

"THIRD CONFERENCE ON THE MEDITERRANEAN WORLD'S CROSSROADS:  
THE APPROACH TO MEDITERRANEAN DEVELOPMENT"  
Aspen Institute Italia, Barcellona, 21-23/VI/1987

programma

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- (1) Draghi, Mario: "South Mediterranean countries and international financial institutions: structural adjustment and growth"
- (2) Izzo, Lucio: "Discussion on the presentation by Mr. Draghi"
- (3) Livi Bacci, Massimo: "Demographic trends: consequences of the labor market"
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- (6) Ennaceur, Mohammed: "Quelques indicateurs de l'economie Tunisienne a la ville du VII plan"
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## PROGRAM

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Monday 22 June 1987

9.30

Departure by bus from Ritz Hotel to Palau de Pedralbes

10.00 - 11.00

## OPENING SESSION

Chairman: Gianni De Michelis  
President of Aspen Institute Italia

Introductory remarks

- Spanish Authorities

①

- Franco Reviglio  
Chairman of ENI and Coordinator of the Conference

11.00 - 11.15

Coffee break

## FIRST SESSION:

GENERAL ISSUES OF THE SOUTHERN MEDITERRANEAN  
AREAChairman: Edgard Pisani  
President du Centre Euro-Arabe de  
Prospective Méditerranéenne

11.15 - 11.45

South Mediterranean countries and international financial  
institutions: structural adjustment and growth

①

Presentation by

Mario Draghi  
Executive Director of the International Bank for  
Reconstruction and Development

11.45 - 12.45

②

Discussion started by

Lucio Izzo  
Vice President of European Commission

12.45 - 13.00

③

Presentation by

Demographic trends: ...  
Massimo Livi Bacci  
Professor, University of ...

13.00 - 14.00

Discussion

14.00

Lunch

THE ECONOMIC SITUATION OF COUNTRIES ON THE SOUTHERN SHORE  
OF THE MEDITERRANEAN

Chairman: Osama Al Baz

Chief of Staff of the President of Egypt

15.30 - 15.45

④ Presentation by **Abdel Aziz Zahwy**  
First Undersecretary of State  
Ministry of Planning and International Cooperation

15.45 - 16.00

⑤ Presentation by **Nazim Zouiouche**  
Sonatrach's Representative in Italy and Managing Director  
of Mariconsult

16.00 - 16.15

⑥ Presentation by **Mohamed Ennaceur**  
President Conseil Economique et Social

16.15

Discussion

17.00

Tea break

18.15

Return to Ritz Hotel

21.00

Departure by bus from Ritz Hotel to the Generalitat de Catalunya

21.30

Dinner offered by the Generalitat de Catalunya  
Palau de la Generalitat

Address by **Jordi Pujol Soley**  
President of the Generalitat

Tuesday 23 June 1987

9.30

Departure by bus from Ritz Hotel to Palau de Pedralbes

**THIRD SESSION: THE SECTORAL APPROACHES TO MEDITERRANEAN DEVELOPMENT**

Chairman: **Oscar Fanjul**  
Chairman of INH

10.00 - 10.15

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Presentation by

**Blue Plan scenarios for the Mediterranean**  
**Michel Grenon**  
Director, Blue Plan

10.15 - 11.15

X

Discussion started by

**Joan Torres i Picamal**  
Managing Director of Caixa de Barcelona

11.15 - 11.30

Coffee break

11.30 - 11.45

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Presentation by

**Opportunities for development in the energy sector**  
**Robert Mabro**  
Professor, Oxford Institute for Energy Studies

11.45 - 12.45

Discussion

12.45 - 13.00

9

Presentation by

**Opportunities for development in agriculture**  
**José Maria Escondrillas**  
Chairman of Union Explo. Agr. de España

13.00 - 14.00

X

Discussion started by

**Emilio Fontela**  
Professor, University of Valencia

14.00

Lunch

15.30

40

Opportunities for development in industry  
by Marcello Colitti  
Energy Advisor to the Chairman of ENI

15.45

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led by Ali Attiga  
Secretary General of DAPEC

and by Eugenio Marin  
Managing Director of CEPESA

17.00

Return to Ritz Hotel

18.45

Departure by bus from Ritz Hotel to the Ajuntament de  
Barcelona

19.00 - 20.00

**CLOSING SESSION:**

**ADOPTION OF THE ASPEN MEDITERRANEAN MANIFESTO**  
Chairman: Gianni De Michelis

Address by Pasqual Maragall Mira  
Mayor of Barcelona

Closing remarks

20.00

Departure by bus from the Ajuntament de Barcelona to  
Palau de Pedralbes

20.30

Reception and dinner offered by the Ajuntament de Barcelona  
at Palau de Pedralbes



ASPEN INSTITUTE ITALIA

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OPENING ADDRESS BY:

FRANCO REVIGLIO

CHAIRMAN OF ENI AND  
COORDINATOR OF THE CONFERENCE

THIRD CONFERENCE ON THE MEDITERRANEAN WORLD'S CROSSROADS:  
THE APPROACH TO MEDITERRANEAN DEVELOPMENT

PALAU DE PEDRALBES

BARCELONA, 22-23 JUNE, 1987

## FOREWORD

DISTINGUISHED PARTICIPANTS, LADIES AND GENTLEMEN,

IT IS A GREAT PRIVILEGE FOR ME TO DELIVER , AS COORDINATOR OF THE CONFERENCE, THIS ADDRESS DURING THE OPENING SESSION; TO PROVE WORTHY OF SUCH A PRIVILEGE, I SHALL MAKE THE SPEECH AS SHORT AS HUMANLY POSSIBLE.

FIRST OF ALL LET ME EXPRESS MY PERSONAL GRATITUDE TO ALL OF YOU FOR BEING HERE AND IN PARTICULAR TO THE DISTINGUISHED AND COMPETENT PERSONALITIES WHO HAVE ACCEPTED TO PLAY A ROLE IN THE CONFERENCE BY CHAIRING A SESSION, BY PREPARING AND DESCRIBING PAPERS ON SPECIFIC SUBJECTS OR BY OPENING THE DISCUSSION ON THEM.

THE MAIN SUBJECT WE HAVE TO FACE IN THE MEDITERRANEAN REGION IS THE ECONOMIC DIVERGENCE BETWEEN THE NORTHERN AND SOUTHERN SHORES. THE 1986 OIL PRICE COLLAPSE HAS AGGRAVATED THE GREAT IMBALANCE ALREADY EXISTING BETWEEN THESE TWO AREAS .

THE POLITICAL CLASS OF THE INDUSTRIALIZED COUNTRIES, AND OF EUROPE IN PARTICULAR, SHOULD RESPONSIBLY TAKE ON THE PROBLEM OF FIGHTING THE GROWING DIVERGENCE WITHIN THE MEDITERRANEAN REGION.

THIS YEAR'S CONFERENCE IS THE THIRD IN THE ASPEN SERIES OF CONFERENCES ON MEDITERRANEAN WORLD CROSSROADS AND REPRESENTS A FURTHER TANGIBLE SIGN OF THE WORK DONE DURING THE LAST TWO YEARS ON THE ABOVE-MENTIONED ISSUE.

I BELIEVE WE ARE READY NOW TO PUT FORTH OUR PROPOSALS AS A MEDITERRANEAN MANIFESTO TO BE BROUGHT TO THE ATTENTION OF THE POLITICAL LEADERS OF OUR NATIONS.

SEVERAL SPECIFIC ISSUES - SUCH AS DEMOGRAPHIC TRENDS , CURRENT AND PROJECTED ECONOMIC SITUATIONS OF SOME SOUTH MEDITERRANEAN COUNTRIES, FINANCING, SECTORAL OPPORTUNITES FOR DEVELOPMENT, AND EVEN ENVIRONMENTAL PROBLEMS - WILL BE DISCUSSED DURING THE TWO DAYS OF THE CONFERENCE.

IT IS NOT MY INTENTION TO START DISCUSSING NOW THE SPECIFIC ISSUES OF THE CONFERENCE .THEREFORE I SHALL LIMIT MYSELF TO SOME GENERAL CONSIDERATIONS OF A PURELY ECONOMIC NATURE ON THE MAJOR EVENTS OCCURRED DURING 1986 AND RELEVANT TO THE MEDITERRANEAN REGION, ALTHOUGH THIS MIGHT LEAD ME TO SKIM OVER SOME OF THE CONFERENCE'S TOPICS.

#### THE IMPACT OF THE 1986 OIL PRICE FALL

LAST JUNE IN ISTANBUL, ON THE OCCASION OF THE SECOND ASPEN CONFERENCE ON THE MEDITERRANEAN, I OUTLINED THE RISK OF A GROWING ECONOMIC DIVERGENCE BETWEEN THE NORTHERN AND THE SOUTHERN SHORES. I ALSO STRESSED THE NEED OF INITIATIVES AIMED AT FOSTERING COOPERATION IN THE AREA, IN ORDER TO OFFSET THE NEGATIVE REPERCUSSIONS ON INCOME DISTRIBUTION AND TRADE DETERMINED BY THE FALL IN THE PRICE OF OIL.

TO SUPPORT MY ARGUMENT I PRESENTED THE RESULTS OF VERY PRELIMINARY CALCULATIONS CONCERNING THE IMPACT OF A 15 \$/BBL SCENARIO ON THE 1986 CURRENT ACCOUNT BALANCES OF THE MAIN SOUTHERN MEDITERRANEAN COUNTRIES. FOR THESE COUNTRIES, CONSIDERED AS A GROUP, A NEGATIVE IMPACT OF SOME 8 BILLION DOLLARS AGAINST 1985 WAS FORECAST , ALL OTHER ELEMENTS BEING UNCHANGED WITH RESPECT TO 1985.



ON THE BASIS OF THE LATEST ACTUAL DATA AVAILABLE (TABLE 1), WE CAN SAY THAT THOSE CALCULATIONS WERE FAIRLY ACCURATE.

THE NEGATIVE EFFECTS FOR THE SOUTHERN MEDITERRANEAN COUNTRIES ARE PRESENTLY ASSESSED ON THE ORDER OF 10 BILLION DOLLARS (SOME 4% OF 1985 GDP), A FIGURE SLIGHTLY HIGHER THAN LAST YEAR'S FORECAST. THE DIFFERENCE IS EASILY EXPLAINED TAKING INTO ACCOUNT THAT, ON THE AVERAGE, THE 1986 OIL PRICE WAS SOME 1 \$/BBL LOWER THAN THE 15 \$/BBL MARK FORESEEN LAST YEAR.

IF WE ADD TO THE SOUTH MEDITERRANEAN COUNTRIES THE GULF STATES HAVING VERY STRONG TIES WITH OUR AREA (NAMELY JORDAN, IRAN, IRAQ, SAUDI ARABIA) THE 10 BILLION DOLLARS BECOME ROUGHLY 26 BILLION, A FIGURE THAT DOES NOT NEED ANY COMMENT.

FOR THIS "LARGER SOUTH MEDITERRANEAN AREA" THE IMPACT OF THE OIL PRICE FALL WOULD HAVE BEEN EVEN HEAVIER, APPROACHING 33 BILLION DOLLARS, HAD IRAQ AND SAUDI ARABIA NOT INCREASED SIGNIFICANTLY THE VOLUMES OF OIL EXPORTED.

AMONG THE GREATEST LOSERS OF THE SOUTH-MED REGION WE CAN COUNT LIBYA (THE NEGATIVE EFFECT IS EVALUATED IN US \$ 4.5 BN, CORRESPONDING TO 16% OF 1985 GDP), ALGERIA (A LOSS OF \$ 6.2 BN EQUAL TO 11% OF GDP) AND EGYPT (A LOSS OF \$ 1.6 BN REPRESENTING 4% OF GDP).

IF WE LOOK INTO THE FIGURES OF TABLE 1, WE SEE THAT FOR THE FIVE PRODUCING COUNTRIES OF THE REGION (NAMELY THE THREE JUST MENTIONED PLUS TUNISIA AND SYRIA) THE LOSS IN THE OIL REVENUES WAS \$ 12.5 BN (- 8% OF 1985 GDP).

THIS NEGATIVE RESULT WAS ONLY PARTIALLY TRANSFERRED TO THE CURRENT ACCOUNT BALANCES SINCE THESE COUNTRIES HAVE MANAGED TO COMPENSATE THE EFFECTS OF THE OIL PRICE FALL MAINLY BY CUTTING IMPORTS.

