has become favored because it is seen as both an import substitute and export good.

Macro Prices and the Food Sector

The interaction of macroeconomic and macro price policies outlined above is discussed and analyzed in more detail in this section in order to extend the conceptual framework to the interaction of macro prices with the food sector. The impact of these prices on opportunity costs influences the outcome of development projects and food price policies.

Currency Exchange Rates

When accompanied by other supporting trade and capital flow policies, the exchange rate may be controlled by a government. Fixed exchange policies of developing nations have resulted in an overvalued currency which tends to discriminate against the agricultural and exporting sectors.

A leather coat might cost 2000 pesos (M$) to produce in Mexico and $80 to produce in the United States. If M$25 exchanges for $1, a coat produced in Mexico would cost $80 in the United States, while U.S. coats would cost M$2000 in Mexico. Under these conditions, no trade would occur. If, however, the Mexican government fixes the exchange rate at M$20 to the dollar, the cost of a U.S. produced coat would fall to M$1600 and Mexicans would prefer to import coats rather than purchase the M$2000 domestic product. The overvaluation also prices Mexican coats out of the U.S. market; they would cost $100 to import.

The change in the exchange rate alters opportunity costs and affects production and consumption. First, imports are undervalued in Mexico. Imported goods in Mexico are priced below domestic opportunity costs, so production falls and imports increase. The overvalued exchange rate places an implicit tax on production and provides an implicit subsidy for consumption. It also discriminates against production for the export market. Because products are overpriced in foreign markets and underpriced in domestic markets, imports increase and exports decline. An indirect effect is that

production for domestic consumption of nontraded goods tends to be greater, as export production tends to be less.

While this example illustrates the impact of an increase in the international purchasing power of a currency, a more general evaluation of a currency's value uses the level of prices in one country in comparison to a second. If the movements in an exchange rate simply offset relative rates of inflation, then purchasing power parity is said to be maintained. In this case, an exchange rate movement does not by itself induce trade flows.

Quite clearly a number of developing nations have recently embraced policies to determine more realistically the value of their currency. The obvious impacts are an increase in import prices and a decline in export prices. But other, more subtle impacts must be considered.

First, the method of applying selective devaluations tends to contribute to domestic inflation. At the extreme, such as the case of Mexico, the exchange rate is devalued daily. Thus, prices of imported goods increase daily. Other countries, Morocco for example, have devalued on a semi-annual or quarterly basis. The resulting domestic inflation due to the increase in the price of imports varies only by degree across these countries. This inflation operates against fixed consumer prices to increase subsidies and so government expenditures. Financing the subsidies by money creation increases inflation still further. Consequently, many of these countries may well experience higher inflation than ever before.

Second, almost all of these countries' foreign debt is denominated in U.S. dollars. The quantities of goods priced in the domestic currency that must be exported to meet debt service requirements and to finance imports must increase as a currency declines in value. The exception to this generalization occurs when a nation's exports are priced in dollars in the international market, as is the case for petroleum, phosphates and many other products. There, international purchasing power rests with the relative strength of the dollar. One of the factors motivating OPEC members' willingness to reduce the price of oil is the increased international purchasing power of dollar-denominated oil exports.

Quite clearly, the policy norm of the future may well include the use of the exchange rate to promote exports. This is a sharp

contrast to the fixed exchange rate policies of the past that led to import-promoting, overvalued exchange rates.

Interest Rates and Capital Markets

Interest rates serve two functions. First, interest rates allocate capital among alternative uses with varying rates of return. This might be thought of as the demand for capital. Second, interest rates determine the supply of capital in the form of domestic savings or imported capital. The interest rate must be sufficient to induce income earners to shift income from present consumption to savings. Thus, the interest rate must exceed the inflation rate by a margin sufficient to induce savings.

Economic development depends on capital creation, hence a low real interest rate has been an integral part of the development policy of many nations. Evaluation of the impact of this policy requires a rudimentary knowledge of the interaction of interest rate policy with monetary and fiscal policy, the savings rate and the development of financial institutions.

A "low" interest rate policy has two dimensions. First, if the interest rate is lower than the rate of inflation, the flow of domestic savings may be less than that needed to finance economic growth. Second, if savings plus international capital flows are insufficient to meet the demand for capital, institutions must be developed to ration available capital.

Institutional rationing of capital leads to market segmentation. The government-sanctioned lending institutions tend to serve the commercial agricultural and industrial interests. Rural credit markets tend to be informal and the interest rate higher. And these differential interest rates arising from segmentation of capital markets lead to differing rates of capitalization across sectors of the economy. Capital flows to the industrial and commercial agricultural segment; the residual flows to other segments of the agricultural economy.

In addition to domestic interest rates, the rate paid on external debt has become a critical factor shaping macroeconomic policies. Recent increases in interest rates to levels far above historical norms, coupled with the large debt payment due to the

short-run nature of most obligations, have placed an external constraint on many developing nations' internal growth. External interest rates have changed the opportunity costs of government policies. In particular, nations must generate increased export earnings in order to import the capital needed for economic development while still meeting debt service.

Wage Rates

The legislation of minimum rural and urban wages is common in developing nations. At an abstract level, the minimum wages influence the choice of production technology, rural-urban migration, and export competitiveness. While a consensus on the impact of minimum wage has not been reached, some tendencies can be described.

First, a minimum urban wage, which can be readily enforced only for government jobs and highly visible industries, tends to lead to the establishment of an urban "elite" who have obtained those jobs. Workers competing for jobs in more informal sectors tend to receive much lower wages. Nevertheless, the establishment of a minimum urban wage changes the opportunity cost of rural employment and induces a flow of rural workers to urban areas.

The establishment of a minimum wage changes the opportunity cost of capital and often leads to the adoption of labor-saving capital. The degree of substitution of capital for labor arising from the adoption of a minimum wage varies greatly across sectors and nations. Finally, increases in an effective minimum wage, as is the case for input prices in general, may lead to a decline in international competitiveness if not offset by a devaluation of the nation's currency.

Summary

Inappropriate macroeconomic, macro price and food prices, individually or in concert, often frustrate efforts to diffuse food production and consumption technology. The limiting effect of these macroeconomic and macro price policies on diffusion of technology can be reduced by the selection of an appropriate price policy. Or the effect can be reduced by the choice of technology and the scope of

development projects. The appropriate analytical framework is that of opportunity cost of production and consumption.

The choice of macroeconomic and macro price policies is determined by domestic political forces and external constraints. The increased debt burden and debt service requirements of developing nations have placed an uncompromising external constraint on policy choice. In effect, the opportunity costs of government policies have been altered. The new opportunity costs will lead many nations to adopt policies favoring agricultural production as an import substitute or export good. But design of development programs must still consider these policies.

EGYPTIAN ECONOMIC ENVIRONMENT AND POLICIES

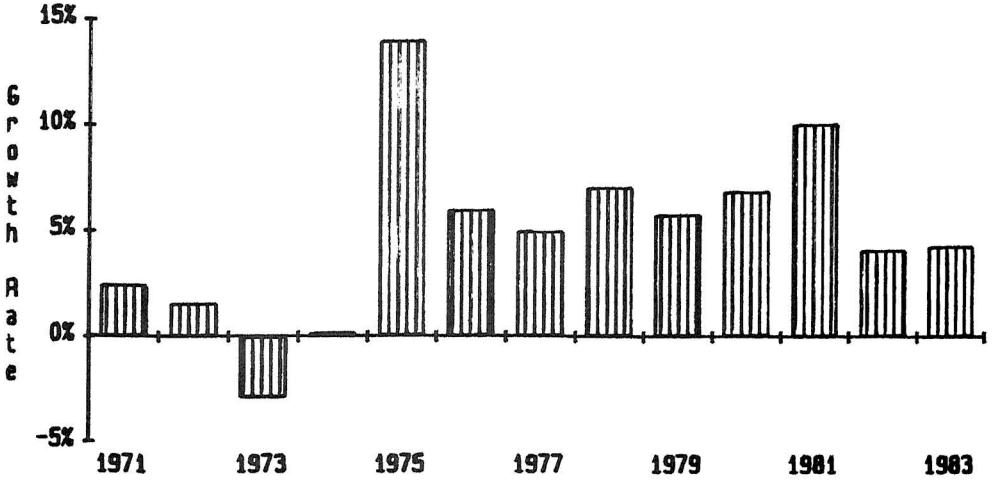
Economic Environment

After several years of relative stagnation in economic growth, when real per capita gross domestic product (GDP) grew at less than one percent per year during 1970-74 (Figure 1), the Egyptian government initiated a major change in economic policy in 1973. The economic strategy -- termed the open-door policy -- sought to turn the economy toward export markets and import substitution through creation of a free foreign exchange market and establishment of economic incentives for foreign and domestic private investment.

Subsequently, the economy expanded more rapidly, with real per capita GDP increasing at 5.9 percent during 1975-79 and over 6 percent in the early 1980s (Figure 1). The impressive economic growth, however, did not result from the economic strategy adopted in the early 1970s. Rather, the growth of the late 1970s was fueled in part by dramatically increased government expenditures and resulting budget deficits (Figure 2). Government revenues increased from about E£1.2 billion in 1974 to E£3.7 billion in 1979, but expenditures increased from about E£2 billion to 6.6 billion in the latter year. Thus, the budget deficit increased from less than E£1 billion in 1974 to almost 3.0 billion in 1979. The budget deficits were primarily financed by external borrowing; external debt (medium- and long-term) increased from US$2.4 billion in 1973 to US$12.2 billion in 1979 (Figure 3).

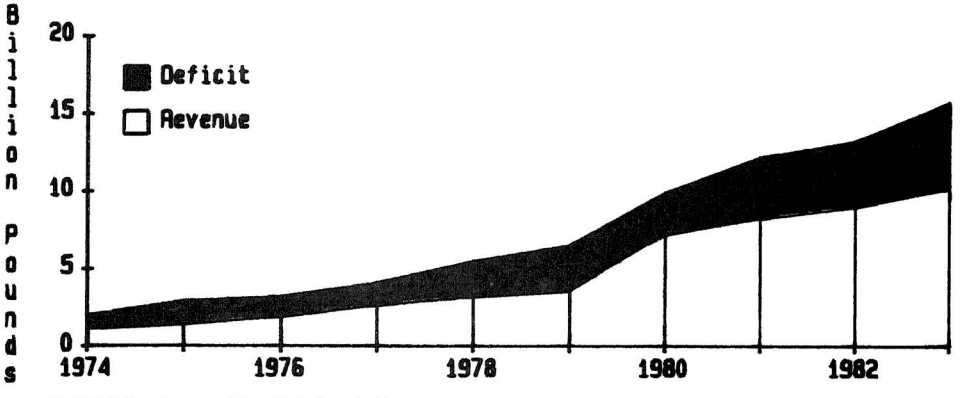
At the same time that the fiscal deficit was financed externally, a rapidly growing merchandise trade deficit required large external capital inflows as well. Merchandise exports grew at a very slow rate from 1970 to 1978 with a billion US$ jump in 1979 due to the increase in petroleum prices (Figure 5). During that period, merchandise imports doubled, with the result that the resource gap (trade balance) increased from around one billion US$ in the early 1970s to US$3.6 billion in 1979. The resource gap was partially offset by increased remittances from Egyptians working in North African and Gulf countries (Figure 6). Private unrequited transfers, the bulk of which are worker remittances, increased from less than US$100 million in the early 1970s to 2.3 billion in 1979.