ACCORDING TO PRELIMINARY STATISTICS AND ESTIMATES, IN THESE FIVE COUNTRIES, CONSIDERED TOGETHER, THE IMPORTS OF GOODS HAVE BEEN REDUCED IN 1986 BY ABOUT \$ 3 BN ( - 10%) AGAINST 1985 ; THUS THE DETERIORATION OF THE CURRENT ACCOUNT BALANCES WAS LIMITED TO APPROXIMATELY \$ 9 BN.

ON THE OTHER HAND THE OIL IMPORTING COUNTRIES OF THE REGION (NAMELY MOROCCO, ISRAEL AND TURKEY ) SAVED APPROXIMATELY \$ 3 BN IN 1986 , EQUIVALENT TO SOME 3% OF THEIR CUMULATIVE 1985 GDP.

NO IMPROVEMENT, HOWEVER, WAS RECORDED IN THEIR CURRENT ACCOUNT BALANCES (WITH THE EXCEPTION OF MOROCCO), SINCE THE BENEFITS DERIVING FROM THE OIL PRICE FALL WERE MORE THAN OFFSET BY THE COMBINED EFFECT OF HIGHER IMPORTS OF GOODS ( + \$ 0.4 BN OR 1.7% VERSUS 1985 IN THE THREE COUNTRIES ) AND WORSE BALANCES FOR OTHER ITEMS, SUCH AS SERVICES AND TRANSFERS.

AS MENTIONED ABOVE, TRADE IN THE MEDITERRANEAN REGION HAS BEEN NEGATIVELY AFFECTED TAKING INTO ACCOUNT THE \$ 2.5 BN IMPORT REDUCTION IN THE SOUTHERN COUNTRIES. THE PICTURE BECOMES EVEN WORSE IF WE EXTEND OUR VIEW TO THE FOUR GULF NATIONS ALREADY RECALLED: JORDAN HAS CUT ITS IMPORTS OF GOODS BY \$ 0.2 BN OR 9% AGAINST 1985; SAUDI ARABIA BY \$ 3.1 BN OR 15% ; RELIABLE DATA FOR IRAN AND IRAQ ARE NOT AVAILABLE BUT WE SHOULD NOT BE FAR FROM THE TRUTH BY ASSUMING FOR THESE COUNTRIES REDUCTIONS, IN ABSOLUTE

TERMS, VERY CLOSE TO THE SAUDI ONE.

ALL IN ALL WE CAN EVALUATE IN SOME \$ 10 - 12 BN THE DROP OF THE IMPORTS OF GOODS IN THE ENLARGED SOUTHERN MEDITERRANEAN AREA , THAT IS INCLUDING THE FOUR MENTIONED GULF COUNTRIES.

IT IS WORTH NOTING THAT THE ABOVE REDUCTIONS , BEING CALCULATED IN CURRENT DOLLARS, GIVE ONLY A PARTIAL INDICATION OF THE REAL FALL OF THE PURCHASING POWER OF THE SOUTH MEDITERRANEAN COUNTRIES. SHOULD WE TAKE INTO ACCOUNT THE DEPRECIATION OF THE DOLLAR DURING 1986, THE FIGURES WOULD BE EVEN MORE DISCOURAGING.

IT IS ALMOST NEEDLESS TO RECALL THAT , TO A LARGE EXTENT, THE DROP IN THE MERCHANDISE IMPORTS OF THE SOUTHERN COUNTRIES HAS TAKEN PLACE AT THE EXPENSE OF EUROPEAN EXPORTS AS THE EEC SHARE OF THE TOTAL IMPORTS OF THE SOUTHERN REGION (GULF COUNTRIES INCLUDED) HAS STOOD FOR SEVERAL YEARS NOW AT APPROXIMATELY 40 - 45%.

SUMMING IT UP, THE INTERNATIONAL TRADE IN THE AREA HAS DECLINED AND IS FALLING SHARPLY, CAUSING NEGATIVE SECTORIAL EFFECTS IN THE INDUSTRIAL COUNTRIES AND NEGATIVE FEEDBACKS THROUGHOUT THE AREA. THIS TREND SHOULD BE REGARDED WITH GREAT CONCERN IF WE CONSIDER THAT TRADE IN THE MEDITERRRANEAN REGION , EVEN BEFORE THE OIL PRICE FALL, WAS SHOWING SIGNS OF STAGNATION AND IF WE RECALL THAT TRADE ITSELF IS, AND WILL REMAIN FOR MANY YEARS TO COME, ONE OF THE MOST IMPORTANT FACTORS OF INTEGRATION WITHIN THE AREA.

IF WE LOOK AT SOME AGGREGATE DATA ON THE TRADE OF GOODS WITHIN THE MEDITERRANEAN REGION FROM 1970 TO 1985 (TABLE 2), WE FIND OUT

THAT COMMERCIAL INTEGRATION BETWEEN SOUTHERN AND NORTHERN COUNTRIES OF THE MEDITERRANEAN IS STILL A FAR OFF OBJECTIVE. THE TRADE OF GOODS IN THE REGION IS MOSTLY DETERMINED BY EXCHANGES WITHIN THE NORTHERN COUNTRIES (NAMELY FRANCE, GREECE, ITALY, PORTUGAL, SPAIN AND YUGOSLAVIA) ; THE TRADE FLOWS FROM NORTHERN TO SOUTHERN COUNTRIES ARE DECLINING; THOSE FROM SOUTHERN TO NORTHERN COUNTRIES ARE STILL LIMITED ; FINALLY SOUTH-SOUTH EXCHANGES ARE , IN RELATIVE TERMS, PRACTICALLY INSIGNIFICANT. THE DECLINING TREND OF THE MEDITERRANEAN EXPORTS TOWARDS THE GULF COUNTRIES SEEMS TO MEAN A PROGRESSIVE SEPARATION OF A CRUCIAL AREA OFTEN CONSIDERED AS MEDITERRANEAN BECAUSE OF OBVIOUS GEOGRAPHIC AND HISTORIC REASONS.

#### THE ECONOMIC POLICIES OF THE INDUSTRIALIZED COUNTRIES

ON THE OTHER HAND IN THE INDUSTRIALIZED COUNTRIES AND IN EUROPE IN PARTICULAR, THE RAPID INCOME GROWTH FORESEEN SOON AFTER THE OIL PRICE FALL HAS NOT MATERIALIZED.

THE DROP IN THE HARD CURRENCY EARNINGS OF THE OIL PRODUCING COUNTRIES HAS PUT DOWNWARD PRESSURES ON WORLD INCOME THAT HAVE BEEN APPROXIMATELY EQUAL OR STRONGER THAN THE POSITIVE STIMULUS RESULTING FROM THE CHANGE IN THE TERMS OF TRADE. SO THE OVERALL EFFECT OF THE LATTER FOR THE WORLD'S ECONOMY AND FOR THE INDUSTRIALIZED COUNTRIES HAS BEEN MOSTLY NEUTRAL IF NOT NEGATIVE.

AT THE SAME TIME, ACCORDING TO OECD STUDIES, OTHER FACTORS, NAMELY THE RESTRICTIVE FISCAL POLICIES OF THE MAIN INDUSTRIALIZED COUNTRIES (WITH THE EXCEPTION OF THE USA), AND THE DEPRECIATION OF THE DOLLAR HAVE ALSO CONTRIBUTED IN 1986 TO WIDEN THE ECONOMIC

IMBALANCES BETWEEN NATIONS.

THE EXPECTATIONS FOR THE THREE YEARS AHEAD ARE FOR EVEN LARGER IMBALANCES, UNLESS MORE EXPANSIONARY DEMAND POLICIES ARE IMPLEMENTED.

NEVERTHELESS THE LEADING WESTERN COUNTRIES ARE STILL SLOW AND UNCERTAIN ABOUT CHANGING THE ORIENTATION OF THEIR ECONOMIC POLICIES.

THE 13TH ANNUAL SUMMIT OF LEADERS OF THE MAIN WESTERN INDUSTRIALIZED COUNTRIES, HELD IN VENICE ONLY A FEW DAYS AGO, HAS REAFFIRMED A WIDE RANGE OF GENERIC COMMITMENTS ON THE ECONOMIC GROUND, FAILING, HOWEVER, TO ENDORSE, IN PRACTICAL TERMS, THE POLITICAL MEASURES NEEDED TO BOOST ECONOMIC DEVELOPMENT AT INTERNATIONAL LEVEL.

IN THE FINAL COMMUNIQUE THERE IS NO EVIDENCE THAT NEW EFFECTIVE ACTIONS HAVE BEEN AGREED UPON TO REVERSE THE DOWNWARD TREND IN THE WORLD'S ECONOMY AND TO MAKE A STRONG ATTACK ON ECONOMIC IMBALANCES.

ONLY TWO NEW ITEMS HAVE BEEN GIVEN A CLEAR POLITICAL "PUSH".

I AM REFERRING TO THE PROJECT FOR TRIPLING, POSSIBLY BY THE END OF THE YEAR, THE IMF STRUCTURAL ADJUSTMENT FACILITY FOR HELPING POOR DEBTOR COUNTRIES, AND TO THE GENERAL INDICATION OF NEW NEGOTIATIONS ON A CAPITAL INCREASE FOR THE WORLD BANK.

ALTHOUGH IN THE RIGHT DIRECTION, THESE DECISIONS SEEM INADEQUATE. FOR REAL PROGRESS TO BE ACHIEVED TOWARDS THE ATTAINMENT OF INTERNATIONAL OBJECTIVES, IN PARTICULAR THROUGH THE COORDINATION OF THE NATIONAL POLICIES, STRONG WORLD LEADERSHIP IS REQUIRED.

I BELIEVE THAT AN IMPORTANT ROLE SHOULD CONTINUE TO BE PLAYED BY THE UNITED STATES. HOWEVER, INTERNATIONAL COORDINATION CANNOT BE

ACHIEVED IF THE USA ASKS GERMANY AND JAPAN TO BE RESPONSIBLE FOR REVIVING WORLD DEMAND , WHILE THEIR OWN FISCAL POLICY REMAINS UNCONVINCING.

THE UNITED STATES FEDERAL DEFICIT, WHICH IS THE ROOT OF ITS EXTERNAL DEFICIT, IS AN ELEMENT OF POTENTIAL WORLDWIDE RECESSION. THE LEADERSHIP SHOULD TAKE ITS FIRST ACTION AT HOME BY ABANDONING - WHEN NECESSARY - FISCAL POLICIES THAT APPEAR UNABLE TO PROVIDE SATISFACTORY SOLUTIONS BOTH FOR THE NATIONAL AND INTERNATIONAL PROBLEMS.

#### THE DEBT PROBLEM

IT IS ALMOST NEEDLESS TO REMIND THAT ONLY IN A SCENARIO OF WORLDWIDE ECONOMIC GROWTH ALSO THE LDC'S PROBLEMS, AND IN PARTICULAR THE DEBT ISSUE, CAN BE CONVENIENTLY SETTLED.

IN ABSOLUTE TERMS, THE DEBTS OF THE SOUTHERN MEDITERRANEAN COUNTRIES ARE A SMALL PORTION OF THE TOTAL LDC'S DEBT. INTERNATIONAL ORGANIZATIONS ESTIMATE THEM IN THE ORDER OF \$ 80 BN, A FIGURE MUCH LOWER THAN THE \$ 350 BN OF LATIN AMERICAN COUNTRIES. HOWEVER, WHEN COMPARED WITH THE NATIONAL PRODUCTIVE CAPACITIES, THE \$ 80 BN REPRESENT A BURDEN EVEN HEAVIER THAN THE LATIN AMERICAN DEBT. PROFESSOR DRAGHI WILL EXPLAIN THIS ISSUE IN GREATER DEPTH LATER ON.

IT IS NOT AN EXAGGERATION TO SAY THAT TO TACKLE THE DEBT PROBLEM WITH ANY PROSPECT OF SUCCESS A NEW MARSHALL PLAN IS NEEDED. SOME LDC COUNTRIES - IN PARTICULAR THE LATIN AMERICAN ONES - HAVE MADE REMARKABLE ADJUSTMENT EFFORTS AND HAVE SUCCEEDED IN IMPROVING THEIR BALANCE OF PAYMENTS. BUT THIS IMPROVEMENT CORRESPONDS

ALMOST EXACTLY TO THE FALL IN THE RATE OF ACCUMULATION.