FIGURE 1. GROWTH RATE OF REAL PER CAPITA GROSS DOMESTIC PRODUCT, EGYPT, 1971-1983



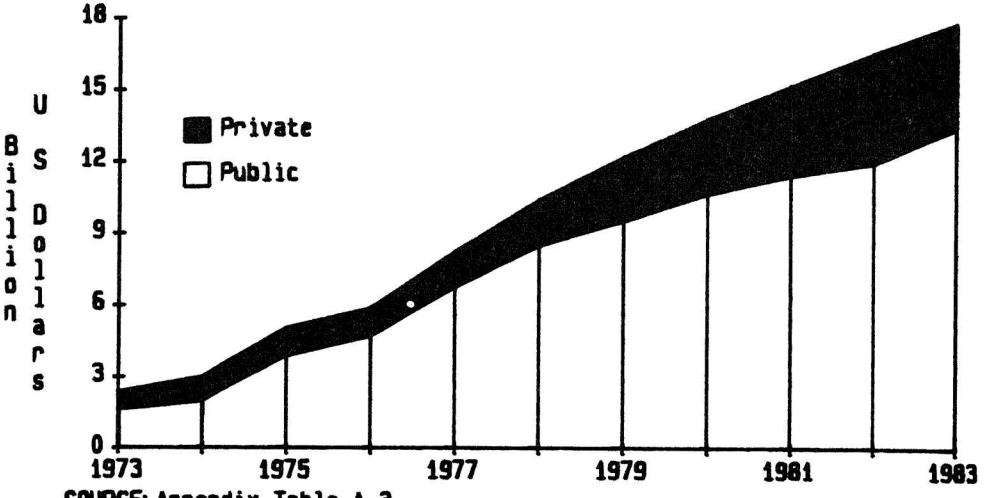
SOURCE: Appendix Table A.1

FIGURE 2. GOVERNMENT REVENUES, EXPENDITURES AND BUDGET DEFICIT, EGYPT, 1974-1983



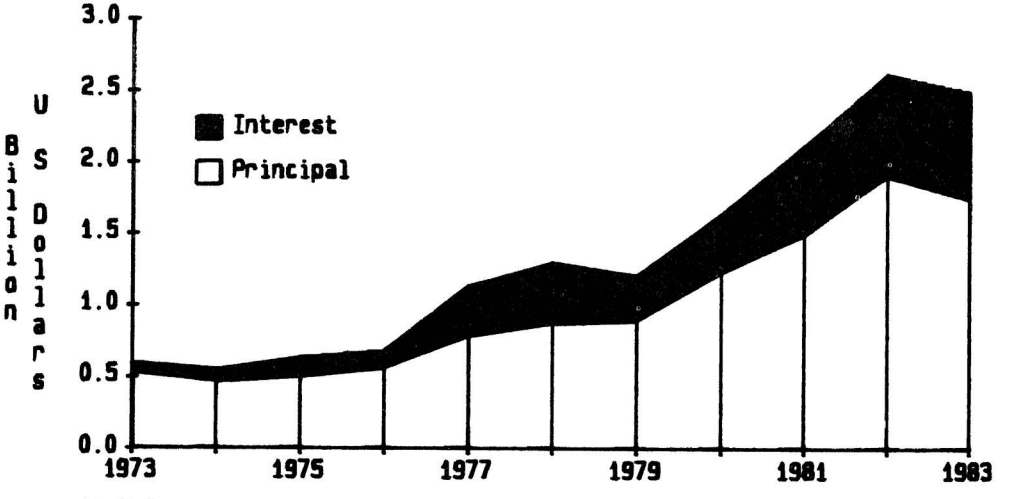
SOURCE: Appendix Table A.2

FIGURE 3. PUBLIC, PRIVATE, AND TOTAL EXTERNAL DEBT, EGYPT, 1973-1983



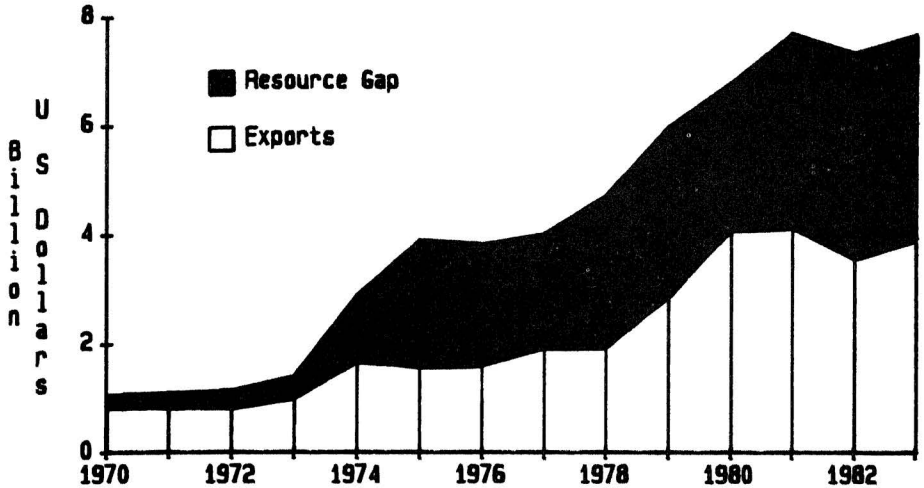
SOURCE: Appendix Table A.3

FIGURE 4. EXTERNAL DEBT SERVICE, EGYPT, 1973-1983



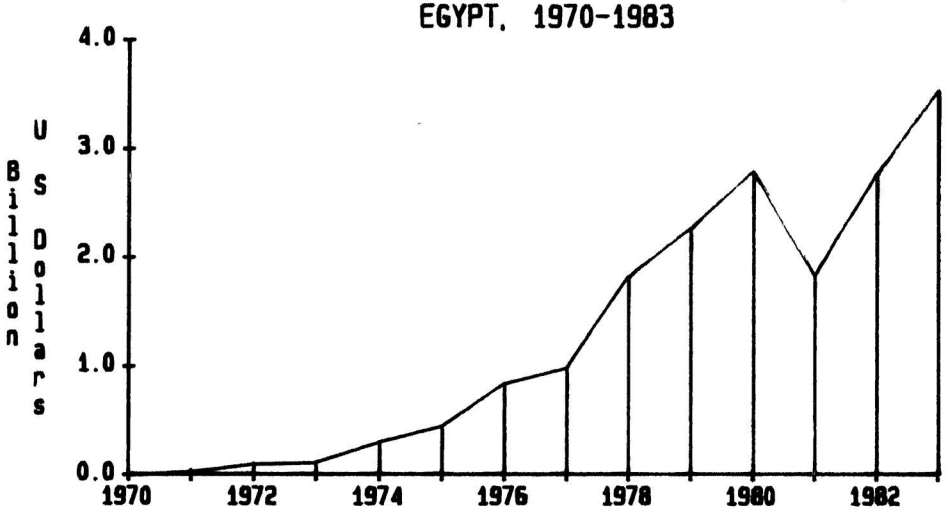
SOURCE: Appendix Table A.3

FIGURE 5. MERCHANDISE TRADE,
EGYPT, 1970-1983



SOURCE: Appendix Table A.4

FIGURE 6. PRIVATE UNREQUITED TRANSFERS,
EGYPT, 1970-1983



SOURCE: Appendix Table A.4

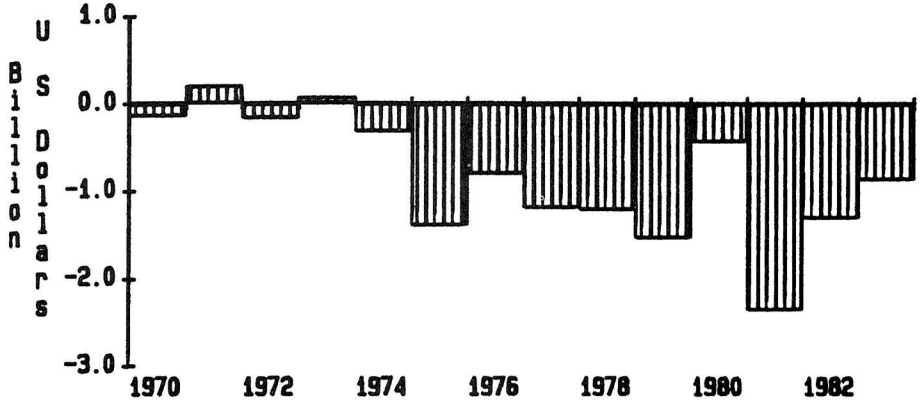
The increasing level of worker remittances and petroleum revenues, coupled with the reopening of the Suez Canal held the current account deficit to an average of about US$1.2 billion during this period (Figure 7).

These sources of economic growth continued to fuel the economy in the early 1980s. The government deficit increased to an estimated E£5.5 billion in 1983/84 as government expenditures grew to almost E£16.0 billion. The level of merchandise imports continued to grow from 1980 to 1981/82 while merchandise exports and worker remittances stagnated. As a result, the current account deficit ballooned to US$2.4 billion in 1981/82. To finance the fiscal and current account deficits, external debt was increased to over US$15.2 billion in 1981, US$16.6 billion in 1982 and almost US$18 billion in 1983. The startling current account deficit in 1981/82 prompted the government to restrict imports, primarily of the public sector, in the following years. The import restrictions, coupled with a further expansion of worker remittances, have reduced the current account deficit to an estimated US$871 million in 1983/84. The cumulative effect of fiscal and trade policies since 1973 is an external debt of almost US$18 billion and annual debt service requirement exceeding US$2.5 billion.

The external sources of economic growth allowed the government largely to ignore the basic philosophy of the economic strategy adopted in the early 1970s. Rather, government involvement in production of many consumer goods was maintained at high levels. The public sector produces consumer goods ranging from pencils to soft drinks to shoes under centralized price controls (administered prices) (Table 1). In the early 1980s these public sector enterprises accounted for more than 30 percent of industrial production. The wide-ranging participation of the public sector is indicated by the following aggregate data: government expenditures represented about 60 percent of GDP, 40 percent of employment and 70 percent of investment.

The public sector involvement in industrial production has had several effects. First, in order to keep the administered prices of consumer products low, administered input prices were kept low. For the agricultural sector, producer prices of many products have been held well below private (world market) prices. Second, it has

FIGURE 7. CURRENT ACCOUNT BALANCE, EGYPT, 1970-83



SOURCE: Appendix Table A.4

TABLE 1 Industrial Commodities Produced Under Centralized Price Control, Egypt, 1984

Commodities Produced by Industries Supervised by Ministry of Industry		
Soap	Soft drinks	Reinforcing iron bars
Industrial detergents	Low-priced fabrics	Fertilizers
Cigarettes	Low-priced sweaters	Tanned leather
Processed tobacco	Low-priced blankets	Refrigerators
Cigarette paper	Cotton yarn	Washing machines
Cheese	Woolen yarn	Passenger cars
Margarine	Plywood	Acetylene gas
Edible oil	Drinking glasses	Pencils
Sugar	Salt	
Macaroni	Shoes	
Milk and yogurt		

Source: Ministry of Industry

Note: In 1980/81, 27.4 of industry production fell in this category. For 1981/82 and 1982/83, the estimated percentages are 30.5 and 30.7 respectively.

created a dualistic economic structure with a lethargic public sector on the one hand and a dynamic import sector on the other.

The economic policies pursued during the 1970s and 1980s placed a number of implicit and explicit obstacles to export promotion and import substitution, not the least of which were an unrealistic exchange rate policy, foreign exchange confiscation, and restrictive and discriminatory import and export regulations.

It is generally recognized and accepted in Egypt that the dependence on external sources for economic growth must be changed and that the sources of economic growth must be broadened by a virtual transformation of public and private sectors toward export promotion and import substitution. That recognition is reflected in changes in the current policy environment.

Economic Policies

Exchange Rates and Foreign Exchange Policy

The Egyptian foreign exchange and trade system remains very complex despite liberalization in the mid-1970s. The foreign exchange market is fragmented into three pools and an even larger number of exchange rates.

Official rates, used by the Central Bank, are based on a foreign exchange pool derived from Suez Canal revenues and the export of cotton, rice, and petroleum. One official rate is used primarily for the payment of external government debt and the importation of basic supply commodities and selected agricultural inputs. This official rate, unchanged since 1979, is $1.43/E£ (.7 E£/$). In addition, special exchange rates apply to transactions with central plan economies with non-convertible currencies (the Soviet Union, People's Republic of China, and North Korea).

Commercial bank rates are used by commercial banks for the commercial bank pool. The commercial bank pool is funded by worker remittances and tourism. In August 1981, an official commercial bank rate of $1.20/E£ was established. Although the official rate has remained unchanged, few transactions are conducted at the rate. The bulk of transactions occur at a premium rate, which in mid-1984

equalled $.89/E£ (E£1.12/$). Currently, only selected tourism transactions occur at the official commercial bank rate.

Until April 1983, the majority of private exports were channeled through the commercial banks at the official rate. Since then, exporters have been allowed to retain foreign exchange earnings and to change at the free market rate.

"Free" or "own" exchange market, established in 1976, is funded by workers' remittances that don't go through the commercial banks, foreign investment, and tourism. The private sector uses this market to finance imports and for foreign dollar denominated assets.

Analysis. The overvaluation of the official (Central Bank) rate relative to the free market rate underprices certain agricultural exports and foodstuff imports. If the export (world market) price is $1 per unit, the export price in local currency at the official rate would be only E£.7 in comparison to that of E£1.20 at free market rate. In turn, the resale price of selected foodstuffs (wheat, for example) would be E£.7 at the official rate versus E£1.20 at the free market rate. This example illustrates that overvaluation of the Central Bank rate is an important element of the subsidization of basic consumption products.

The determination of the free market and of the commercial bank rates is based on the supply from worker remittances, tourism and exports not covered by the Central Bank rate, and the demand to finance imports of the public and private sector. Hence, the free market rate will not fully reflect the current account balance except as the government is able to control imports. It will also not fully reflect differential rates of inflation.

From April 1982 to March 1984, the real commercial bank and free market rate are estimated to have appreciated by almost 27 percent. The appreciation of the exchange rate is attributed to the increase in workers' remittances, the restraint of imports and the growing overvaluation of the Central Bank rate which held down input price increases to the agricultural and public industrial sectors. The appreciation of the currency aggravated an already large trade and current account deficit.

Quite clearly, the recent reforms in the exchange rate and retention of foreign exchange earnings represent a favorable change for exporters. However, just as clearly, the dependence on worker

remittances to fund the commercial bank and free market pools adds an element of instability to exchange rate determination and isolates, at least to some extent, the exchange rate from adjustment due to internal inflation. The government can affect the free market rate and premium commercial bank rate only indirectly.