THIS REPRESENTATION OF THE EXTERNAL CONSTRAINT SHOWS THAT UNTIL THE PROBLEM OF THEIR PRE-EXISTING DEBT IS SOLVED, THE DEVELOPING COUNTRIES WILL BE ABLE TO FINANCE, AT MOST, THE REPAYMENT OF CREDITS ALREADY GRANTED. CONSEQUENTLY, IT IS UNLIKELY FOR NEW CREDIT FLOWS TO BE SPONTANEOUSLY REACTIVATED BY THE BANKS.

THE FINANCIAL SYSTEM IS STRAINED ON THE ONE HAND BY THE DEVELOPING COUNTRIES' DIFFICULTIES IN HONOURING THEIR COMMITMENTS AND, ON THE OTHER, BY THE FRAGILITY OF THE BANKS' ASSETS RESULTING FROM THE SIZE OF THEIR BAD CREDITS.

THE MAIN CAUSES OF IMBALANCES AND LIMITATIONS FROM WHICH THE INTERNATIONAL ECONOMY SUFFERS HAVE BEEN AMPLY IDENTIFIED AND ANALYZED. HOWEVER, I AM CONVINCED THAT THERE HAS BEEN A LACK OF POLITICAL INITIATIVE FROM WHICH ANTAGONISM BETWEEN THE VARIOUS POSSIBLE SOLUTIONS DERIVES.

NEW IMPETUS SHOULD BE GIVEN TO THE INTERNATIONAL ECONOMY BY DEVELOPING GREATER INTERNATIONAL COOPERATION, AND THE LEADING COUNTRIES SHOULD BE THE PROMOTERS OF IT.

#### THE NEED OF A "RECIPROCAL DEVELOPMENT PLAN"

EUROPE, FOR OBVIOUS REASONS, HAS SPECIAL RESPONSIBILITY FOR THE MEDITERRANEAN AREA.

LAST YEAR IN ISTANBUL I PROPOSED THAT EUROPEAN GOVERNMENTS DEVOTE TO AN AID PLAN IN FAVOUR OF THE SOUTH MEDITERRANEAN COUNTRIES A SMALL PORTION, SAY 10%, OF THE WINDFALL SAVING CAUSED BY THE FALL OF OIL PRICES AND ACCRUING TO EUROPE DURING THE 1986 ALONE.

I ALSO SUGGESTED TO USE THESE FUNDS AS EQUITY CAPITAL TO FINANCE,

TOGETHER WITH OTHER INSTRUMENTS (LIKE SOFT LOANS AND GRANTS AVAILABLE THROUGH COOPERATION AGENCIES, EXPORT CREDITS, INSURANCE FACILITIES BY NATIONAL OR INTERNATIONAL BODIES ) NEW PROJECTS JOINTLY CONCEIVED, IMPLEMENTED AND MANAGED BY EUROPEAN AND LOCAL COMPANIES.

10% OF \$ 50/60 BILLION ( EUROPE'S ESTIMATED SAVING IN 1986 ) EQUALS APPROXIMATELY \$ 5 BILLION, WHICH , ACCORDING TO THE SCHEME PROPOSED IN ISTANBUL, WOULD ACTIVATE AN OVERALL INVESTMENT IN THE ORDER OF \$ 30 BILLION, A RESPECTABLE FIGURE BY ALL STANDARDS AND ESPECIALLY SO IN COUNTRIES AT THE LOWER END OF THE DEVELOPMENT SCALE.

THE IDEA OF AN AMBITIOUS "RECIPROCAL DEVELOPMENT PLAN" IS STILL VALID AND ALIVE. IT NEEDS ,HOWEVER, TO BE STRONGLY SUPPORTED BY EUROPEAN POLITICAL CIRCLES, WHICH UP TO NOW HAVE PREFERRED, IN GENERAL , TO TAKE NO COMMITMENT.

VERY LIKELY A PLAN OF THE KIND WE ARE TALKING ABOUT IS STILL REGARDED BY SEVERAL EUROPEAN POLITICAL LEADERS AS SOMETHING ALIEN TO EUROPEAN OBJECTIVES AND INTERESTS. TODAY ONLY A FEW LEADERS REGARD IT AS A RATIONAL WAY TO SOLVE THE GREAT EUROPEAN ECONOMIC PROBLEMS, AS UNEMPLOYMENT WHICH IN EUROPE HAS ATTAINED THE HIGHEST LEVELS SINCE WORLD WAR II.

A PLAN OF INTERNATIONAL COOPERATION IS NOT JUST A ONE-WAY FORM OF SOLIDARITY IN FAVOUR OF THE LESS FORTUNATE COUNTRIES. ON THE CONTRARY, IT IS THE PURSUIT OF INITIATIVES THAT BOOST INDUSTRIAL, COMMERCIAL , AND PRODUCTIVE SERVICE ACTIVITIES IN THE COUNTRIES THAT RECEIVE THE RESOURCES AND THUS MAKES A FUNDAMENTAL CONTRIBUTION TO THE GROWTH OF THE FINANCING COUNTRY. JOINT



VENTURES WITH DEVELOPING COUNTRIES INCREASE THEIR PRODUCTION CAPACITY, BUT THEY ALSO INCREASE THE INCOME OF THE INDUSTRIAL COUNTRIES THAT FOSTER THEM. BY SUPPLYING PLANTS AND HUMAN RESOURCES, PRODUCTION FACTORS ARE MOBILIZED THAT WOULD OTHERWISE REMAIN INACTIVE.

IF WE TAKE A LOOK AT THE MEDITERRANEAN AREA, DEVELOPMENT POTENTIALS ARE NUMEROUS TODAY. GRASPING THESE OPPORTUNITIES MEANS COMBINING BUSINESS LOGIC WITH THAT OF COOPERATION AND INTEGRATION, FIGHTING THE DROP IN ECONOMIC GROWTH CAUSED BY THE FALL IN OIL REVENUES, AND CORRECTING THE RELATED AND RESULTING FACTORS OF POLITICAL INSTABILITY THAT MAY THREATEN THE NORTHERN AS WELL AS THE SOUTHERN SHORE OF THE MEDITERRANEAN.

HELPING THE COUNTRIES OF THE SOUTHERN COAST OF THE MEDITERRANEAN IS NOT A QUESTION OF ALTRUISM; IT IS IN THE STRATEGIC INTEREST OF EUROPE AND THE WEST, WHICH MUST AT ALL COSTS AVOID ADDING FUEL TO AN ALREADY ENDEMIC FIRE THAT IS RAGING IN THE MIDDLE EAST BECAUSE OF THE MANIFOLD UNRESOLVED POLITICAL CRISES.

THE ITALIAN GOVERNMENT HAS FOSTERED CONCERTED ACTION TO SUPPORT AND TO HELP THE COUNTRIES IN THE AREA AND IN THE ABSENCE OF AN AMBITIOUS EUROPE-WIDE PLAN OF ASSISTANCE.

I AM REFERRING IN PARTICULAR TO THE PROPOSAL SUBMITTED A FEW MONTHS AGO BY THE ITALIAN GOVERNMENT TO CREATE A "MEDITERRANEAN SUPPORT GROUP" FOR PROMOTING A COMPREHENSIVE DIALOGUE BASED ON CONFIDENCE, MUTUAL INTEREST AND COOPERATION AND AIMED AT FINDING OUT EQUITABLE AND NEGOTIATED SOLUTIONS TO ALL THE DISPUTES OF THE AREA.

I AM ALSO REFERRING TO THE NEW LAW ON COOPERATION AND DEVELOPMENT APPROVED AT THE END OF LAST FEBRUARY BY THE ITALIAN PARLIAMENT. THIS LAW, UNDER ARTICLE 7, HAS INCLUDED FOR THE FIRST TIME IN ITALY THE JOINT-VENTURES FOR DEVELOPMENT AMONG THE INSTRUMENTS OF COOPERATION.

ACCORDING TO THE NEW PROVISIONS, THE ITALIAN COMPANIES WILLING TO ESTABLISH JOINT-VENTURES IN DEVELOPING COUNTRIES WILL HAVE THE POSSIBILITY OF FINANCING PART OF THEIR EQUITY CAPITAL THROUGH SOFT LOANS MADE AVAILABLE BY THE ITALIAN GOVERNMENT.

AS FAR AS ENI IS CONCERNED, WE ARE ACTIVELY PURSUING IN ITALY, TOGETHER WITH A MAJOR INDUSTRIAL GROUP AND TWO FINANCIAL INSTITUTES, THE PROJECT OF A NEW COMPANY, HAVING AS MAIN TASK THAT OF LOOKING FOR AND PROMOTING, IN COOPERATION WITH THE CONCERNED ORGANIZATIONS OF THE INTERESTED COUNTRIES, DEVELOPMENT INITIATIVES THROUGH THE JOINT VENTURE APPROACH.

ENI IS ALSO EXPLORING THE POSSIBILITY OF SETTING UP, TOGETHER WITH OTHER EUROPEAN AND ARAB CONCERNS, AN INTERNATIONAL INVESTMENT INSTRUMENT ABLE TO TAKE UP DIRECT INTERESTS IN JOINT VENTURE PROJECTS.

## CONCLUSIONS

THE ECONOMIC GROWTH IN THE INDUSTRIALIZED COUNTRIES AND IN EUROPE IN PARTICULAR, IS TOO LOW TO BE OF RELIEF TO THE DEVELOPING COUNTRIES AND IN PARTICULAR TO THE SOUTHERN MEDITERRANEAN ONES.

THE HIGH GROWTH RATE OF POPULATION IN THE SOUTH MEDITERRANEAN REGION (IN THE ORDER OF 3% PER YEAR AGAINST THE ALMOST 0% RATE IN THE INDUSTRIALIZED NORTH) MEANS THAT, TO AVOID NEW POLITICAL AND

SOCIAL TURMOILS, THE ECONOMIC GROWTH IN THE SOUTH SHOULD BE MUCH HIGHER THAN IN THE NORTH.

SUCH A SITUATION CAN BE ACHIEVED ONLY IF THE NORTH DECIDES TO ALLOCATE TO THE SOUTH ADEQUATE RESOURCES OF FINANCIAL, TECHNOLOGICAL AND HUMAN NATURE, IN ACCORDANCE WITH A PROGRAM DULY ELABORATED AND AGREED UPON AT GOVERNMENT LEVEL.

EUROPE, FOR OBVIOUS REASONS, HAS THE GREATEST RESPONSIBILITIES FOR THE ELABORATION AND IMPLEMENTATION OF SUCH A PROGRAM.

WITHOUT BEING TOO SPECIFIC, IT IS MY OPINION THAT THE PROGRAM SHOULD ENVISAGE A BASKET OF MEASURES. IN PARTICULAR NEW MODES - ALONGSIDE WITH THE STRENGTHENING OF THOSE ALREADY IN EXISTENCE - SHOULD BE ESTABLISHED FOR CHANNELLING FINANCIAL RESOURCES, BOTH PUBLIC AND PRIVATE, SO AS TO PROMOTE PRODUCTIVE INVESTMENT.

VERY LIKELY NEW MULTILATERAL FINANCIAL INSTITUTIONS (SUCH AS A REGIONAL BANK FOR DEVELOPMENT) MIGHT BE CREATED IN ORDER TO FOSTER DEVELOPMENT IN THE SOUTH.

OTHER INSTITUTIONS COULD BE ENVISAGED TO PROMOTE THE ECONOMIC INTEGRATION OF THE REGION, STARTING FROM THE COMMERCIAL SIDE.

WITH REGARD TO THIS ISSUE, TRADE AND TARIFF AGREEMENTS SHOULD BE DULY CONCEIVED AND IMPLEMENTED IN ORDER TO ELIMINATE PROTECTIONIST BARRIERS AND TO PROMOTE THE FLOWS OF GOODS AND SERVICES WITHIN THE AREA.

IT IS WITH THESE OBJECTIVES IN MIND THAT WE SHALL WORK IN THE NEXT TWO DAYS TOWARD THE PREPARATION OF A MEDITERRANEAN MANIFESTO, A DOCUMENT WHICH, WE HOPE, WILL CONTAIN BASIS OF AGREEMENT AND A BLUEPRINT OF ACTION TO OVERCOME THE SERIOUS PROBLEMS WHICH WE FACE IN OUR REGION.