Wage Policy

Purchasing power of consumers is maintained by administered prices for basic consumer goods rather than maintenance of a minimum wage. As a consequence, the wage rate for the agricultural and industrial sector reflects the supply of labor relative to demand.

The outflow of workers to other countries, estimated at about 4.5 million in the 1980s, has significantly increased the average wage level. From 1970 to 1979, wages are estimated to have increased fourfold. From 1979 to 1983, the average daily wage almost tripled (Table 2). This increase in average wages operated against a constant Central Bank exchange rate and, until recently, against appreciating commercial bank and free market rate. Export prices, other things constant, have not offset the significant increase in labor costs.

Export Promotion Policies

The A.I.D. Mission in Egypt has identified several recent policy changes that will increase the competitive position of private sector agricultural exporters. The changes include

1. Ministry of Economy Decree No. 126/1983 (April 22, 1983), permitting private sector exporters to retain foreign exchange earnings for most types of commodity exports (including most horticultural products) and to receive the free market rate of exchange for their hard currency when buying Egyptian pounds.
2. Law #95 of August 4, 1983, establishing the Export Development Bank.
3. A premium on exports under bilateral trade agreements compensating for deterioration of the exchange rate.
4. Abolition of export committees that fixed minimum prices

TABLE 2 Daily Agricultural Wage and the Exchange Rate, Egypt, 1979-1983

Year	Daily Wage[1/]	Free Exchange Rate
	(E£)	($/E£)
1979	1.56	1.08
1980	1.95	1.12
1981	2.56	1.28
1982	3.25	1.29
1983	4.09	1.36

Sources: Unpublished Ministry of Agricultural data and International Financial Statistics.

1/ Average daily wage plus prerequisites.

for fresh produce exports by the private sector; recommended (rather than obligatory) minimum export prices are announced.

5. Establishment of five governmental committees involving the concerned governmental agencies and private sector exporters; the committees are to make recommendations about (a) transportation and cargo handling, (b) simplification of customs and other formalities, (c) relaxation of export quotas and prohibitions, (d) export planning, (e) moral and financial incentives to export.
6. End of restrictions on the export of most fruits and some vegetables during offseason periods; in the past, the government sometimes had tried to control wholesale and retail prices by banning exports when supply was short.

The mission concludes that the steps taken by the government of Egypt in 1983 to promote exports were selective in nature. Private sector agricultural, and specifically horticultural, exporters may benefit from the new policy environment for exports. In addition, the mission notes that the Minister of Economy also has been consulting with the private agricultural exporters as a legitimate interest group to solve selective problems (e.g., by allowing Jordanian-operated refrigerator trucks to undertake deliveries by land from Egypt to the Arabian Gulf states). The Ministry's Egyptian Export Promotion Centre has undertaken surveys of foreign markets for horticultural products and provides marketing assistance to Egyptian private sector exporters of such products.

Price Policies

Resource allocation in the agricultural and industrial sectors has been skewed by administered prices for public and private sector output. The goals of price policy have varied across commodities. For agricultural export crops (cotton and rice, for example), administered producer prices have typically fallen well below world market (export) prices. One objective, of course, was to maintain an important source of government revenues. In addition, maintaining low producer prices kept down costs for public sector industries

(cotton production for the textile industry, for example). The objective in the latter case was providing low-priced consumer goods.

The producer prices of important import-substitution crops have been held below world market (import) prices to minimize government expenditures to subsidize consumption. At least partially due to these price policies, the agricultural sector trade balance turned from a $300 million surplus in 1970 to a $2.5 billion deficit in 1981. This dramatic growth in food imports has placed considerable strain on the balance of payments. At the same time, subsidies have grown to an estimated E£2 billion in 1983/84, about 13 percent of government expenditures.

First, we turn briefly to comparison of domestic and international prices and then to some examples of the subsidy policy. In 1980, Ingram estimated that the domestic price of cotton was only 18 percent of the international or export price (Table 3). He also estimated that wheat producer price was 54 percent of import price and rice was only 23 percent of export price. Later estimates (1982/83), reflect recent efforts to bring producer prices more in line with world market prices. Thus, resources would have flowed to those products that received most favorable price treatment or that were not covered by administered prices (fruit and vegetables, for example).

The range of the deviation of producer, consumer, and import prices is illustrated for wheat, wheat flour and sugar (Table 4). The import and domestic prices for wheat have tended to converge, reflecting increases in the producer price and declines in the world price. In 1982/83, according to these estimates, the producer price was 82 percent of import price. The domestic selling price was 32 percent of import price and 40 percent of domestic producer price. Maintaining the domestic selling price required a subsidy of 67 percent on imports and of 60 percent on domestic production.

The analysis is similar for wheat flour. The subsidy was more than double the domestic selling price in 1980/81 and about equal to it in 1982/83. The combination of a low producer price and a low consumer price contributes to increased levels of imports, as demand is greater and supply less than if world market prices prevailed.

The intervention via administered prices has caused private returns to deviate from economic returns (shadow prices) for many

TABLE 3 Comparison of Domestic Producer and International Prices for Selected Agricultural Commodities, Egypt

Commodity	1980		1982/83	
	Domestic	International	Domestic	International
Cotton (ginned)	330.0	1800.0	1130.4	3270.1
Wheat	77.0	141.0	104.2	127.7
Rice	75.0	320.0	105.0	319.3
Sugar Cane	--	--	18.2	26.7

Source: 1980: Ingram, James C. "Egyptian Agricultural Price Policies and the Balance of Payments."
1982/83: Ministry of Agriculture.

TABLE 4 Import, Producer and Domestic Selling Price for Selected Food Products, Egypt, 1979-1982/83

Commodity	1979	1980/81	1981/82	1982/83
	(E£/m.t.)			
WHEAT				
Prices				
Import Price[1/]	124.6	141.1	144.5	127.7
Producer Price	70.0	83.3	83.3	104.2
Selling Price	24.7	41.3	41.3	41.3
Subsidy				
Imports	100.2	99.8	103.2	86.4
Domestic Production	45.3	42.0	42.0	61.9
WHEAT FLOUR				
Prices				
Import Price	174.9	241.8	199.0	136.1
Selling Price	67.8	70.7[2/]	70.7[2/]	70.7[2/]
Ration	100.0	100.0	100.0	100.0
Other	245.0	300.0	300.0	300.0
Subsidy				
Ration	86.0	416.0	173.6	66.6

Source: General Authority for Supply Commodities.

1/ Average price for contracted imports.
2/ For European-style bakeries.

products (Table 5). Moreover, the degree of distortion appears random. The ratio of private returns to economic returns varied from 1.27 for wheat to 15.53 for onions. In the former case, producer prices are administered with production sold to the government. In the latter case, the government is the sole exporter of onions and sets the export price. The table also illustrates that even though the private returns for fruits and vegetables fall short of economic returns, those returns are much greater than for cereals and cotton.

The prices of fruit and vegetables have not been administered at the farm level. But maximum wholesale and retail prices have been established on a daily basis for vegetables and until 1984 for fruits. The establishment of a single price and not a range of prices reflecting quality differentials removes much of the incentive to supply high quality produce. To be sure, markets reward producers of quality produce to some degree, but the pricing system does not systematically provide an incentive.

To summarize, the administered prices at the retail and consumer level have decreased the rate of economic growth. First, foreign exchange has been used for foodstuff imports at the expense of capital imports. Second, food consumption subsidies divert government revenues from capital to recurrent expenditures.

TABLE 5 Private (Financial) and Economic Returns to Land for Selected Agricultural Commodities, Egypt, 1981

Crop	Ration		Ratio
	Private	Economic	
Wheat	84	105	1.27
Barley	43	56	1.30
Onions	97	1506	15.53
Rice	59	170	2.88
Cotton	155	421	2.72
Tomatoes	388	1193	3.07
Potatoes	203	319	1.58
Oranges	295	668	2.27
Sugar Cane	155	212	1.37

Source: World Bank Report No. 4136 EGT.

MOROCCAN ECONOMIC ENVIRONMENT AND POLICIES

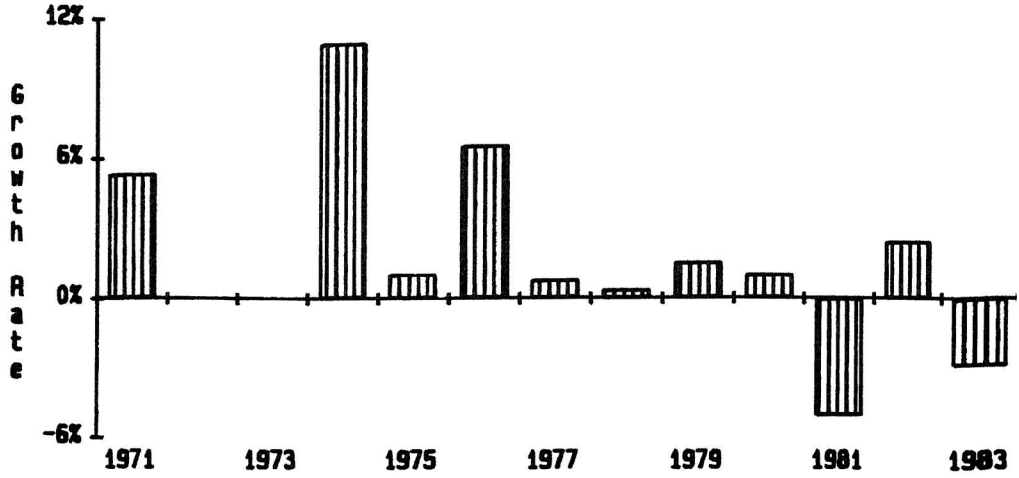
Economic Environment

From independence until the early 1970s, the Moroccan economy expanded at a steady, but unspectacular rate, reflecting a low level of domestic savings and, in the absence of extensive foreign investment and credit, a low level of domestic investment. Acting against gains in aggregate output, the high rate of population growth diluted per capita real gross domestic product, maintaining it at an almost constant level from 1967 through 1973 (Figure 8). At the same time, the economy was judged to be economically sound. Merchandise exports nearly equaled imports (Figure 12), and so the current account deficit was very small and easily financed through limited foreign borrowing and aid (Figure 10).

Because of the low growth potential from internal sources, the 1973-77 economic development plan emphasized an export-oriented investment strategy to increase foreign exchange earnings and an income redistribution program along with other policies to increase domestic savings and thus provide the resources to increase investment. The key elements of the plan were almost immediately discarded as government receipts from phosphate exports increased from $200 million in 1973 to $900 million in 1974 and close to $850 million in 1975. In anticipation of continuation of these revenues, the Moroccan government embarked on an ambitious public-sector investment program. Paralleling the actions of many nations following an increase in government revenues from extractive-resource exports, the economy and government policies turned inward.

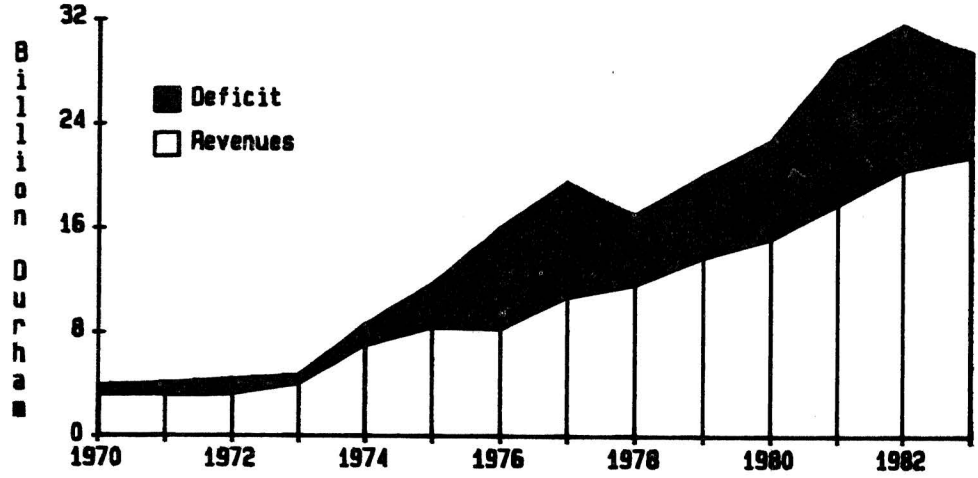
The rapid expansion of public sector investment increased its proportion of gross fixed capital investment from around 13-15 percent previously to 33 percent in 1977. Including state enterprises, the proportion increased to almost half of investment as compared to a third previously. Public sector investment favored public services, communications and housing. Conversely, the share of government investment to agriculture, energy and mining declined, as did the share of private sector investment. Moreover, state investment tended to favor import-substitution rather than export-