IMPACT OF THE OIL PRICE FALL ON THE BALANCE OF PAYMENTS OF SOUTH MEDITERRANEAN COUNTRIES (CURRENT US DOLLARS)

	ESTIMATED OIL LOSS (-) SAVING (+)				ESTIMATED REDUCTION (-)		BALANCE OF PAYMENTS		
	1986 versus 1985				INCREASE (+) OF THE IMPORTS		CURRENT ACCOUNT		
	Volume effect mn \$	Price/Mix effect mn \$	TOTAL mn \$	IMPACT % 85 GDP	(FOB) OF GOODS 1986 versus 1985 mn \$	%	(Million US \$)		
							1985	1986*	DIFF.
ALGERIA	+ 200	- 6,400	- 6,200	- 10.6	- 800	- 9.0	+1,000	-3,000	-4,000
EGYPT	- 500	- 1,200	- 1,600	- 3.5	- 300	- 3.6	-2,200	-3,200	-1,000
LIBYA	..	- 4,500	- 4,500	- 16.5	- 1,100	- 19.0	+1,900	-2,000	-3,900
TUNISIA	..	- 200	- 200	- 2.0	+ 200	+ 7.0	- 500	- 800	- 300
MOROCCO	..	+ 500	+ 500	+ 3.8	-	-	- 900	- 600	+ 300
ISRAEL	..	+ 600	+ 600	+ 2.7	+ 1,200	+ 13.0	+1,100	+ 700	- 400
SYRIA	+ 30	..	+ 30	+ 0.1	- 800	- 22.0	-1,000	- 800	+ 200
TURKEY	..	+ 1,700	+ 1,700	+ 3.5	- 800	- 7.0	-1,000	-1,600	- 600
<b>SUBTOTAL</b>	<b>- 170</b>	<b>- 9,500</b>	<b>- 9,670</b>	<b>- 3.9</b>	<b>- 2,400</b>	<b>- 4.6</b>	<b>-1,600</b>	<b>-11,300</b>	<b>-9,700</b>
<b>OF WHICH PRODUCING COUNTRIES</b>	<b>- 170</b>	<b>- 12,300</b>	<b>- 12,470</b>	<b>- 7.8</b>	<b>- 2,800</b>	<b>- 9.7</b>	<b>- 800</b>	<b>- 9,800</b>	<b>-9,000</b>
<b>IMPORTING "</b>	<b>-</b>	<b>+ 2,800</b>	<b>+ 2,800</b>	<b>+ 3.2</b>	<b>+ 400</b>	<b>+ 1.7</b>	<b>- 800</b>	<b>- 1,500</b>	<b>- 700</b>
JORDAN	..	+ 260	+ 260	+ 6.6	- 200	- 9.0	- 300	- 100	+ 200
IRAN	-1,900	- 5,700	- 7,600	n.a.	n.a.	n.a.	n.a.	n.a.	
IRAQ	+1,800	- 5,300	- 3,500	n.a.	n.a.	n.a.	n.a.	n.a.	
SAUDI ARABIA	+7,300	- 12,800	- 5,500	- 5.9	- 3,100	- 15.0	-13,000	- 10,300	+2,700
<b>SUBTOTAL</b>	<b>+7,200</b>	<b>- 23,540</b>	<b>- 16,340</b>						
<b>TOTAL</b>	<b>+7,030</b>	<b>- 33,040</b>	<b>- 26,010</b>						

\* preliminary estimates

Sources: ENI elaboration on IMF - MEED - EIU DATA

Table 1

TRADE IN THE MEDITERRANEAN REGION

(figures in billion US \$)

<u>EXPORTS WITHIN THE MEDITERRANEAN REGION</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
. FROM NORTH TO NORTH	6.5	17.2	45.0	41.1
. FROM NORTH TO SOUTH	2.2	9.4	18.9	15.6
. FROM SOUTH TO NORTH	2.3	5.4	16.3	17.8
. FROM SOUTH TO SOUTH	0.2	0.9	1.9	2.1
(A) TOTAL WITHIN THE REGION	11.2	32.9	82.1	76.6
<u>EXPORTS TO FIVE GULF COUNTRIES</u>				
. FROM NORTH	2.2	13.9	9.2	7.7
. FROM SOUTH	0.2	1.3	1.1	1.8
(B) TOTAL	2.4	15.2	10.3	9.5
<u>EXPORTS TO ALL DESTINATIONS</u>				
. FROM NORTH	37.0	103.9	233.2	225.8
. FROM SOUTH	6.7	20.4	57.8	47.1
(C) TOTAL	43.7	124.3	291.0	272.9
(A): (C) X 100	25.6%	26.4%	28.2%	28.1%
(B): (C) X 100	5.5%	12.2%	3.5%	3.5%

NOTES: .North includes: France, Greece, Italy, Portugal, Spain, Yugoslavia.

.South includes: Algeria, Cyprus, Egypt, Israel, Lebanon, Libya, Malta, Morocco, Syria, Tunisia, Turkey.

.Exports from north to north (or from south to south) represent exports of each northern (southern) country to all other northern (southern) countries.

.The five Gulf countries are: Irak, Jordan, EAU, Kuwait, Saudi Arabia.

.Exports to all destinations represent exports of each Mediterranean country to all the other countries of the world (including other northern and southern Mediterranean countries).

Source: Eni elaborations on data of direction of trade statistics.

Aspen Institute Italia



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South Mediterranean Countries and International  
Financial Institutions: Structural Adjustment and Growth

by Mario Draghi  
The World Bank

THIRD CONFERENCE ON THE MEDITERRANEAN WORLD' S CROSSROADS:  
THE APPROACH TO MEDITERRANEAN DEVELOPMENT

Barcelona 22-23 June 1987

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## 1. Introduction

These are times of great changes and uncertainties in the area of development lending and times when occasions for reflection, like the one offered by this Aspen conference, are particularly welcome. I shall focus my considerations on the lending strategy that the World Bank of pursuing in some developing countries of the wider South Mediterranean region. This strategy is at the same time country-tailored, as it takes into account the differences of the various contexts, and based on some principles that, insofar certain development problems cross national boundaries, are common to many of the countries of the region. Next to the obvious differences in geography, population, climate, culture, levels of development, political and economic characters, lie some profoundly similar problems, in the areas of the long-term issues of growth, development and institutional change, and in the shorter-term field of stabilization and adjustment.

As a development institution, the World Bank is mainly concerned with the structural issues affecting these economies. These range from the rapid growth of population and implied urban settlement problems to the heavy burden of external debt that constrains GDP growth and impairs a sustained increase in investment. These problems are often compounded by the lack of proper domestic micro and macro policies conducive to faster growth.

## 2. Main Issues

### a. Population

The countries of the South Mediterranean have some of the highest population growth rates in the world. In the next twenty to thirty years Algeria, Jordan, Morocco and Syria will double their population.

Egypt's population, soon to reach 50 million, is growing by 2.6% a year. Almost half of this growth is concentrated in the Greater Cairo area. By the year 2,000 Greater Cairo will hold at least 16 million people.

In Morocco, according to the 1982 census, 8.7 million people, or almost 43 percent of the total population, were urbanized. Urban growth rates averaged 4.5 percent over the preceding decade.

Population in the poorest parts of this region will altogether grow by about 100 million people between now and the end of this century, and the entire increase will be located in urban areas.

With this tremendous expansion have come --and will intensify-- well-known signs of urban strain: heavy congestion, pollution, deteriorating municipal services, and shantytowns, where the unemployed and semi-employed wait hopelessly for opportunities that their economies cannot create.

Furthermore such a growth in population takes place in an environment characterized by limited land and water resources with the consequence that food production in most of the South Mediterranean countries has fallen short of countries' needs by a wide margin, filled by increasing imports and accompanied by worsening agricultural trade balances.

b. Debt

At the end of 1986 the largest debtors in the area accounted for an aggregate debt of \$80 billion. In absolute amount, this figure looks much smaller than the more widely publicized Latin American debt, but if it is evaluated relatively to the productive capacity of the region, it yields a comparatively serious situation where in some cases the debt service places an even higher burden on foreign exchange earnings than it does in Latin America.

External Debt Data of Selected Countries  
(end of 1985)

	External Debt/GNP <u>1/</u>	Debt-Service Ratio <u>2/</u>
Algeria	28.0	112.9
Egypt	77.3	336.9
Morocco	120.1	464.4
Tunisia	64.4	193.0
Turkey	49.2	230.3
Argentina	79.9	467.8
Brazil	51.3	365.1
Bolivia	152.0	538.5
Chile	142.2	430.4
Mexico	58.3	327.6
Peru	88.2	361.2

Source: World Debt Tables, 1986-87, The World Bank

1/ Total external debt to gross national product

2/ total external debt to exports of goods and services



In 1985 all the countries of the region increased their total external indebtedness. Similarly, with the exception of Morocco, where external debt payments were contained through debt rescheduling, debt service ratios increased for all the other countries. For the major borrowers, the proportion of export earnings dedicated to paying service charges on the debt, range from 35% to 45% for Algeria, Egypt, and Hungary, to about 20% for Tunisia.

Return to creditworthiness implies not only a more manageable debt service, but also requires that certain trends in the composition of debt will have to be reversed. At the beginning of the 1970's the majority of the countries belonging to the wider South Mediterranean area had a strong borrowing base, and it is only with the subsequent developments that debt not only grows in size but acquires a more fragile nature. Annex 1 shows the evolution of some debt indicators for a few of these countries between the years 1970-1985.

Some considerations stand out and may well form part of the future debt management. First, the increase in total debt service is mostly due to the higher share of commercial bank loans. Second, the grant element has sharply decreased. Third, the percentage of variable rate loans, negligible in 1970, becomes the bulk of the total in 1985.

### c. Growth

The high debt burden, which has become especially prominent in the last five years, has contributed to a significant decline in the overall growth of the region. In the 70's average GDP growth in the region was about 7% a year. In the 1980's, GDP growth has averaged less than 4% a year. For the oil importers alone the figures are more stark: between 1970 and 1980 growth was 6 percent a year; since 1980 it has fallen to 2,5 percent a year. Since 1983 in fact per capita income in dollar terms has fallen in 12 of the 15 active borrowers in the region. In addition to retarding growth, the high debt burdens have also constrained investment. From 1980 to 1985, investment declined in every developing country in the region. In 1985, investment levels among oil importers in the region were 12 percent lower than they were five years before. With the notable exceptions of Turkey and Morocco, these indications are confirmed at the individual country level. In Algeria, GNP growth was 3.4 percent in 1985, and it was flat in 1986, after having increased an average of 7 percent a year from 1965 to 1984. Gross domestic investment in the country fell to 1.6 percent in 1985, and was estimated to have fallen 22.7 percent last year. In Egypt the rate of growth of GNP fell to 1.6 percent in 1986 over 1985, and is projected to be negative this year. Preliminary data indicated that GDP fell 1.0 (one) percent in Tunisia last year, but is projected to grow by 4.0 percent this year. Gross

investment however, decreased by 13 percent in 1985, by about 15 percent in 1986, and is projected to recover modestly in 1987, by only 4.3 percent. In 1985, some of the oil importing countries of the region succeeded in attaining a modest export recovery and moderate progress in reducing current account deficits thanks to domestic reforms, declining oil prices and a modest resumption of growth in the industrialized nations. But in 1986, growth in the world economy has decelerated. Furthermore the fall oil prices had an indirect and perverse impact on some oil importers, as economic assistance and remittances from oil-producing countries diminished. World Bank studies show that the countries of the region responded to the oil price shocks of 1973-74 and 1979-80 with a partially successful attempt to increase domestic supply rather than to manage demand. In contrast to the OECD countries, where energy consumption per unit of GDP decreased by about 25 percent in the decade after 1973, energy intensity in the South Mediterranean countries as a whole increased by 16 percent. As lower oil prices produce a downturn in energy exploration and development, energy consumption will probably continue to grow faster than supply in the countries belonging to the wider South Mediterranean region, and it will increase dependence of most members of the group on imported energy. Energy investment requirements in the region could amount to as much as \$14 billion a year during the period 1986-90, of which \$9.9 billion would be foreign exchange.

Financing the foreign currency requirements will be difficult due to cutbacks by commercial banks and international oil companies in the flows to the petroleum industry, and to uncertain prospects for Official Development Assistance (ODA) from the industrialized nations, declining OPEC assistance and reduced oil revenues and migrants' remittances.