FIGURE 8. GROWTH RATE OF REAL PER CAPITA GROSS DOMESTIC PRODUCT, MOROCCO, 1971-1983



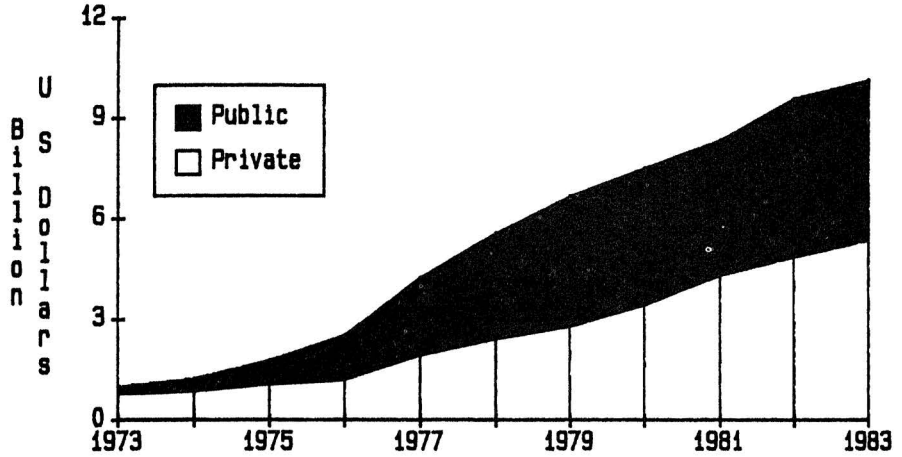
SOURCE: Appendix Table A.5

FIGURE 9. GOVERNMENT REVENUES, EXPENDITURES AND BUDGET DEFICIT, MOROCCO, 1970-1983



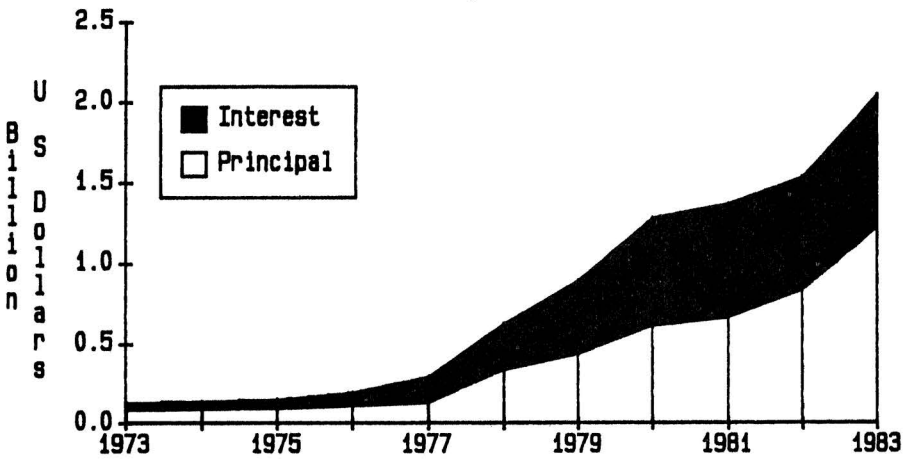
SOURCE: Appendix Table A.6

FIGURE 10. PUBLIC, PRIVATE, AND TOTAL EXTERNAL DEBT, MOROCCO, 1973-1983



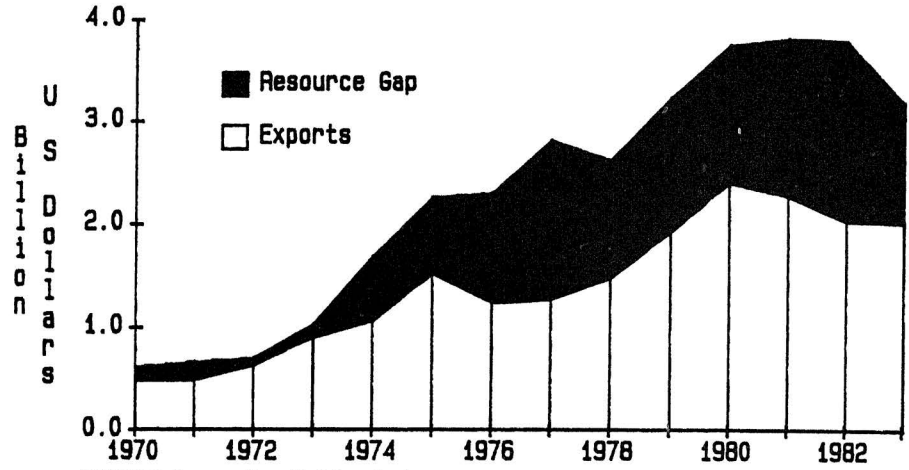
SOURCE: Appendix Table A.7

FIGURE 11. EXTERNAL DEBT SERVICE MOROCCO, 1973-1983



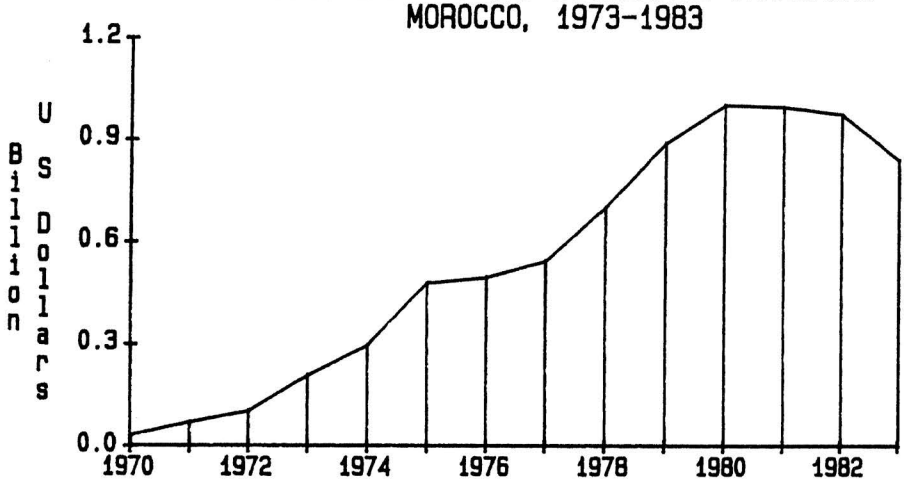
SOURCE: Appendix Table A.7

FIGURE 12. MERCHANDISE TRADE
MOROCCO, 1973-1983



SOURCE: Appendix Table A.4

FIGURE 13. PRIVATE UNREQUITED TRANSFERS
MOROCCO, 1973-1983



SOURCE: Appendix Table A.6

promotion activities. The profitability of these investments was assured by increased levels of tariffs on competing imports.

The end result was a production structure that was largely uncompetitive in world markets. As a result, exports stagnated at about US$2 billion, while imports soared to about US$3.8 billion, fueled by bad weather, economic expansion, and increased military and petroleum import expenditures. And so the resource gap (trade balance) grew to an annual average of about US$1.5 billion, the current account deficit increased to about the same magnitude and foreign borrowing exploded to cover the shortfall (Figure 12). Total external debt increased from US$1.0 billion in 1976 to over US$11 billion in 1983 (Figure 10).

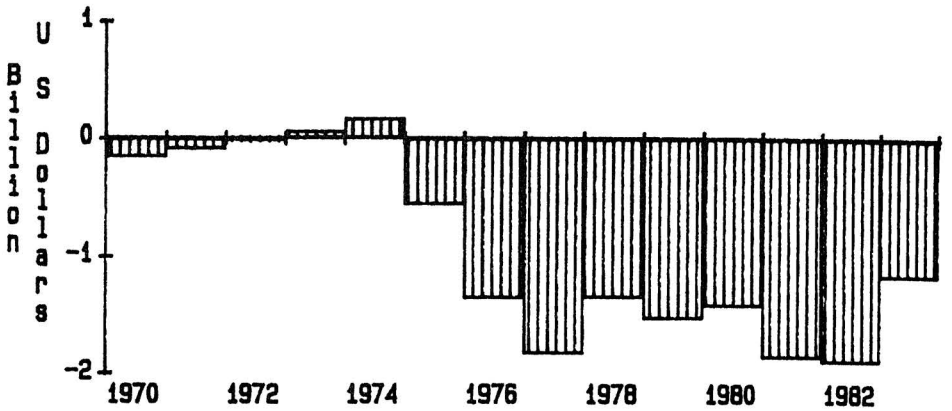
The sectoral allocation and the level of government expenditures resulted in a marked decline in domestic (public and private) savings. The financial requirements of the investment program was at least partially financed by money creation, and so inflation increased. Because the increased general level of prices operated against fixed consumer prices of many products, subsidy costs increased, further accentuating the budget shortfall.

All of these factors led to a current account deficit that reached almost US$2 billion in 1977 and around $1.5 billion in each of the next three years (Figure 14). Foreign public and private debt increased from slightly over US$2 billion in 1976 to over $7 billion in 1980.

The momentum of the government investment program was broken in 1978 with a sharp reduction in that program. But the economy's investment rate has remained high (in excess of 20 percent of GDP) while the domestic savings ratio has remained low (slightly in excess of 10 percent of GDP). As a result, consumption expenditures have increased only at a rate about equal to the rate of population growth.

The capability of the government to stimulate economic growth through external borrowing has been significantly reduced. The debt service requirement, US$2 billion in 1983, has become a significant drain on the economy. In August 1983 the nation was unable to meet these debt service payments. The subsequent negotiations with the International Monetary Fund (IMF) and the Paris Club have led to rescheduled debt payments and increased external financial resources.

FIGURE 14. CURRENT ACCOUNT BALANCE, MOROCCO, 1970-83



SOURCE: Appendix Table A.6

But as the data clearly indicate, debt service payments, which are scheduled to average about US$2 billion annually over the next three years, will continue to place an uncompromising constraint on economy growth.

In response to the IMF agreement and the projected level of debt service requirements, the government has embarked -- at least rhetorically -- on export expansion. Expansion of exports of phosphate and its products is a central part of that plan, and investment in the mining sector remains high. In addition, the government has initiated several programs and policies to increase exports of industrial and agricultural products. Those policies and programs constitute the current economic policy environment.

Economic Policies

Exchange Rates and Foreign Exchange Policy

All foreign exchange transactions are centralized in the Bank of Morocco; however, banks may offset purchases and sales of convertible currencies for private individuals. Each day these banks must balance their accounts with the Bank of Morocco; these transactions occur at exchange rates fixed daily by the Central Bank. A forward exchange market, effective since June 1979, is available for selected imports and exports. Because banks are not allowed to deal among themselves, no foreign exchange market exists in Morocco.

The Bank of Morocco fixes buying and selling rates for the French franc on the basis of changes in a market basket of exchange rates weighted by each nation's importance in Moroccan merchandise trade. Cross rates for other convertible currencies are determined by the fixed dirham-French franc exchange rate and the cross rates of those currencies with the French franc in the Paris foreign exchange market.

The exchange rate policy requires a fairly rigid control of capital flows. Exchange control, administered by the Exchange Office of the Ministry of Finance, is viewed as fairly complex but not cumbersome, because rules and guidelines are documented and observed. According to the IMF Annual Report on Exchange Arrangements and Exchange Restrictions, 1983, nonresidents may hold (1) foreign

currency accounts, (2) foreign accounts in convertible dirhams, and (3) capital accounts. After approval of the Exchange Office, the foreign currency accounts permit free transfer of funds. Transfers from the convertible dirham accounts, with some restrictions, may be freely effected. Capital account fund transfers require, with a few exceptions, individual approval from the Office of Exchange. This account can be used freely to meet tax obligations within Morocco. Expatriation of profits remains a discretionary tool of the government. The exception is in the area of tourism investment. In August 1983 a new tourism investment code was introduced, which assures unrestricted, 100 percent expatriation of after-tax tourism profits.

Control of capital flows and the absence of a foreign exchange market (excepting, of course, any local black market) allow the Moroccan government to use the exchange rate as a tool of export promotion. A key restraining factor on the degree of manipulation of the exchange rate is the potential adverse effect on worker remittances. In recognition of the need to provide incentives, in addition to the premium discussed earlier, an interest rate of 8 percent has been paid on worker remittance accounts since 1983. Previously, no interest had been paid on those accounts.

Many developing nations adopted exchange rate and economic policies in the 1970s that led to an overvaluation of their currency. In several cases, the boom in prices of exports of raw material -- oil, or in the case of Morocco, phosphate -- financed necessary imports which previously had been financed by industrial and agricultural exports. Overvaluation of currencies held down the price of imports but reduced competitiveness of these countries in international markets. The value of the Moroccan currency followed this pattern.

Several aggregate measures of the value of a currency are used to evaluate the relative value of the dirham. First, based on the weights of the currency basket, the nominal exchange rate index shows a moderate increase in the value of the dirham until 1980 (Figure 15). However, due to the depreciation of the U.S. dollar and the appreciation of the dirham, the real exchange rate index shows a dramatic increase in the value of the dirham from 1972 to 1974, a moderate depreciation from 1974 to 1976 and then continued

appreciation until 1980. The trade weighted index shows a similar pattern (Figure 16).

Several estimates placed the overvaluation of the Moroccan currency at about 16 percent in 1980. By late 1983 the dirham had depreciated in real terms about 19 percent against the currency basket and about 12 percent against a trade-weighted measure. The gradual depreciation of the currency has been continued in 1984. The following table shows the changes in several bilateral nominal exchange rates (buying rates) in 1983:

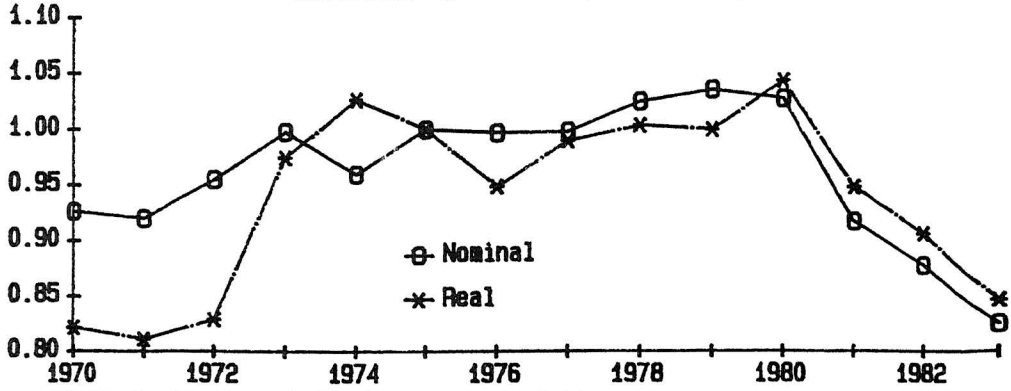
	March 31	June 30	Sept. 30	Dec. 30
	(in dirhams)			
French franc	.90431	.89709	.98010	.96423
U.S. dollar	6.5689	6.8440	7.8442	8.0436
Pound sterling	9.7267	10.4680	11.7120	11.6510
Deutschmark	2.7089	2.6922	2.9713	2.9454
Spanish pesetas (100)	4.8213	4.7142	5.1577	5.1272
Tunisian dinar	9.9700	10.0260	11.0830	11.0150

The movements broadly reflect the intent to maintain or increase the competitiveness of Moroccan products.

Because Spain is Morocco's most important competitor for the Western European fruit and vegetable market, the movement of the dirham against the Spanish peseta is of special interest. Despite an appreciating nominal exchange rate, the real exchange rate index shows only a slight increase in value of the dirham relative to the peseta during the mid 1970s and somewhat of a decline since that time (Figure 17). Spanish inflation rates exceeded those of Morocco, tending to offset the appreciation of the dirham. However, the Moroccan currency appreciated against that of its principal trading partner, France, throughout the 1970s (Figure 18). That relatively higher value was maintained through 1982. Since that time, the dirham has depreciated markedly against the franc.

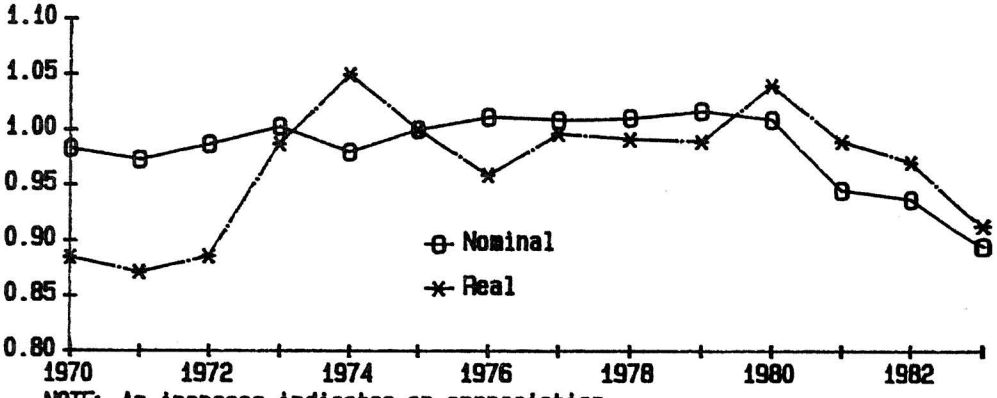
Finally, all exporters must repatriate and surrender foreign exchange earnings within 30 to 90 days, depending on the type of contract. Recent liberalization of the Investment Code may make this restriction less onerous. At this time 5 to 15 percent of foreign exchange may be retained for ongoing exporting expenses.

FIGURE 15. NOMINAL AND REAL EXCHANGE RATE INDICES, CURRENCY BASKET WEIGHTS, MOROCCO, 1970-83 (1975=1.00).



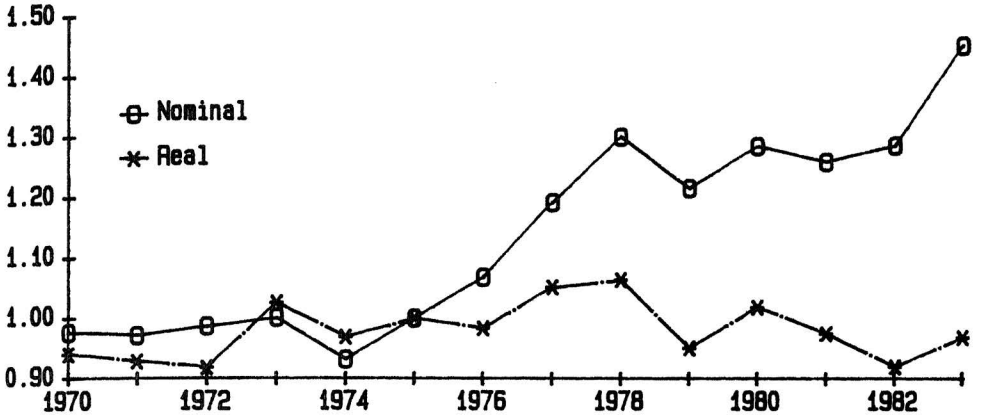
NOTE: An increase indicates an appreciation.
SOURCE: Appendix Table A.13.

FIGURE 16. NOMINAL AND REAL EXCHANGE RATE INDICES, TRADE WEIGHTS, MOROCCO, 1970-83. (1975=1.00)



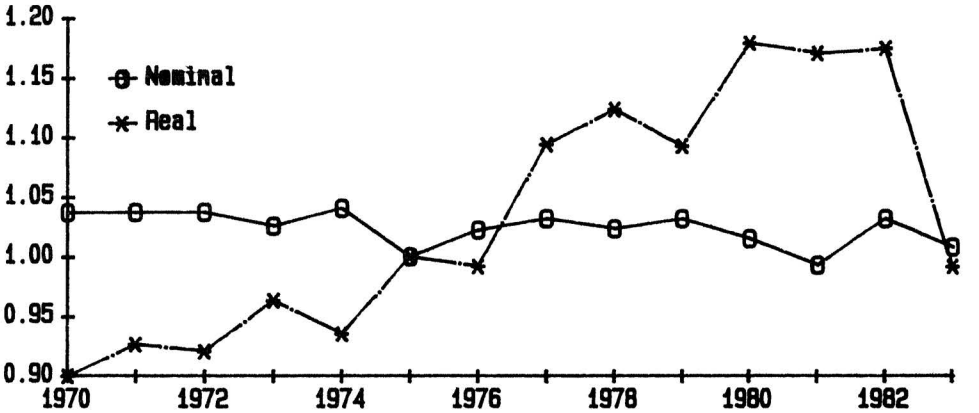
NOTE: An increase indicates an appreciation.
SOURCE: Appendix Table A.13.

FIGURE 17. NOMINAL AND REAL EXCHANGE RATE INDICES, SPANISH PESETA, 1970-83 (1975=1.00).



NOTE: An increase indicates an appreciation.
SOURCE: Appendix Table A.14.

FIGURE 18. NOMINAL AND REAL EXCHANGE RATE INDICES, FRENCH FRANC, 1970-83. (1975=1.00)



NOTE: An increase indicates an appreciation.
SOURCE: Appendix Table A.15.

Wage Policy

A minimum rural and urban wage has been established by the government. However, due to the high levels of unemployment and underemployment, it is not routinely observed and does not "distort" resource allocation.

Export Promotion Policies

Since the debt crisis of 1982/83 the government of Morocco has adopted an aggressive export-promotion/import-substitution stance. The policies include (1) a flexible exchange rate, (2) trade and exchange liberalization, and (3) investment incentives. Tariffs, quotas and outright prohibition of some products have biased domestic prices in favor of import-substitution products. The increase in relative prices of these goods, in turn, increases the profitability of those industries and tends to induce an inflow of resources.

As a practical matter, Morocco maintains three lists of imports, A-C. Any article on the "A List," including most complementary food imports, may be freely imported. Articles on the "B List" are subject to varying tariff rates with an average of about 16 percent. Articles on the "C List," which may not be imported, include autos and almost all fresh and processed fruits and vegetables. In 1982, in order to reduce the flow of imports in response to foreign exchange shortages, a number of products were transferred from the "A" to "B" list and from the "B" to "C" list. More recently, some of the products have been transferred back.

The adverse impact of the trade restrictions on export industries is widely recognized in Morocco, but reduction in tariffs has been resisted by the government because the tariffs are a major source of its revenue. To allow the gradual reduction in tariffs, Morocco has sought special assistance from the World Bank. Reportedly, the agreement would initially replace all revenues lost from reduced tariffs and then the assistance would be gradually reduced. If this agreement is reached, the competitive position of Morocco's export industries would be enhanced.

In the area of foreign investment, the 1973 investment code has been modified to provide incentives for investment in the export sector. A ten-year tax holiday has been made available for investment in export production and marketing. Additional policies include a more flexible policy on short-term and intermediate-term export credits, a reduction of the number of products requiring an export license and the abolition of the state-export monopoly on processed food products.

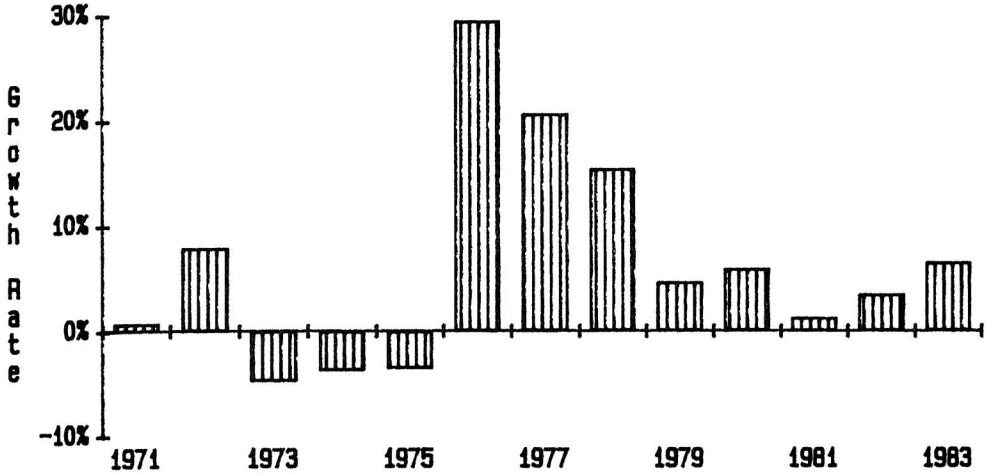
Economic Environment

Economic development and growth of Jordan are products of the volatile politics of the region and of the price and volume of petroleum exports of the Arab countries, although Jordan itself is not a petroleum exporter. Petroleum exports affect Jordan in two ways. First, the amount of foreign aid provided by Arab oil exporters has been constrained by the recent fall in oil revenues. Second, the continuation of the flow of worker remittances is dependent on the continuation of high levels of investment in the oil exporting countries. That investment has fallen as oil revenues have declined.

The volatility of economic growth is reflected in the wide variation in economic growth rates. Prior to 1975, growth was erratic, with real per capita Gross Domestic Product (GDP) expanding to 194 Jordanian dinars (JD) in 1972 but subsequently declining to about JD171 in 1975 (Figure 19). Commencing in the following year, the economy expanded rapidly throughout the remainder of the 1970s. GDP in nominal terms increased by 175 percent from 1975 to 1979 and real per capita GDP increased by 75 percent. Rapid growth continued until 1982 with real per capita GDP increasing by an additional 8 percent. The economic growth has slowed significantly in the past two years, with an increase in real per capita GDP in 1983 of only 2.7 percent.