#### d. Policies

The outlook for the rest of the decade remains uncertain. Rising debt burdens, reduced external capital flows, and the continuing need for financial adjustment will limit the scope for expansionary domestic policies. Few countries of the region can expect to resume the high growth rates of the 1970's, although there will be some improvement in comparison with those of the early 1980's.

The difficulties of today are partly the outcome of the traumatic external shocks that occurred during the 1970's, but they are also the consequence of lack or delay in the necessary adjustments to the changed international environment.

During the 1970's external borrowing appeared an attractive source of financing public investment programs. Terms were favorable and the world economy was rapidly expanding. Foreign borrowing soon acquired dimensions disproportionate with the size of the borrower's economy and characteristics that increased the borrower's risk like the excessive reliance on short-term variable rate debt. The investment programs were correspondingly rising at too fast a pace to permit a careful assessment of their efficiency.

After the first oil shock, growth and investment in most countries were maintained at artificially high levels. The need to export or to proceed to a diversification of the export structure that could lead to a less risky trade configuration was largely ignored. Import substitution was often pursued without regard to efficiency and long-term competitiveness. As a result, balance-of-payments deficits became very large and were financed with more borrowing.

Reality soon caught up with debtors and creditors alike. The catalogue of further shocks is well known. Interest rates jumped in 1980, and remained very high in nominal and real terms. World trade declined in absolute terms between 1980 and 1982. Voluntary lending drastically decreased even because of the Mexican payment's crisis in mid 1982. Export prices for commodities have dropped calamitously. For major oil importers in the region, dollar export prices have dropped almost 20 percent in five years, and, since 1985, even the oil-exporters are facing serious difficulties in the management of their economies.

In response to these developments, some countries in the region have made great efforts, adopting bold programs of reform, at times at considerable political risk and cost.

Adjustments programs across the region vary in their substance and degree, but most of them contain four basic elements:

1. Reform of trade policies to provide and inject strong incentives for exports competitiveness into the industrial sector.

2. Fiscal stabilization through the reduction of budget deficits.

3. Improvement of the quality of public investment programs to increase their economic efficiency.

4. Improvement of the operational efficiency of public enterprises.

Progress in all these areas have been mixed with great improvements on the side of external trade and a somewhat slower development in the fields of fiscal retrenchment and public enterprise restructuring.

Within this broad framework, exchange rates have been adjusted to realistic levels, import tariffs liberalized, export incentives provided. Export diversification is a critical issue in a region where oil exports represent 85 percent of all merchandise exports for Egypt, where phosphates and fertilizer constitute 80 percent of Morocco's exports, and where agricultural commodities represent 60 percent of Turkey's sales abroad.

The target of fiscal stabilization has been pursued mainly through a reduction in the size of public investment programs and of the large subsidies that characterized the income distribution policies of the preceding years, when the poorest sectors of the population were helped by price controls on items of large consumption such as bread and transportation. Unfortunately, this practice has been expanded to many other items, the contribution of which to poverty alleviation is highly tenuous. Moreover, even when subsidies have been aimed at the poor they have been imperfectly targeted. Numerous studies indicate that the well-to-do are the ones who gain the most from these blanket interventions. Given the present difficulties, subsidies will have to be scaled back considerably and only retained where they demonstrably serve the purpose for which they are designed.

However, for the burden of adjustment to be bearable and not to constitute a threat for the political stability, it is clear that in the medium term fiscal stabilization cannot be pursued only through a compression of the expenditure side but it will also need the design of well-functioning and equitable tax systems.

Finally many countries in the region have created large public enterprise sectors, which, having been sheltered from competition, are presently run with considerable operational deficits and represent a heavy drain upon government budgets.

To address all these issues, the World Bank has responded both introducing its structural adjustment lending and by intensifying its pre-existing economic and sector work through project lending. Although structural adjustment lending is a fastly growing component of the lending program, the vast majority of World Bank activity (75-80% of total lending) remains concentrated in the area of project lending.

3. The World Bank "Structural Adjustment Lending" (SAL) 1/

The World Bank's Operational Manual defines SAL as "non-project lending to support programs of policy and institutional change necessary to modify the structure of any economy so that it can maintain both its growth rate and the viability of its balance of payments in the medium term."2/

A number of elements stand out in this definition. First of all SAL is an instrument to help bring about policy and institutional changes. Second, there is the implicit recognition that in many developing countries a faulty policy framework had contributed to economic and financial difficulties, and stood in the way of rapid recovery. Third, SAL was not seen as a short-term remedy, but was to address development constraints that impeded growth and exports in the medium term. The form chosen for SA--quick-disbursing loans for imports--was an appropriate response to country circumstances. The scarcity of imported input had depressed capacity utilization. SAL disbursements would provide an immediate growth stimulus and allow time for policy improvements to affect the growth of output and exports.

Since its inception the Bank has used a variety of loan and credit techniques to meet its objective, as stated in the Articles of Agreement, of helping "the development of productive facilities and resource" of its member countries. Most loans were for specific and clearly identifiable projects. However, the Board of Executive Directors has continued to stress necessary to increase the effectiveness of Bank lending and ensure an adequate and timely transfer of resources in support of the development programs of member countries.

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1/ Structural Adjustment Lending: a First Review of Experience, World Bank Report No. 6409

2/ Operational Manual Statement No. 3.58, Annex II, November 1982

Program lending was approved by the Executive Directors in 1946 in a discussion on the interpretation of the Articles of Agreement, and the first three loans of the Bank for reconstruction were, in fact, program loans. In determining what constitutes a "special circumstance," four different types of situation have been distinguished:

- Reconstruction or rehabilitation of the economy after a war or severe natural calamity.
- A sudden fall in export earnings where the economy is critically dependent on a single export item.
- A sharp deterioration of the terms of trade as a result of a rapid rise in import prices.
- Cases involving structural constraints or capacity underutilization.

In 1980, a formal proposal for the introduction of lending for structural adjustment was made to the Executive Directors. The first words of this proposal established the framework:

"The changes in the international economy in recent years; including the increase in the price of oil, continued high levels of inflation and prolonged periods of low growth in the OECD countries, are posing increasingly acute problems for many of the developing countries. The management of their economies has become more complex. They face deteriorating terms of trade and growing current account deficits. With increasingly severe resource constraints governments must consider how they can adjust their development patterns and economic structures to the substantially changed international economic environment."

1/

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1/ "Lending for "Structural Adjustment" (R80-22, February 5, 1980), p.1.

The proposal went on to suggest that SALs would have three main distinguishing features:

- they would be a fundamental instrument for the dialogue between the Bank and the country on various aspects of development policy and on the nature and scope of change to be supported;
- they would provide finance over a number of years in direct support of specific policy reforms; and
- they would quickly disburse foreign exchange to finance imports not linked in advance to specific investment programs.

While at the time it was considered impossible to specify the components of any single structural adjustment program it was noted that it might involve one or more of the following:

- reassessment of the medium-term investment program to bring it in line with available resources and to emphasize investments which will yield quick results;
- diversification of exports by means of new incentives, infrastructure and marketing efforts;
- reductions in levels of import protection to make domestic industries more internationally competitive;
- issues of domestic resource mobilization, price incentives or the efficiency of resource use.

The paper noted that structural adjustment lending would only be justified if there were "a specific program of structural adjustment to be supported which has as its objective increased efficiency of resource use and improved responsiveness of the economy to changes in economic conditions." To be successful, this program would have to be politically, administratively and economically feasible.

While loans for structural adjustment would usually cover a 12 to 18 month period, lending for structural adjustment "must be conceived as an association with a borrower in a program of structural change over three to five years which will require financial support and technical collaboration throughout this period." This, although it would be complementary to assistance from the International Monetary Fund (IMF), it would differ in the coverage of policy instruments and in type, scope, maturity and the time-frame in which the impact of policies for structural change would take effect.



Since SAL was first proposed, some questions were raised concerning:

1. The preconditions for structural adjustment lending.
2. The relationship between SALs and the Bank operations.
3. The share of SAL in the lending program.
4. The selection of countries eligible for SAL.

#### Preconditions for Structural Adjustment Lending

(a) A serious existing or anticipated deterioration in the balance of payments, due principally to factors not likely to be reversed easily or quickly, to the extent that the deficit would not be sustainable in the medium term and hence developmental objectives would have to be substantially reduced;

(b) The willingness of the government to formulate a suitable reform program including, possibly, changes in the balance between import substitution and export promotion, changes in policies or institutions, and/or changes in the composition of investment in favor of quick-yielding projects.

#### Structural Adjustment and Other Bank Operations

(a) Traditional program lending would continue to be used to remedy temporary crises for example for reconstruction after wars or natural disasters or in cases where countries face a sudden fall in export earnings or a sharp deterioration in the terms of trade. Structural adjustment lending would focus on major adjustment problems requiring remedial actions in the medium term.

(b) Structural adjustment programs would be supported by changes in the design of Bank projects as well as the composition of the project lending program and the use of sector loans or loans through financial intermediaries. Structural adjustment loans would be used when the scale or difficulty of the adjustment program requires medium-term maintenance of the development effort while the program is implemented.

#### SAL and the overall lending program

The informal guideline that program lending might amount to up to 10 percent of total lending commitments is no longer applicable to adjustment lending. The Bank's management has indicated that the volume of adjustment lending--defined as including both structural adjustment lending and sector adjustment lending--is expected to be in the range of 20 to 25 percent of total lending over the coming few years.

At the same time, also envisaged that developing countries would obtain funds from a variety of sources. These included some or all of the following: the regular channels of development assistance, both bilateral and multilateral, use of IMF resources and a restructuring of the Bank's own lending program.

### Country Selection

The framework for the introduction of structural adjustment lending was presented in the World Bank's 1980 World Development Report. This report focussed on the challenge facing some 80 oil-importing developing countries to adjust to higher oil prices and sluggish world trade while minimizing their loss of growth. Much of the philosophy for structural adjustment lending derived from the finding that in adjusting to the first major oil price increase of 1973-74, many oil-importing countries had coped well but the ones that coped best were:

- those that reacted to the decline in their import capacity by a drive to expand exports (e.g. Singapore);
- those that maintained import growth by foreign borrowing but used the borrowed funds mainly to sustain high levels of productive investment (e.g. Brazil and Korea);
- those that benefited from good harvests resulting from improved agricultural practices and policies (e.g. India); and
- those that had rising migrant remittances (e.g. Yemen Arab Republic).

It was argued that the adjustment process in the 1980's would be more difficult for many oil-importing developing countries, including some of those singled out above, because:

- debt service obligations had built up during the 1970's and there was less room to squeeze imports without reducing growth;
- export potential was lower because of more conservative development programs among the oil-exporting countries and a slowing of growth in the industrialized countries; and
- the prospects for official capital flows were less favorable while any private capital flows were likely to be more expensive. 1/

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1/ World Bank, World Development Report, 1980, pp. 3-6.

Thus, in 1980 the "universe" of eligible SAL borrowers was about 80 countries. In a report to the Executive Directors in 1981 it was stated that "The Bank has been willing to consider requests for a SAL in all cases in which a government has presented a program which adequately addresses the country's adjustment problems, or which provides the basis for formulating such a program, and where the government has been willing to reach agreement with the Bank on a monitorable program of action.

Up to the end of FY86, twenty countries have received 38 SALs. A further 25 SALs are in the pipeline for FY87-88.

4. Some countries' experience in the structural adjustment and the World Bank lending Strategy.

It is difficult to give a uniform account of the recent developments of an heterogeneous environment like the wider Southern-Eastern Mediterranean region, especially regarding a matter so complex as the structural adjustment. Nevertheless an account of some individual countries' experience in common areas, like trade liberalization and diversification, growth, debt servicing potential and restructuring of public enterprise should demonstrate that in the last four years progress, though not uniform, has been substantial, and in most cases it has been accompanied by a fruitful dialogue between the countries concerned and the World Bank.

Algeria

The Bank has made 28 loans to Algeria totaling US\$1,881 million. After three early loans (two before Independence) there was an interval of about nine years when the Bank had no on-going projects in Algeria. Lending resumed in FY73, and by July 1980, 23 loans, totaling US\$1,120.5 million were approved. Most of these loans were in the education and infrastructure sectors, where Bank lending aimed at meeting and solving the demand for skilled manpower. There were, in addition, two loans to industry (one for industrial finance, and the other for cement); two in agriculture (for irrigation and meat production); and a technical assistance loan for rural development. No new loans were made from mid-1980 until December 1983 when a loan for a telecommunications project was approved by the Executive Directors. In June 1984, the Executive Directors approved the Algiers Regional Water Supply Project, and in June 1985 the First National Water Supply and Sewerage Project.

At the end of CY1986, our portfolio contained five active projects --one transportation, one telecommunications and three water supply projects (Algiers Sewage, Algiers Water, Oran and

Constantine Water)

Algeria's development prospects still significantly depend on the growth and revenues of hydrocarbon exports. Other elements which would play an important role in the country's future performance are the level and sectoral distributions of fixed investments and improvements in sectoral efficiency, particularly in agriculture. In the light of the most recent oil price projections of \$17.0 to \$18.0 per barrel in current market prices between the years 1986 and 1990, the country would have to continue to make adjustments in order to maintain real GDP growth, minimize per capita income declines, and avoid serious deterioration in its balance of payments. Algeria needs to strengthen her competitiveness and improve the efficiency of import substituting sectors. The Government has already taken some measures to decentralize and restructure parastatal enterprises and improve financial incentives for increased productivity and efficiency. Further measures are under preparation to promote resource mobilization and to improve management of available resources by means of increased tariffs, lower subsidies, reduced transfers to public enterprises, and reform of the banking sector. This latter step would give more autonomy and responsibility to banks for mobilization of resources, investment decisions, and risk evaluation. Interest rates are also planned to be increased to positive levels in real terms in the future.

Another challenge facing Algeria is making the best use of its abundant human resources. The population growth rate is expected to increase further in the years ahead from 3.2% p.a. to 3.4%. The country's population growth thus is a potential source of economic and demographic instability. It establishes a lower limit for the rate of acceptable GDP growth as well as carrying powerful structural and interregional implications. The urban population continues to increase along the coastal strip further amplifying the interregional development gap.

Export diversification of country's exports is another long-term goal. There has been a gradual but marked change in the perception of foreign trade. Traditionally Algeria followed a strict import substitution policy where imports were seen as a "temporary" solution to the unavailability of local substitutes and exports as a "residual" after the satisfaction of total domestic demand. In the light of existing external debt and the decrease in the availability of foreign exchange, the country's future foreign trade strategy is expected to change. The expansion of import substitution sectors should slow down and the development of new export sectors aside from hydrocarbons should gain pace, as the country seeks a more active export policy. The exchange rate policy which the country pursues in the near future will be a crucial factor in the success of the new trade policy.

In the medium-term, the debt burden of the country should remain manageable provided that future oil prices do not collapse, current economic policies are successfully implemented, and Algeria continues to receive support from international and commercial sources. Algeria will attempt to stabilize its long-term debt at about US\$14 billion over the next five years in order to maintain a manageable debt-service ratio, not exceeding 50%. The external debt in 1986 amounted to about 21.4% of GDP, and 150.3% of exports of goods and services and workers' remittances. The latter index is expected to decline and stabilize at 100% after 1987.

### Egypt

As of December 31, 1986, the World Bank Group had approved 47 loans and 29 credits to Egypt. Total commitments as of that date amounted to \$3800 million, of which \$2300 million had been disbursed. About 35% finances projects in the industrial sector, while 21% supports agriculture, 17% transport and telecommunications, 16% power and energy, and 11% the social sectors (including education, population, urban development and water supply and sewerage).

IFC's equity participations and lending commitments for projects in Egypt as of December 31, 1986, totalled about \$116 million. Most of the Corporation's activities have been lending operations. The most important projects financed are a project for an agricultural complex primarily for sugar beet, a building materials project in Suez, and a reinforcing bar project at El Dikheila. IFC has provided technical assistance in the design of incentives to private sector investments and in the development of the capital market. IFC is considering several other private sector and joint venture projects.

The strategy underlying Bank activities in Egypt during the 1970's and early 1980's aimed at rehabilitating damaged capacity, improving maintenance-practice, eliminating critical deficiencies and bottlenecks to development, and helping the setting up and strengthening of institutions. To achieve these goals, the Bank supported development in a wide spectrum of sectors and served not only as provider of direct financing but also as a catalyst for bilateral and multilateral aid by organizing a Consultative Group for Egypt.

In support of this strategy, the Bank helped the Government rehabilitate and enlarge the Suez Canal, and assisted in maintaining the productive capacity of the agriculture sector, mainly through a series of projects to install drainage systems in the Nile Delta and Upper Egypt. Bottlenecks in the transportation sector (particularly ports) and in the power

sector were also addressed with Bank financing. Attention was also given to the provision of productive inputs, with special emphasis on imported materials and energy. Deficiencies in the areas of cement production, textiles, agricultural productivity and skilled manpower were eased through projects in the respective subsectors. Private sector activities were fostered through five DFC operations aimed at assisting small and medium-scale industry and through two loans for agroindustries. More recently, export promotion has received increasing support. Most projects included important technical assistance components aimed at strengthening the implementing agencies and other sector institutions. The Egyptian Public Authority for Drainage Projects (EPADP), the Egyptian Electricity Authority, the Development Industrial Bank, the Suez Canal Authority and the newly created Export Development Bank are good examples of institution-building efforts supported by the Bank in Egypt. During the past five years, the Bank's economic and sector work has concentrated on structured issues, such as trade strategy and investment planning, public sector enterprise reform, etc.

The Bank's current strategy is designed to assist the Government to restore macroeconomic balance through increases in productivity and improvements in investment allocation, resource mobilization, export activities and employment policies. In this context, sector adjustment loans for the agricultural, industrial and energy sectors are under preparation with the objective of realizing the productivity potential which exists in the economy. In addition, projects to overcome critical supply bottlenecks, increase and diversify exports, and foster economic import substitution would be supported. For the longer term, as the stabilization measures become effective and the investment outlook improves, further assistance would be programmed for expanding capacity in the productive sectors. Such lending would also support small-and-medium industries in the private sector. The Bank's past experience in these sectors is being complemented by substantial economic and sector work to provide effective support to the Government in its economic reform measures.

The Government has already adopted a series of policy measures which represent important progress that need to be continued and intensified. In particular the Government has increasingly concentrated public expenditures on the productive sectors. It implemented a public sector industrial reorganization designed to decentralize decision-making. It has progressively freed pricing from elaborate controls, although there is still a long way to go. The Government has recently removed forced procurement of many agricultural crops at fixed prices. It initiated an energy-conservation program to limit the growth of demand for energy products and has also offered foreign oil companies increasingly flexible and generous terms to encourage more exploration of oil and gas. It is now considering other reforms to be implemented in the areas just mentioned. In particular, the public investment program will concentrate on

completing on-going projects, rehabilitation and maintenance of existing capacity, and only limited new investments. There is an increased emphasis on agriculture, energy and industry at the expense of transport, communication, storage and public utilities, which experienced large expansion in the previous five years.

Continued dialogue is proceeding on macroeconomic and sector policy issues, including energy pricing, agricultural incentives, trade policy and fiscal disequilibria among others. The dialogue should lead to agreement on some important policy actions that currently preclude Bank cooperation in energy and related activities that would be priority candidate for assistance. In this regard, close collaboration is being maintained with the IMF. The Government of Egypt has just agreed with the IMF on a stand-by program. Efforts are also being made to enlist additional bilateral assistance to finance part of the economic reform program and help narrow Egypt's resource gap.

#### Morocco

Bank Group lending to Morocco, in support of 70 projects, has totalled US\$3,013.4 million. US\$2,534.3 million are currently outstanding, of which US\$1,433.5 million are disbursed. About 33% finances projects in the industrial sector, while 28% supports the social sectors (including education, population, urban development, water supply and sewerage), 22% is in favor of agriculture, 11% transport and telecommunication, 6% power and energy.

These figures include IDA credits, totalling US\$45.2 million, which were made available for five projects until 1975. Total IFC investments amount to US\$94.5 million in 12 operations (US\$90.4 million after cancellations, terminations, repayments and sales).

The overall objectives of the Government's medium-term strategy are to restore sustainable growth rates and reduce the debt burden to manageable levels. The Bank's assistance strategy is to support Government programs which contain concrete measures to: (i) mobilize resources, particularly increase public savings; (ii) improve mechanisms for the efficient allocation, monitoring and use of public resources; (iii) promote exports and efficient import substitution; (iv) enhance equity in the distribution of economic gains. Such support implies promoting flexible institutional structure, enhancing the decentralization of decision-making, and creating environment which stimulates private sector investment and production. The principal vehicles for supporting Government programs to promote stabilization and structural adjustment in the major economic sectors will be sectoral policy operations. They will form a large part of the

Bank's assistance program. Given the resource constraints imposed by fiscal stabilization, investment proposals relying on the Government budget need to be carefully scrutinized. There is, however, scope for (i) formulating investments which redress imbalances in income distribution and in the access of the population to public services, and (ii) financing the resource needs of private sector enterprises and export industries which are being restructured so to operate efficiently within the new trade regime. Viable operations financing essential maintenance required to sustain essential service levels are also included in the strategy. Project lending will thus continue, at levels similar to those characterizing the past three years of the program. The Bank's economic and sector work program has been designed to provide the analytical basis for the structural reform programs in each of the major sectors, and for subsequent Bank lending in each. The results of the Bank's general macro-economic work, shared with members of the Consultative Group of Morocco in March 1987, is being supplemented by special studies on resource mobilization, on the employment situation and the impact of the overall structural adjustment program on economic activity and on the poor. Together with the IMF, the Bank intends to evolve a medium-term framework for fiscal policies aimed at a broadening of the tax base and a rationalization of public expenditures. A recurrent element of the macro-economic dialogue is the evolution of a program to streamline and integrate investment planning and budgeting, with emphasis on appropriate resource allocation and project selection. Sectoral studies in the Energy, Urban, Population, Health and Nutrition sectors are expected to provide the basis for future operations in these areas.

At the sectoral level, World Bank lending has focussed on four main areas: Agriculture, Education, Public Enterprises and Financial, Industrial and Trade regimes. The first three sectors are being restructured along principles of efficiency and cost effectiveness. World Bank lending has also supported directly the Financial, Industrial and Trade reforms that accompany the restructuring effort.

### Tunisia

Since 1962, the Bank has committed to Tunisia seventy-two loans and ten IDA credits amounting respectively to US\$1,625.5 million and US\$75.2 million of which forty-five loans and credits have been fully disbursed. As of September 30, 1986 IFC net commitments in Tunisia totalled about US\$ 18.5 million. Project implementation is generally satisfactory. In a number of sectors, important policy changes and institutional improvements have been achieved, and autonomous agencies have been created or strengthened to ensure the efficient management of the related sectors or sub-sectors.



The Bank's lending strategy in Tunisia aims at supporting the country's transition from a situation of reliance on petroleum exports to a sectorally-balanced post hydrocarbon era through appropriate changes in economic policies and programs, while taking measures to increase employment and target development to low income groups. In support of the above, the overall objective of Bank lending is to emphasize projects which have a direct and rapid impact on production, employment and exports (or import savings) and which minimize Government net contributions. The focus of lending for agriculture and industry meets this objective. In addition to the above, proposed Bank lending would focus on improvement of public enterprise performance, conservation and development of energy resources, and continued support to the social sectors and operations targeted to low income groups. For the latter, attention would be given to increased efficiency and cost-effectiveness of institutions and investments, and to linkages with directly productive sectors (e.g., education reforms stressing vocational training).

Past Bank lending emphasized support for long-term investments in infrastructure and social development, with increasing support in recent years for agriculture and industrial financing. Bank/IDA commitments to date are distributed as follows: urban, water supply and sewerage, 23%; agriculture, 29%; industry, 20%; transport, 13%; energy, 9%; education, 4%; and health and technical assistance, 1% each. Within the broad framework noted in the previous paragraph, in our future lending, we expect a continuation of policy-based lending and traditional project lending in priority areas, for example, in the next couple of years, highway maintenance and forestry and credit lines to small-scale industries and agriculture.