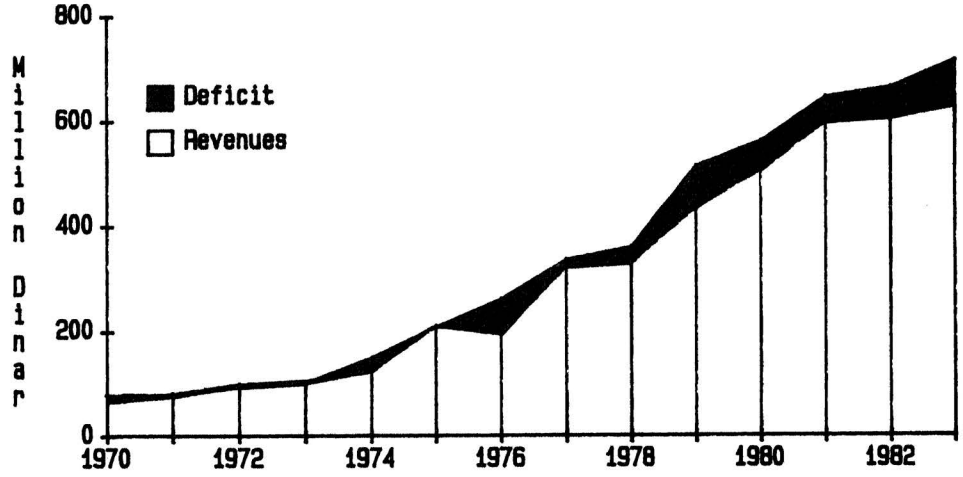
The pattern of economic growth primarily reflects the growth of government capital expenditures which, in turn, were financed by foreign aid and borrowing (Figures 20 and 21). From 1976 to 1977, a doubling of capital expenditures was financed by a doubling of foreign aid. The decline in foreign aid in 1978 was offset by increased foreign borrowing. Foreign aid almost tripled from 1978 to 1979, supporting the significant growth in recurring and capital expenditures. The increased aid reflects the $1.2 billion pledged to Jordan, as one of the front-line states against Israel, by the oil-exporting Arab nations at the 1978 Bagdad Conference. The level of foreign aid continued through 1981, but with the drop in petroleum revenues and the Iran-Iraq war, external budget support fell by JD22

FIGURE 19. GROWTH RATE OF REAL PER CAPITA GROSS DOMESTIC PRODUCT, JORDAN, 1971-1983



SOURCE: Appendix Table A.10

FIGURE 20. GOVERNMENT REVENUES, EXPENDITURES AND BUDGET DEFICIT, JORDAN, 1970-1983



SOURCE: Appendix Table A.9

million in 1982 and a further JD54.5 million in 1983. The shortfall in foreign aid was offset by increased international borrowing (Figure 21).

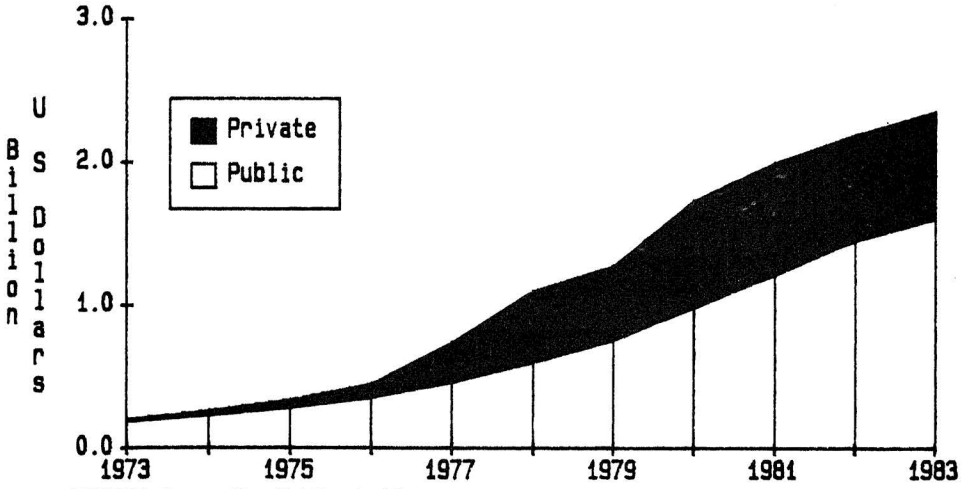
The dramatic growth of the economy was accompanied by a rapid increase in merchandise imports, which increased fourfold from 1974 to 1979 and almost doubled again between 1979 and 1983 (Figure 23). Merchandise exports grew rather slowly during the late 1970s but expanded rapidly from 1979 through 1982. That pattern reflects the investment in phosphate mining and export facilities and the increased import needs of Iraq due to the Iran-Iraq war. The volume of merchandise exports, however, fell far short of covering merchandise imports. As a result, the resource gap (trade deficit) grew from about US$.5 billion in 1975 to US$1.3 billion in 1979. It has averaged slightly over US$2.1 billion in the most recent three years.

The resource gap has been financed by foreign aid (official unrequited transfers) and the remittances of Jordanians working in Saudi Arabia and other Gulf states. Private unrequited transfers, the bulk of which are worker remittances, increased from US$172 million in 1975 to about US$.5 billion in 1979 and to US$1 billion in the most recent years (Figure 24).

The high levels of worker remittances and foreign aid have limited to some extent Jordan's need for foreign borrowing. Nevertheless, public debt increased more than tenfold from 1970 to 1983 with much of the increase in recent years to offset foreign aid reductions. In 1983, debt service of the public and private sector was estimated at about US$336 million, about one-third of merchandise exports (Figure 22).

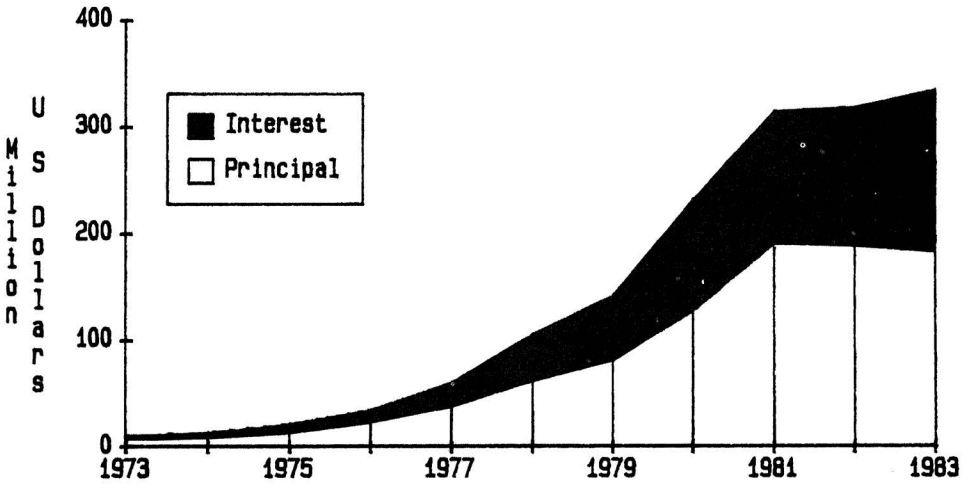
Several factors condition the current economic environment in Jordan. First, the decline in oil revenues may lead to a further reduction in budget support from the Arab oil exporters and a stagnation or decline in worker remittances. Second, the recent growth in merchandise exports was primarily in low-value-added products (phosphate and potash), and a very large proportion of exports (roughly half) went to neighboring Arab states. Third, with the continuing difficulties in Lebanon, Jordan sees itself as a future center of finance and business activities in the region. A stable, convertible currency is central to Jordan's attractiveness to

FIGURE 21. PUBLIC, PRIVATE, AND TOTAL EXTERNAL DEBT, JORDAN, 1973-1983



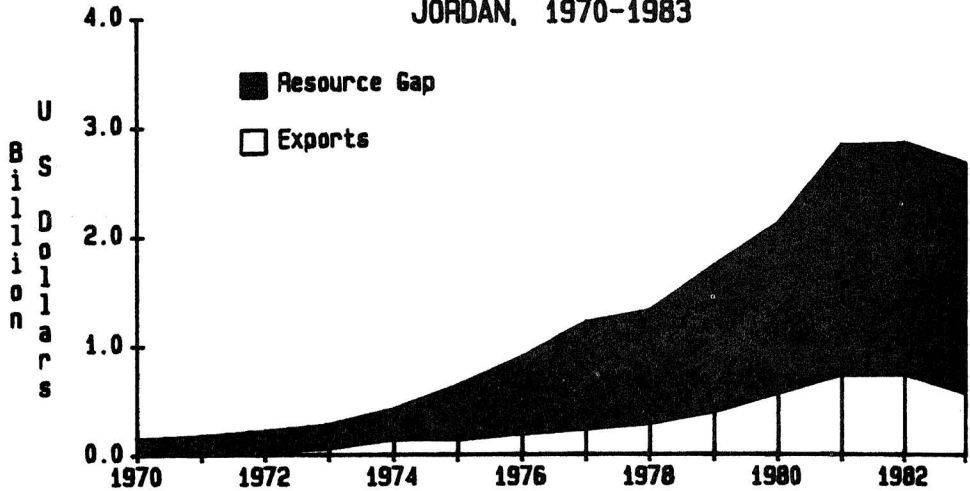
SOURCE: Appendix Table A.12

FIGURE 22. EXTERNAL DEBT SERVICE, JORDAN, 1973-1983



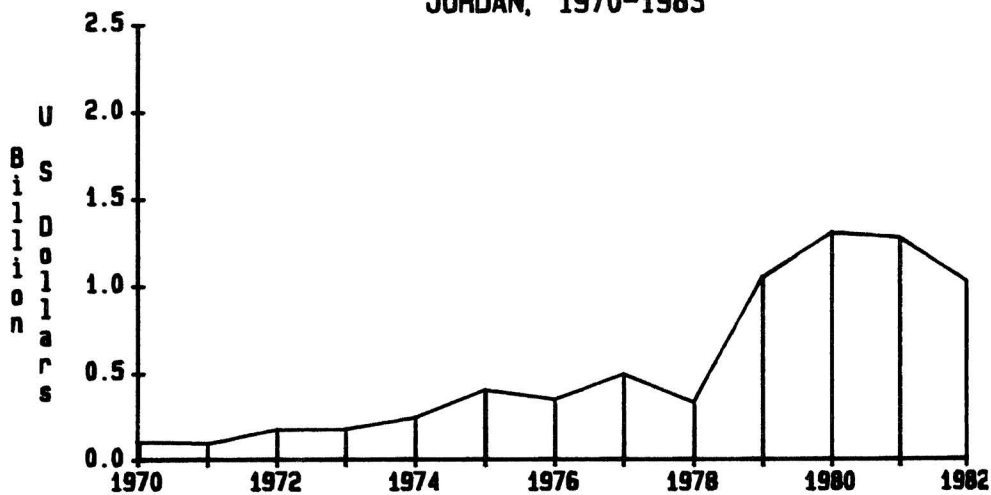
SOURCE: Appendix Table A.12

FIGURE 23. MERCHANDISE TRADE, JORDAN, 1970-1983



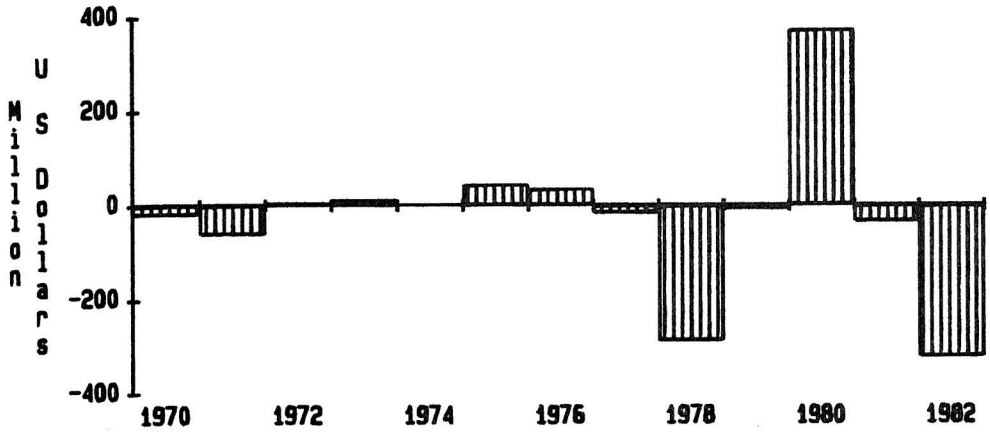
SOURCE: Appendix Table A.11

FIGURE 24. PRIVATE UNREQUITED TRANSFERS, JORDAN, 1970-1983



SOURCE: Appendix Table A.11

FIGURE 25. CURRENT ACCOUNT BALANCE, JORDAN, 1970-83



SOURCE: Appendix Table A.11

outside capital and business investment. In summary, there is a growing recognition of the need to increase merchandise exports, particularly of high-value-added products and to diverse trade destinations.

Economic Policies

Exchange Rate and Foreign Exchange Policies

Foreign exchange controls are very liberal in Jordan:

1. Residents and non-residents may bring in or take out unlimited amounts of foreign bank notes and coins.
2. Non-residents may keep unlimited foreign exchange accounts. The limit for residents is JD10000.
3. Arab nationals can freely purchase or sell shares and bonds issued by Jordanian shareholding companies.
4. Foreign exchange from exports to Arab countries need not be repatriated.
5. Sums up to JD5000 may be transferred abroad without documentation by residents.
6. Licensed banks are permitted to lend in foreign currencies to residents and non-residents.