The dialogue between the Government of Tunisia and the Bank on industrial development is of long standing and has kept evolving over time. Through its first loans to industry, the Bank aimed at providing general support to industrial development; later on, it aimed at promoting industrial exports and labor-intensive industries, and financing high priority industries (e.g. electrical and mechanical industries (EMI) and small-scale industries (SSI) in support of their priority in the Government's strategy. Bank support to industrial development in Tunisia has consisted mostly of lines of credit to the Economic Development Bank of Tunisia (BDET) mostly oriented to financing manufacturing industries.

In addition to the lines of credit provided to BDET, four loans were made directly to industrial enterprises in Tunisia: the first was in 1974 to the Gafsa phosphate mining company to introduce advanced mining technology. It was followed in 1984 by a technical assistance loan for the mining sector and by a loan to SOGITEX in 1981, aimed at rehabilitating the textile industry.

Finally, a foundry project was approved in 1983 to modernize and expand a large foundry, which should help improve the integration of the EMI sector in Tunisia. In 1982 the Bank made a loan to the Government which included a component to develop and promote new industrial projects.

The Bank's economic and sector work while in the past mainly devoted to the study of major structural problems, is now focused on implementing the policy recommendations of these studies through sector lending in agriculture, industry and trade, public enterprises and transport; it will therefore concentrate on the following main tasks: (a) preparation and monitoring of the macro-economic framework of the VIIth Plan, which provides the policy base for structural adjustment and sector lending; (b) review of public expenditures under the VIIth Plan to provide guidance for the necessary reductions in budget outlays and a basis for support through structural adjustment lending; (c) assessment of public enterprise reforms prepared by the Government to reduce their drain on the state budget; and (d) monitoring of the agreed macro-economic and sector policy changes. The program also includes studies on education administration and finance, municipal finance and development, energy pricing, and the impact of the adjustment program on various income groups.

### Turkey

Turkey was the first to start her structural adjustment and can, so far, claim the most wide ranging success. Turkey's adjustment program, adopted in 1980, had two principal goals: restore creditworthiness through improved export performance, and place greater reliance on market forces by loosening government controls on the economy. In support of these aims the exchange rate was devalued, tariffs rationalized and generally reduced, incentive were provided to exporters, and many state enterprises were returned to conditions of probability. The Government reduced overall fiscal deficits and substantially improved the quality of the public investment program. Results have been outstanding. GDP grew by 5% p.a. between 1982 and 1985 compared with growth of less than 1% in 1979-1981. Balance of payment deficits have been substantially reduced, largely through an unprecedented export performance. Export volumes (of goods and non-factor services) have grown by almost 30% p.a. since 1981. Despite a high domestic inflation, effective and timely exchange rate management has kept exports competitive. Turkey has substantially reduced its debt burden. The debt to exports ratio declined from 2.5 in 1980 to 1.7 in 1984 and the debt service ratio has remained constant at approximately 25% of exports since 1980. The recent decline in oil prices will allow further improvements to the balance of payments, although Turkey's new challenge will be to diversify exports to markets other than the Middle East. The process of adjustment has certainly not come to an end and Turkey is now tackling the reform of its financial sector.

Through December 31, 1986 the Bank and IDA had lent US\$7,3989.5 million <sup>1/</sup> to Turkey, through 95 projects. Agriculture accounted for 21 percent of the funds lent, industry and DFCs for 23 percent, power for 19 percent, structural adjustment and program loans for 23 percent and urban development, transportation, education, tourism and technical assistance for the remaining 14 percent.

Bank lending is aimed at supporting Turkey's medium-term objectives of restructuring the economy by increasing competition in the domestic markets and adopting a more outward-oriented strategy. The main vehicle for the Bank's operational discussions with the Government has been the SAL program, which was completed in June 1984, and more recently the sectoral adjustment lending program. The emphasis of Bank lending in the post-SAL period will continue to be on striking an appropriate balance between sector adjustment lending designed in part to be quick disbursing and supportive of policy reforms in the major sectors and project lending. A first sector adjustment loan for agriculture was approved in June 1985. A financial sector adjustment loan approved in June 1986 was the second of the series. Further sector adjustment loans for the major sectors are planned over the next few years for energy and transport, and it is expected that there would be follow-up loans in agriculture and the financial sector.

Project lending, which would continue to make up the majority of Bank lending, would be designed to support and strengthen the adjustment process. Some project lending would be earmarked for the construction or rehabilitation of key projects in the energy sector. Other projects would be guided by the major policy objectives of the Government, which include generation of foreign exchange (including improving productivity in export industries and providing essential infrastructure for exports), improvement of institutional efficiency and reduction of the social costs of adjustment (including provision of social infrastructure and employment generation, with some emphasis on the least developed provinces).

IFC has invested in textiles, pulp and paper, glass, aluminum, cement, iron and steel products, food processing and tourism. It has also invested in the Industrial Development Bank of Turkey (TSKB) and provided guarantees for overseas contracting firms. In addition, IFC is currently providing technical assistance to the Government with respect to the development of the capital market and a regulatory framework for leasing.

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<sup>1/</sup> Net of cancellations and including commitments signed but not yet effective as of December 31, 1986.

## 5. Conclusion

The vast majority of the South and East Mediterranean countries have embarked in difficult and ambitious reform programs. The progress accomplished so far should already be a cause for optimism as regard to a timely implementation of the further necessary steps. However, even in presence of a great commitment by the governments of the borrowing countries, the reform process will be successful only if the international environment remains favorable. The possible lack of this prerequisite is cause for great concern. The low growth rate of OECD countries, the still high level of real interest rates, the imbalances in the budget policies of the major industrialized countries, the resurgence of protectionist pressures are all symptoms that, in conjunction with a decline in the flow of private financial flows, are making the return of developing countries to growth much more difficult and the restoration of their creditworthiness often impossible. A realistic assessment of the available alternatives in such a situation will imply a larger role for the international financial institutions, role to which the World Bank is often called by all the member Governments.

So far such a process has taken place without increasing the Bank's resources or explicitly widening its mandate. The World Bank for its part is rapidly reaching a limit where neither a further expansion of the lending program nor other changes in its composition will be possible. Its shareholders, in order to avoid such a contradiction between means and desires, should proceed to a review of its mandate and to a timely decision concerning the General Capital Increase.

The reforms that we have been discussing will insure growth and stability in the medium-term, but are not painless in the short-run. The broad-ranging nature of the adjustment process will cause unavoidable imbalances, and decisions concerning the relative speed of the various policy actions have to be taken. Since there is no agreed theory suggesting which is the proper succession of structural reforms, the ultimate judgement assessing the resilience of the societies affected by these traumatic changes has to be mainly a political one.

Agreement in the area of feasibility constitutes the decisive test of whether the dialogue between the country concerned and the World Bank has really been successful. Governments should carefully assess what their societies can bear so as not to unduly delay the needed reforms. International Financial Institutions on their side are aware that policy advice is rarely wrong in its prescriptions, but it is often mistaken in its judgement of the social, institutional, and political constraints that ultimately determine its feasibility and its timing.

Readiness to act following a policy advice that is formulated with humility, constitutes the essential ingredient of a successful dialogue between the governments of the borrowing countries and the World Bank.

External Debt For Five Selected Mediterranean Countries

(US\$ millions)

	Egypt		Algeria		Morocco		Tunisia		Turkey	
	1970	1985	1970	1985	1970	1985	1970	1985	1970	1985
Public Debt Outstanding	2664	21615	1471	18365	958	14998	864	7047	2721	23379
- Official Creditors	2029	17564	853	3832	807	10154	644	5267	2532	15900
- Private Creditors	635	4051	618	1453	151	4844	220	1780	189	7479
Total Debt Service	354	2249	44	4584	61	1034	65	677	171	3502
- Official Creditors	186	727	16	772	42	554	23	361	133	1701
- Private Creditors	168	1522	28	3812	19	480	42	316	38	1801
Interest (%)	7.6	8.6	6.4	7.0	4.6	8.5	3.5	7.8	3.6	8.7
Grant element (%)	11.1	13.1	14.8	8.1	31.2	10.8	47.4	14.5	37.1	6.7
Variable Rate/Public DOD (%)	0.0	2.3	2.8	30.0	0.0	36.3	0.0	16.6	0.9	29.1

Source: World Debt Tables, The World Bank, 1986-87 edition

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ARREN INSTITUTE FOR RESEARCH

3rd Conference on the Mediterranean  
WORLD'S CLUB FORUM : THE APPROACH TO MEDITERRANEAN COUNTRIES

3rd Session on :  
South Mediterranean Countries  
and International Financial Institutions :  
Structural Adjustment and Growth

Discussion on the Presentation  
by Mr Draghi (of the IFRD)

Barcelona, Monday 22 June 1987

by Lucio Izzo  
University of Rome and  
Vice Chairman  
European Investment Bank

18 June 1987

## 1. Introduction

- .. 1.1. Professor Draghi's interesting paper serves mainly two very useful purposes : 1) to highlight the problems that Turkey as well as the Maghreb-Mashrack countries are now facing; 2) to further our understanding of the lending activity of the IBRD in the same economies. In my commentary to Professor Draghi's paper I would like first to explore further the so-called Policy Based Lending and 2nd to recall the main aspects of the EIB lending activity in the Maghreb-Mashrack countries which is based entirely on project financing, both for practical as well as political reasons that I do need to enter in this occasion, though the main practical reasons will become clear, I hope, at the end of what I shall have to say on Policy Based Lending.

## 2. Policy Based Lending

### .. 2.1 General

- . Following the initial structural adjustment loans (the so-called fully flagged SALs), tackling country wide economic issues which involve the manipulation of major macro-economic aggregates(1), policy based lending is, in recent times, increasingly dealing with sectoral issues.
- . The main objective of policy-based lending, aiming at introducing structural reforms at sector level, is that of removing constraints preventing the free play of market forces.
- . Structural adjustment interventions may therefore tackle detail sectoral issues such as prices, tariffs, subsidies etc., but reforms in the legal, institutional and regulatory aspects of a specific market have also been increasingly included in the set of conditionalities characterizing a policy-based loan.
- . The latter aspects are acquiring increasing importance, and require staff, on the part of development institutions adopting policy based interventions, with specific skills and experience difficult to find.

### .. 2.2 The conceptual foundations

- . Why has the free play of market forces acquired, in recent time, such a fundamental importance in development aid administration ?

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(1) In this area there is a considerable overlap of competence between IBRD and IMF, not always clearly resolved.



Research in development economics has, since the early 70s, shown evidence that in LDC markets do work. Farmers and manufacturers do respond to market fluctuations and to more fundamental market changes(2).

But, at the time of independence economists and aid administrators held the believe that markets do not function in an LDC context. The magnitude of the income differences between developed and developing countries led most development economists to the conclusion that conventional economics somehow failed to apply to developing countries. It seemed self evident that markets had not functioned efficiently, given the extreme poverty and slow growth in most LDCs. Planning at macro level (often in a data vacuum) seemed therefore to be a better allocative system. I/O matrices were developed, and growth models were widely used to dynamize the I/O matrices for allocative and prediction purposes. The Harrod-Domar model, which extended the Keynesian emphasis on investment to include its capacity increasing effects, was the principal theoretical underpinning of most development plans.

In parallel, it was widely believed that a major cause of under-development was the level of under-capitalisation most LDCs suffered from. The phenomenal success of the Marshall Plan in the late 1940s and 1950s led many to believe that similar transfers of capital and technology to LDCs, would permit their comparably spectacular transformation. This led to large investment plans, centred upon the construction of infrastructural facilities and ill adapted industrial plants, requiring administrative and technical skills, maintenance policies and a level of recurrent expenditure that often was not available locally.

The low ERR of such projects, the burden on the local administration and the large demand they made on government resources (no aid has ever been available for recurrent expenditure) were for long time cross subsidised by the "leading sectors" (mainly export-oriented raw material producing activity). Moreover, up to the mid 1970s, when LDCs managed to maintain, by and large, sustainable balance of payments positions, ill adapted economic policies aimed at sustaining a high standard of living in urban areas, at the expenses of the rural primary producers, drastically altered the terms of trade between "town and country". Marketing boards, controlling the purchase of export and food agricultural products, often set producers prices at a far too low levels for valuable export products. For a long time raw material exports provided large foreign exchange earnings which frequently

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(2) See : A.O. Krueger - Factor endowments and per capita income differences among countries, Economic Journal Vol. 78, Sep. 1968; A. Hirschman - Rise and decline in development economies (ed.) in M. Gersovitz - The theory and experience of Economic development, London G. Allen and Unwin 1982.

were employed for prestigious projects, and for financing the complex network of patronage most governments depend upon. Farmers, often, through lack of incentives, went back to subsistence level or smuggled products to neighbouring countries where higher prices were available. Similarly, in the industrial sector, overvalued exchange rates and widespread protective measures provided large financial gains to unviable (at world prices) import substitution projects which are now, in the restructuring phase, becoming uneconomic and are often closed down (the process of de-industrialisation now experienced by many LDCs). When, with the fall of raw material prices in the second half of the 70s(3) the surpluses generated by the leading sectors disappeared, LDCs attempted to finance their level of expenditure borrowing abroad with results that are all well known.