The relative freedom of capital movements places direct restrictions on the freedom of the Central Bank to manipulate the exchange rate.

A stable, predictable exchange rate has been a goal of the Jordanian government for a number of years. The Jordan dinar was linked to the pound sterling until 1971, at which time it was pegged to the U.S. dollar. When the dollar devalued relative to the pound (a defacto devaluation of the dinar), the gold content of the dinar was reduced to maintain the exchange rate at $2.80. When the U.S. dollar devalued further in February of 1973, the gold content of the dinar remained unchanged and thus it appreciated to $3.11. On July 1, 1974, the dinar was placed on a controlled, floating basis, and in February of the following year it was linked to the SDR (Special Drawing Rights) at a value of SDR 2.57895/JD. That linkage has been maintained since that date.

The SDR relationship is based on a market basket of six currencies (the United States, United Kingdom, West Germany, France,

Italy and Japan). A change in the value of one of these currencies with respect to the SDR automatically changes its value with respect to the dinar and all cross rates. But because each currency represents only a portion of the SDR, the change will be less than its appreciation or depreciation with respect to other currencies. For example, the US$ appreciated against all major currencies and the SDR from 1981 to 1982. In response, the value of the dinar was automatically adjusted as follows:

	1981	1982	% Change
U.S. dollar	.3305	.3525	6.7
Pound sterling	.6684	.6164	-7.8
Deutschmark	.1466	.1453	-0.9
French franc	.0611	.0539	-11.8
Italian lira (per 100)	.0292	.0261	-10.6
Japanese yen (per 100)	.1476	.1414	-4.2

(all measures in JD per foreign currency unit).

During this period the JD depreciated by 6.7 percent with respect to the US dollar but appreciated with respect to all other currencies, with the appreciation ranging up to almost 12 percent against the French franc. Undoubtedly, the strength of the dinar against the major European currencies provided incentives for worker remittances. At the same time it discouraged exports because the appreciation increased Jordanian prices in foreign markets. Imports from those countries, of course, declined.

The exchange rate policy adopted by Jordan requires that its inflation rate not differ greatly from that of the major-currency countries. Because inflation has been somewhat higher in Jordan than in other countries, the dinar may have become somewhat overvalued. This policy also requires significant external financing to balance the current account and the fiscal budget. Under the current foreign exchange policies, the exchange rate will not be used as an instrument of commercial policy.

Price Policies

The prices of most consumer goods are administered by the Ministry of Supply (Table 6). Reportedly, the control of retail prices has two origins. First, price controls were adopted during

TABLE 6 Products Sold Under Administered Prices, Jordan, 1984

1. Juices	17. Macaroni
2. Beverages	18. Detergents
3. Mineral Waters	19. Dairy Products
4. Sugar	20. Fresh and Frozen Meats
5. Rice	21. Tomato Paste*
6. Bread	22. Salt
7. Flour	23. Paper Tissue
8. Hallawa and Tahynek	24. Fuels
9. Coffee	25. School Uniforms
10. Cakes and Sweets*	26. Cigarettes
11. Poultry	27. Cement
12. Cooking Oils	28. Toothpaste
13. Cooking Fats*	29. Shaving Paste
14. Corn	30. Restaurant Prices
15. Bran	31. Vehicle Spare Parts
16. Lentils	32. Fresh Fruits and Vegetables

Source: Ministry of Supply, January 1983.

*Locally produced.

the 1967 war to control inflation. Second, influential editorialists called for "declared" prices as observed in developed nations. The push for "declared" prices evolved into the "administered" price system.

As is the case in many other countries, the prices of wheat, wheat flour and bread are heavily subsidized. However, budget realities have forced periodic adjustments even in bread prices. In 1982, the level of subsidies, grants and awards was JD19.4 billion, only 4 percent of recurring expenditures and 2.6 percent of total government expenditures. A second subsidy category, that for fuel prices, amounted to JD58 million. Total subsidies, therefore, appear to be about JD77 million or about 17 percent of recurring expenditures and 11 percent of total expenditures.

For certain commodities (rice and sugar, for example), the administered price system generates government revenues because the fixed prices exceed import prices. The downward trend of world commodity prices since 1980 coupled with the appreciation of the dinar against the major currencies have reduced import prices. This is another reason for the governmental support of a strong dinar.

The price controls are readily evident in the Amman wholesale price index (Table 7). The large jump in the WPI from 1980 to 1981 reflects the large increase (reduced subsidy) in the price of fuel. The wholesale and retail margins of fruits and vegetables are controlled but not the farm price. As a result, the prices of fruits and vegetables have increased much faster than those of other products. Undoubtedly, the subsidization of other food and consumer prices has contributed to the increased demand and hence increased prices of fruits and vegetables.

Trade Policy

Differentiated customs tariffs and quantitative restrictions are used to control the flow of imported foodstuffs. The basic philosophy is to keep tariffs low and imports unrestricted. If the product does not compete with domestic production, on the other hand, imports that could potentially compete with domestic production are effectively barred from the market by very high tariff rates. Seasonal quantitative restrictions are used to control the flow of

TABLE 7 Amman Wholesale Price Index (1975=100), 1978-82

Group	1978	1979	1980	1981	1982
Seeds and Pulses	132.8	141.3	151.8	145.1	150.7
Vegetables	226.4	241.4	253.4	257.5	266.0
Fruits	213.6	215.3	214.9	223.3	209.8
Meat and Fish	124.1	127.8	144.6	170.8	173.2
Grocery Items	101.7	103.2	114.3	131.5	138.9
All Items	128.5	136.9	156.2	182.0	190.5
Excluding Fuel	129.0	135.2	146.2	162.9	167.1
CPI - Food	135.7	143.6	159.2	171.3	177.2

products that complement domestic production. Representative tariffs for selected foodstuffs are given in Table 8.

In addition to the custom tariff, a "surcharge" of 17.2 percent is applied against any article subjected to an import tariff. (Fresh vegetables are not subject to import duties but are subject to 4 percent surcharge.) Finally, any article free of customs tariffs is subject to a "tax" of 6.2 percent, composed of an additional tax, an "overtime allowance" and an import duty. (Products imported from the West Bank are not subject to duties or fees.) The limiting nature of a tariff and surcharge is readily evident for products like tomato paste with a total import duty of 70 percent.

Together, the custom tariffs and the surcharge of 17.2 percent on fresh fruits and vegetables that compete with domestic production range from 31 to 50 percent, with most at the upper end of the range (Table 9). Other vegetables and fruits are subject only to the 6.2 percent charge. However, quantity restrictions, via import licenses, control the import flow of these products.

The Agricultural Economics Department of the Ministry of Agriculture prepares a "monthly plan" that serves as the basis for issuing import and export licenses. Each month the anticipated demand is compared with anticipated supply and import licenses issued for the anticipated shortfall. The intent is, of course, to control market price by controlling the flow to the market. The system occasionally has the opposite effect, as exports may be banned by the government if supplies are short. Critics allege that the system stymies medium- and long-term planning by producers, exporters and importers because of irregularities in the timing and the magnitude of restrictions on imports and exports.

Export Promotion

The export promotion policy lies almost exclusively in the promotion of domestic and foreign investment. Key features of the investment law include

1. Extension of all privileges given to domestic capital to foreign capital.
2. Guaranteed transfer of profits and interest earnings abroad in foreign currencies.

TABLE 8 Import Duties on Selected Foodstuffs, Jordan, 1984

Product	Duty
	(percent)
Poultry meat	10
Most dairy products	0
Eggs	50 fils/100 eggs
Fruit processed without sugar	23
Fruit juice	38
Dried fruits	23
Tomato paste	53
Coffee	
Unroasted	50 fils/kg.
Roasted and ground	23
Cereals and lentils	0
Soybeans	14
Most animal and vegetable fats and oils	20
Sugar	
Unrefined	0
Refined	3-28
Beef	0
Pork	14

Source: Jordan Customs and Excise Law and Tariff Rates. Ministry of Finance and Customs. This list prepared by mission staff in 1982.

TABLE 9 Custom Tariffs on Fruits and Vegetables, Jordan, 1984

Product	Duty
	(percent)
Tomatoes	23
Fresh beans, haricuts, broad beans	23
Cucumbers, marrows, pumpkin	23
Most other vegetables	23
Dates, bananas, cocoanuts, guavas	18
Pineapples, mangoes	35
Citrus, fresh or dried	14
Grapes	13
Mushrooms, truffles	0
Olives	0
Onions, garlic and potatoes	0
Dry leguminous vegetables	0
Figs, fresh or dried	0
Raisins	0

Source: Jordan Customs and Excise Law and Tariff Rates, Ministry of Finance and Customs, July 1984.

3. Free grants of public land.
4. Exemption of profits from income tax for periods up to 9 years and from property tax for periods up to 7 years.
5. Exemption from customs and import duties of capital goods necessary for projects.

An estimated 128 companies have recently established regional offices in Jordan in response to the favorable tax policies.

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DATA APPENDIX

TABLE A.1 Selected National Account and Price Data, Egypt, 1970-1983/84

Year	Gross Domestic Product	Net Foreign Factor Income	Gross National Product	Real GDP	Implicit GDP Deflator	Population	Per Capita Real GDP	Wholesale Price Index
	(billion E£)				(1975=1)	(million)	(E£)	(1975=100)
1970	2.971	-.044	2.927	3.784	.758	33.30	113.5	75.0
1971	3.146	-.059	3.086	3.968	.793	34.08	116.4	75.1
1972	3.417	-.014	3.403	4.121	.829	34.84	118.3	76.1
1973	3.663	-.029	3.634	4.089	.896	35.62	114.8	81.3
1974	4.197	-.112	4.085	4.191	.978	36.42	118.0	93.0
1975	4.886	-.148	4.738	4.886	1.000	37.23	131.3	100.0
1976	6.276	.133	6.409	5.266	1.192	37.87	139.0	107.8
1977	8.210	.433	8.643	5.663	1.457	38.79	145.7	117.8
1978	9.788	.983	10.771	6.226	1.572	39.82	156.3	135.2
1979	12.610	.785	13.395	6.776	1.861	40.98	165.1	148.4
1980/81 1/	16.804	NA	NA	7.478	2.247	42.29	176.8	170.5 3/
1981/82 1/	20.727	NA	NA	8.463 2/	2.449	43.47	194.7	182.4 3/
1982/83	NA	NA	NA	9.055 2/	NA	44.67	202.7	197.3 3/
1983/84	NA	NA	NA	9.707 2/	NA	45.91	211.4	240.3 3/

Sources: International Financial Statistics; unpublished data, Ministry of Planning.

1/ Preliminary.
2/ Based on reported growth of real GDP of 7.0% in 1982/83 and 7.2% in 1983/84.
3/ Based on estimates from Central Agency for Public Mobilization and Statistics.

Note: Macroeconomic data for recent years are difficult to obtain; therefore, these data should be considered provisional.

TABLE A.2 Summary of Fiscal Operations, Egypt, 1974-1983/84

Year	Revenues			Expenditures			Budget Deficit
	Taxes[1]	Public Sector[2]	Total	Subsidies	Other	Total	
	(billion E£)						
1974	.736	.338	1.184	.410	1.663	2.073	.889
1975	1.022	.364	1.524	.622	2.393	3.015	1.491
1976	1.322	.573	2.015	.434	2.846	3.280	1.264
1977	1.967	.652	2.755	.650	3.519	4.169	1.413
1978	2.147	1.012	3.306	.710	4.849	5.559	2.252
1979	2.412	.875	3.683	1.352	5.239	6.591	2.907
1980/81[3]	3.997	3.278	7.275	2.166	7.817	9.983	2.708
1981/82[3]	4.442	3.891	8.333	2.192	10.080	12.272	3.939
1982/83[3]	5.249	3.810	9.059	2.054	11.234	13.288	4.230
1983/84[3]	6.241	3.996	10.237	2.409	13.406	15.815	5.578

Source: Unpublished World Bank data, Ministry of Finance data, and other estimates.

1/ Direct and indirect taxes.
2/ Transferred profits, investment self-financing, petroleum and Suez Canal receipts.
3/ Preliminary and estimates.

TABLE A.3 Selected External Debt and Debt Service, Egypt, 1973-1983

Year	Debt[1/]			Debt Service[1/]		
	Public	Private	Total	Interest	Principal	Total
	----------(billion US$)----------			----------(billion US$)----------		
1973	1656.1	767.5	2423.6	531.3	70.4	601.7
1974	2023.8	1025.1	3048.9	466.9	86.6	553.5
1975	3910.9	1179.3	5090.2	510.2	133.4	643.6
1976	4735.9	1177.0	5912.0	569.7	119.8	689.5
1977	6790.6	1470.5	8261.1	789.5	350.5	1140.0
1978	8516.2	1927.4	10443.6	881.3	423.6	1304.9
1979	9556.6	2680.2	12236.8	901.9	311.3	1213.2
1980	10690.1	3147.5	13837.6	1236.6	406.4	1643.0
1981	11460.7	3777.6	15238.3	1498.7	624.1	2122.8
1982	12001.9	4623.3	16625.2	1915.3	712.4	2627.7
1983	13500.0	4420.0	17920.0	1755.0	753.4	2508.4

Source: Economic Research Service, unpublished data.

1/ Includes medium- and long-term debt, disbursed and outstanding.

TABLE A.4 Selected Balance of Payments Summary Data, Egypt, 1970-1983/84

Year	Merchandise Trade: Exports[1]	Merchandise Trade: Imports[1]	Resource Gap	Other Goods & Services Net	Private Unrequited Transfers	Current Account Balance
	(billion US$)					
1970	.817	1.084	.267	-.218	.033	-.148
1971	.815	1.131	.281	.232	.038	.207
1972	.813	1.170	.357	-.217	.110	-.174
1973	1.000	1.429	.429	-.253	.123	.074
1974	1.672	2.914	1.242	-.388	.310	-.326
1975	1.567	3.941	2.374	-.465	.455	-1.398
1976	1.609	3.842	2.233	-.039	.842	-.806
1977	1.924	4.038	2.064	-.124	.988	-1.200
1978	1.939	4.743	2.804	-.241	1.824	-1.220
1979	2.857	6.002	3.578	-.233	2.269	-1.542
1980	4.088	6.814	2.960	-.269	2.791[3]	-.438[4]
1980/81[2]	3.985	7.682	3.697	NA	2.626[3]	-1.614[4]
1981/82[2]	4.144	7.721	3.577	NA	1.828[3]	-2.360[4]
1982/83[2]	3.555	7.359	3.804	NA	2.767[3]	-1.312[4]
1983/84[2]	3.900	7.697	3.797	NA	3.539[3]	-.871[4]

Source: International Financial Statistics; unpublished data, Central Bank of Egypt, and other estimates.

1/ F.O.B., C.I.F. imports converted to F.O.B. by multiplying by .8477.
2/ Preliminary.
3/ Worker's remittances plus net investment income.
4/ Central Bank of Egypt and other estimates.

Note: Macroeconomic data for recent years are difficult to obtain; therefore, these data should be considered provisional.

TABLE A.5 Selected National Account Data, Morocco, 1970-1983

Year	Gross Domestic Product	Net Foreign Factor Income	Gross National Expenditure	Real GDP[1/]	Per Capita	Population
	(billion dirhams)				(dirhams)	(million)
1970	19.43	.04	19.47	27.28	1781	15.31
1971	21.38	.18	21.56	28.87	1877	15.38
1972	22.68	.24	22.92	29.47	1877	15.70
1973	24.92	.63	25.55	30.60	1876	16.31
1974	33.60	1.08	34.68	34.98	2082	16.80
1975	36.42	1.45	38.87	36.42	2104	17.31
1976	41.01	1.74	42.75	39.98	2242	17.83
1977	49.76	1.39	51.15	41.50	2260	18.36
1978	55.15	1.38	56.53	42.90	2269	18.91
1979	61.04	1.41	63.45	44.85	2304	19.47
1980	70.16	1.42	71.58	46.66	2327	20.05
1981	76.74	.45	77.19	45.64	2211	20.65
1982[2/]	88.52	1.25	89.77	48.43	2264	21.39
1983[2/]	94.83	1.25	96.08	48.72	2199	22.16

Source: International Financial Statistics

1/ 1975 prices.
2/ Preliminary.

TABLE A.6 Selected Trade and Capital Flow Data, Morocco, 1970-1983

Year	Merchandise Exports	Merchandise Imports	Resource Gap	Other Goods & Services Net	Private Unrequited Transfer Net	Current Account Balance
	(billion U.S. dollars)					
1970	.487	.624	-.137	.060	.036	-.161
1971	.499	.673	-.137	.031	.074	-.094
1972	.642	.709	-.067	.023	.107	-.017
1973	.913	1.037	-.124	.024	.211	.063
1974	1.074	1.692	.012	.115	.299	.172
1975	1.529	2.266	-.736	.308	.482	-.562
1976	1.247	2.308	-1.061	.842	.499	-1.353
1977	1.283	2.821	-1.538	.878	.546	-1.826
1978	1.488	2.629	-1.140	.957	.702	-1.348
1979	1.937	3.245	-1.390	1.146	.891	-1.530
1980	2.414	3.770	-1.355	1.181	1.004	-1.420
1981	2.283	3.840	-1.557	1.373	.998	-1.861
1982	2.043	3.815	-1.772	1.800	.977	-1.899
1983	2.031	3.218	-1.182	.931	.844	-1.169

Source: International Financial Statistics, 1967-1981; unpublished World Bank Data, 1982; U.S. Embassy, 1983.

TABLE A.7 Selected Foreign Debt and Debt Service Data, Morocco, 1973-1983

Year	Debt[1/]			Debt Service		
	Official	Private	Total	Principal	Interest	Total
1973	816.5	221.3	1037.8	90.7	44.5	135.2
1974	919.6	348.8	1268.4	99.5	46.5	146.0
1975	1120.9	696.6	1817.5	103.5	54.6	158.1
1976	1250.0	1303.4	2553.4	121.5	78.7	200.2
1977	1975.7	2282.7	4258.4	140.2	158.7	298.9
1978	2456.3	3132.8	5589.1	346.7	284.4	631.1
1979	2833.4	3866.6	7175.0	445.2	455.2	900.4
1980	3466.0	4081.7	8083.7	625.3	662.7	1288.0
1981	4351.0	4032.5	9424.5	675.4	700.8	1376.2
1982	4898.8	4744.6	10505.4	847.5	696.1	1543.6
1983	5400.0	4800.0	11002.0	1231.4	822.9	2054.3

Source: Economic Research Service, unpublished data.

1/ Long- and medium-term debt, disbursed and outstanding.

TABLE A.8 Summary of Fiscal Operations, Morocco, 1970-83

Year	Current Revenue	Expenditures		Deficit	Grants	Borrowing	
		Current	Capital			External	Domestic
1970	3.221	2.902	1.145	0.826	0.108	0.268	0.450
1971	3.267	3.106	1.123	0.962	0.461	0.321	0.180
1972	3.362	3.350	1.189	1.177	0.562	0.320	0.295
1973	4.142	3.624	1.208	0.690	0.401	0.007	0.282
1974	7.093	6.470	2.236	1.613	0.487	0.179	0.947
1975	8.490	7.345	4.454	3.309	1.353	1.350	0.606
1976	8.322	7.799	8.121	7.790	1.827	4.474	1.489
1977	10.784	9.245	10.306	8.767	2.796	5.194	0.777
1978	11.693	10.420	6.629	5.356	0.469	3.365	1.522
1979	13.802	12.073	9.016	6.269	1.640	2.376	2.253
1980	15.193	15.310	8.565	7.510	0.380	3.531	3.599
1981	17.838	18.898	9.612	11.098	1.623	7.937	1.538
1982	20.480	20.475	12.481	11.108	0.285	9.356	1.467
1983	21.525	21.525	7.979	8.003	1.010	4.231	2.762

Sources: 1979-1982: Unpublished World Bank data.
1983: U.S. Embassy, Rabat.

TABLE A.9 Government Finance, Jordan, 1970-1983

Year	Revenues					Expenditures			
	Domestic	Foreign Grants	Foreign Borrowing	Other[2/]	Total	Recurring	Capital	Total	Balance
	(million JD)								
1970	30.260	35.424	2.072	.415	67.171	59.028	21.678	80.706	-13.535
1971	35.755	35.387	3.556	3.430	78.198	60.735	22.412	83.147	-4.949
1972	42.559	44.455	7.400	1.238	95.652	70.467	30.985	101.452	-5.800
1973	46.182	43.608	11.446	2.000	103.236	78.608	40.903	119.511	-13.725
1974	63.225	52.976	8.911	--	125.112	104.839	46.665	151.504	-26.392
1975	84.209	90.013	18.987	16.500	209.709	136.255	73.178	209.433	0.276
1976	107.587	66.238	19.888	--	193.713	185.894	76.590	262.484	-68.771
1977	142.249	122.202	58.511	--	322.962	195.587	142.252	337.839	-14.877
1978	158.488	81.699	90.797	--	330.884	212.891	148.619	361.510	-30.626
1979	187.859	210.302	37.624	--	435.821	321.335	194.329	515.664	-79.843
1980	226.148	202.834	71.566	6469	507.017	336.053	227.091	563.144	-56.127
1981	309.199	206.312	75.731	7226	598.468	391.468	255.632	647.100	-48.632
1982[1/]	360.221	184.500	61.491	400	606.612	443.770	222.506	656.276	-45.664
1983[1/]	396.000	130.000	101.547	2000	629.547	448.981	268.673	717.654	-88.107

Source: Central Bank of Jordan, Monthly Statistical Bulletin.

1/ Preliminary.
2/ Expected Loans and Technical Assistance, Loans Repaid to Central government.

TABLE A.10 Selected Macroeconomic Indicators, Jordan, 1970-1983

Year	Gross Domestic Product	Net Foreign Factor Income	Gross National Product	GDP Deflator	Real GDP	Real GDP Per Cap.	Population	Exchange Rate
	----------(million JD)----------			(1980=100)	(mil. JD)	(JD)	(million)	(US$/JD)
1970	174.4	12.6	187.0	42.73	408.14	178.23	2.29	2.8000
1971	186.2	13.2	199.4	44.14	421.84	179.51	2.35	2.8000
1972	207.2	13.8	221.0	44.39	466.77	193.68	2.41	2.8000
1973	218.3	23.2	241.5	47.90	455.74	184.51	2.47	3.0549
1974	247.3	32.0	279.3	55.03	449.39	177.62	2.53	3.1198
1975	278.6	63.9	342.5	62.77	443.84	171.37	2.59	3.1305
1976	401.7	140.8	542.5	68.36	587.62	221.74	2.65	3.0115
1977	525.2	145.9	671.1	72.47	724.7	267.4	2.71	3.0373
1978	644.6	148.8	793.4	75.41	816.9	308.6	2.77	3.2620
1979	767.2	168.3	935.5	83.67	852.4	322.9	2.84	3.3270
1980	998.4	205.8	1204.2	100.0	998.4	341.9	2.92	3.3478
1981	1182.5	318.5	1501.0	113.1	1097.9	346.2	3.02	3.0654
1982	1343.2	332.2	1675.4	119.8	1160.9	358.2	3.13	2.8369
1983	1487.4	361.0	1848.4	120.7	1232.3	381.5	3.23	2.7617

Source: International Financial Statistics and Central Bank of Jordan, Monthly Statistical Bulletin.

TABLE A.11 Selected Balance of Payments Summary Data, Jordan, 1970-1983

Year	Merchandise Exports	Merchandise Imports	Resource GAP	Unrequited Transfers Private	Unrequited Transfers Official	Other Goods & Services Net	Current Account Balance
	(million U.S. dollars)						
1970	34.1	163.8	-129	--	110.8	-0.7	-19.6
1971	32.0	190.4	-158	--	100.3	-3.7	-61.8
1972	47.6	236.6	-189	27.2	184.5	-16.2	6.5
1973	73.9	292.7	-219	55.6	186.5	-10.7	12.6
1974	155.0	432.4	-277	82.4	252.1	-53.7	3.4
1975	153.0	648.6	-495	172.1	409.5	-41.3	44.7
1976	206.9	907.7	-700	401.7	353.2	-18.1	36.0
1977	248.9	1225.2	-967	420.8	500.3	38.8	-16.5
1978	296.6	1334.6	-1038	466.2	335.3	-51.6	-288.2
1979	401.9	1741.8	-1340	508.6	1055.6	-231.0	-6.8
1980	573.6	2130.1	-1556	664.8	1308.7	-44.0	373.8
1981	742.9	2850.6	-2108	935.2	1279.5	-141.8	-34.8
1982	751.3	2877.7	-2126	932.4	1033.4	-172.1	-332.7
1983	580.0	2694.8	-2115				

Source: International Financial Statistics, Central Bank of Jordan, Monthly Statistical Bulletin.

TABLE A.12 Selected External Debt and Debt Service, Jordan, 1973-1983

Year	Debt[1/]			Debt Service		
	Official	Private	Total	Principal	Interest	Total
1973	192.1	16.4	208.5	8.4	3.0	11.4
1974	238.8	30.6	269.4	10.5	3.8	14.3
1975	291.3	53.7	345.0	15.0	7.2	22.2
1976	361.5	94.7	456.2	24.5	10.8	35.3
1977	469.1	277.6	746.7	39.0	22.0	61.0
1978	608.9	500.2	1109.1	63.2	43.2	106.4
1979	765.0	520.2	1285.2	82.8	60.1	142.9
1980	993.9	749.1	1743.0	128.9	104.1	233.0
1981	1226.2	780.9	2007.1	192.1	124.0	316.1
1982	1464.8	741.0	2205.8	189.7	130.1	319.8
1983	1620.0	750.0	2370.0	184.0	152.4	336.4

Source: Economic Research Service, unpublished data.

1/ Includes medium- and long-term debt, disbursed and outstanding.