LDCs therefore found themselves, in the late 70s, with large external commitments, on the one hand, and investments, on the other, that were ill-adapted to the local factors endowment. Countries began to accumulate arrears on their commercial debt repayments, and debt rescheduling became a widespread procedure.

### .. 2.3 The revised views on development begin to influence donors policies

Debt rescheduling, however, increasingly became conditional to policy reforms inspired by the new development thinking. The IBRD, the IMF and the Club of Paris began to require basic economic restructuring involving government commitments to policies founded on drastically revised ideas concerning the effectiveness of markets as an allocative mechanism and the responsiveness of individuals to economic incentives. One could say that by the late 70s research results and empirical evidence showing the importance of incentives and market forces in LDCs, had filtered down at operational level, and begun to influence donors behaviour. The challenge to the prevailing conventional wisdom principally came from evidence about the effectiveness of incentives when a number of countries, in particular in South East Asia, moved away from import substitution strategies and directed their manufacturing sectors towards export-oriented activity. The phenomenal supply response that resulted seriously challenged the prevailing ideas based on the ill functioning of markets and the weak supply elasticity to economic incentives. In addition the examples provided by the success of export-oriented policies,

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(3) The short lived boom in raw material prices in the mid 70s exacerbated the disequilibria. Many countries believed the high raw material prices would continue and launched ambitious investment programmes that could not be funded and required painful adjustments.

finally buried the infant industry argument(4) that, for long time, together with the "supply response pessimism" led policy makers to believe that LDCs would have to foster import substitution if they wanted to develop.

Moreover, a number of detailed studies in the 1970s based both on cross-section analysis and analysis of individual countries(5), showed that exports were indeed responsive to incentives, and that their failure to grow over time was due more to normal supply responses emanating from overvalued exchange rates and strong inducement to pull resources into import substitution industries, than to any structural rigidity.

In this new context, where the economic viability of large infrastructural projects and import substitution manufacturing plants (which constituted for many years the "bread and butter" of development agencies activity) are under serious questioning, bilateral and multilateral donors had to (and some still have to) rethink their strategy of intervention. The emphasis is not any longer on creating new capital formation, but on attempting to improve the general macro-economic context. Physical investment are limited to the rehabilitation and the maintenance of existing assets. Working capital, raw materials and spare parts are now important elements in the composition of a rehabilitation project. Moreover, whenever an institution starts to implement real policy reforms interventions, the divorce between material investments and loans becomes complete and the adjustments, in terms of basic operational and statutory principles, that an institution has to undergo, are very important. In banking terms, policy reform interventions do not create any new capital. The counterpart asset of the loan is a commitment taken by a Government department to a set of well identified reforms; a far cry from tangible, material assets that bankers like to have as their last-resort collateral.

#### .. 2.4 Example : The financial sector

Policy reform based interventions in the financial sector, for instance, aim at establishing positive real interest rates to mobilise savings. The results is that domestic interest rates are reaching unprecedented levels. Development agencies have become conscious of the importance of positive real interest rates, but the large spreads resulting from the difference between local interest rates and those of aid funds need careful handling. The

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(4) R. Prebisch - The economic development of Latin America and its principal problems, NY, UN Department of Econ. Affair 1952.

(5) See : M. Syrquin, L. Taylor and L. Westphal - Economic Structure and Performance : Essays in Honor of H.B. Chenery, New York Academic Press, 1984.

solution is to give the spread to whoever takes the forex risk, as a reward for its likely losses arising from future devaluations.

In the same conceptual framework, policy based interventions in the financial sectors no longer privilege the local Development Finance Corporations (DFCs). Aid funds are lodged in a central bank's account, accessible to a number of approved local financial intermediaries. DFCs are therefore put in direct competition with other financial institutions. This "Apex" type intervention emphasises the importance of establishing some competition amongst financial institutions.

More in particular, a policy-based intervention in the financial sector should start off by asking the question "Is the present financial system an efficient intermediary for channelling savings and external capital flows to the productive sector?" rather than "Is there a tolerably efficient DFC with which one can do business?". A typical financial sector adjustment operations, after having tackled the most obvious aspect such as the interest rate structure, would look at the detailed regulatory aspects of the financial market as a whole. Aspects such as : tax on interest income, the functioning of the capital markets, the existence and functioning of non banking financial institutions, banking supervision, regulation and auditing, broadening the range of savings instruments etc., would be carefully studied and reforms would be suggested. In this context, the role of the DFCs is seriously questioned. Indeed, although opinions are certainly not unanimous, many people are of the view that singling out an institution (the DFC) for special treatment introduces market distortions. Hence, in the Apex loan approach, the DFC is in competition for funds with a number of approved domestic commercial banks.

## .. 2.5 Example : The industrial sector

Policy based operations in the industrial sector are equally geared to improve the environment in which industry operates by ensuring exposure to market forces. Taking some recent examples in the Maghreb, particularly in Tunisia and Morocco, the policy reforms promoted by the interventions aimed at 3 objectives :

- a. Improve international competitiveness : in this field the main reforms were centred around the neutralisation of anti export forces in the economy. A reduction of effective protection, an elimination of quantitative restrictions and the narrowing of the range of tariffs applied to imports are an important area of reforms. A characteristic of these loans however is the great details in which the administrative, the organisational and the institutional aspects of a sector are analysed and reforms promoted. For instance in the recent Maghreb operations, the functioning of the custom office, the role of the major trading houses and their effectiveness as intermediaries, together with aspects

concerning trade insurance and availability of export credit were objects of reform recommendations.

- b. Improve the local market structure ; similarly, the conditionalities attached to the policy-based loans concerned reforms in a number of basic market institutional and legal features with important economic consequences. Competition depends on easy entry and exit into markets. Therefore reforms in the licencing and bankruptcy laws have been put forward. The freedom of producers to set the prices for their own products is a fundamental feature of a competitive market. Price liberalisation reforms have therefore been introduced in the loan conditionalities. Likewise the corporate tax regime, the system of tax incentives and the investment tax allowances schemes have also been the object of reforms and conditionality.
- c. Factors market policy (labour capital technology): in this field great attention is paid to labour laws (mobility, minimum wage) with the view to improving the flexibility of labour markets. Decentralisation of wage setting, training schemes and improvement in the collective bargaining mechanisms are object of conditionality and reforms. As far as capital is concerned conditionality and reforms cover banking supervision, auditing of the banking system by the Central Bank, the development of internal capital markets, liberalisation of credit, deepening the financial sector (bulk of the savings to go through the banking system) and tax regime on interests earnings. Technology transfer and acquisition is closely linked with joint ventures. Thus the reform pays great attention to the foreign investment code as an instrument to attract external capital and expertise into the country.

#### Features of Policy-based Lending

- .. 2.6 Policy-based lending has two aspects : (a) the policy reform supported by the intervention (b) the utilisation of the funds. Point (a) should by far be the most important; funds utilisation should be almost immaterial : as indicated before, the "asset" counterpart to a policy based operation is rather immaterial. In most policy-based lendings, funds could be utilised to finance retroactively imports, subject to a negative list excluding luxury, military equipment and partly oil. Consequently, the funds for a policy-based operation in agriculture may very well be utilised to import mining equipment. Greater emphasis should be put on the speed of disbursement than on utilisation. International competitive bidding procedures should be kept to a minimum. Similarly, the utilisation of the counterpart funds in local currency should not be subject to any restriction.

- .. 2.7 The major objective of policy-based lending (i.e. the creation of a policy framework conducive to the free play of market forces) can not be achieved overnight. Policy-based interventions, therefore, are never seen as "once and for all operations". They have to be looked in the framework of an ongoing relationship between the lending agency and the country concerned. It may be that the first policy-based operation may not tackle the most urgent problems, but it is nevertheless carried out because it may serve as a useful opening to test Government commitment and train the administration to the new technique. This may eventually lead to a more positive attitude on the part of Government towards this type of intervention, which may eventually help tackle more difficult problems. Cases exist in which policy based interventions were solicited by Governments keen to introduce policy changes with outside conceptual and material support.
- .. 2.8 It is known that the disbursements of policy-based loans are phased. Tranches are released against performance targets, usually fairly loosely interpreted. The size of such operations varies, but they should in principle be made big enough to carry sufficient bargaining power. Some people believe that a closer association between the area of policy reform (for instance industry) and the utilisation of funds (industrial imports only) would increase the bargaining power carried by the operation. The speed of disbursement could prevail on an attempt to introduce a more obvious association between funds' utilisation and areas of policy reform.

#### Policy-based Lending and Cofinancing

- .. 2.9 Are policy-based lending operations suitable for cofinancing? So far cofinancing has taken place bilaterally in the context of the special African facility, with the ADB and Japan. In the former case the bilateral participation to the conception of the operation varied. It has ranged from no contribution at all, to the participation of one or two staff members of the bilateral concerned to the preparation and appraisal phases. Considering the number of staff involved in such an operation, one or two representatives of the co-lending had only a marginal impact. In some cases co-lenders made some efforts towards singling out particular areas of conditionality and/or fund disbursement and take direct responsibility for implementation. Co-financing with the ADB is at its inception and procedures are not known to me. The rapport of forces is however similar to that between the IBRD and the bilaterals, and in practice it is unlikely that the ADB could make a significant impact on the conceptual side of the operation, although efforts by the ADB to earmarking special areas of conditionality seem to have been made.
- .. 2.10 Among the donor community a wide spread agreement with the IBRD's philosophy behind the selected conditionality exists. In the future co-lenders are likely to follow similar policies:

participate in the conception phase and/or earmark for their own more direct responsibility an area of conditionality and/or disbursement, but it is unlikely that anybody could go much further than that, as a co-lenders tendency towards wanting to control more closely fund utilisation might result in a slow down of the rate of disbursement.

### An outlook for policy lending

- .. 2.11 Although policy based lending, particularly in Africa, will tend to increase, it is unlikely, as pointed out by Professor Draghi, that more than 40% of total IBRD's commitment will be allocated to policy reform operations. Traditional project-based lending will therefore continue to absorb the greater proportion of resources. And I believe that the IBRD's longer term view foresees, eventually, a gradual switch back to project lending when, hopefully, through policy reform interventions, the general context will have sufficiently improved. As policy based operations will decline, project-based loans will take over again, but their policy content will remain high. This is a final scenario. Some countries, particularly those that have been responsive to policy reforms, are not far from this. Policy reform has an obvious limit. If one considers the detail of some of the present policy-based operations, it is quite clear that the scope for reasonable reforms will soon be exhausted. Or, in other words, the reforms required will increasingly become of a specific punctual nature, no longer requiring policy-based loans, will likely carry enough bargaining power. Similarly the speed of disbursements should become less pressing, as countries move towards a sustainable balance of payments position.

### .. 2.12 Does policy based lending work

- . The success or failure of policy-based intervention is difficult to measure. The conceptual model, on which these types of intervention are based, would suggest that the benefits generated by a more rational resource allocations, resulting from the better functioning of markets, should be sufficient to offset, with a return, the loan repayments. Some effort is going into formalising a methodological framework for carrying out appraisal of policy-based interventions. The conceptual problems are considerably more complex than those encountered in the conventional project appraisals activity. The latter is now out of fashion on the ground that project appraisal attempts to optimise a "microcosmos" ignoring the general context in which a project will eventually have to function.
- . The supply response of a sector stimulated by a policy reform intervention is the only measure at one's disposal to assess the success or failure of a policy-based interventions. Measuring the supply response directly attributable to the policy reform is however very difficult and unavoidably artificial.

In practice, opinions differ significantly as to whether policy-based interventions have worked. Turkey is often quoted as a resounding success; Ghana, Malawi, Kenya and to a lesser extent, the Ivory Coast and Senegal, have no doubt benefitted. But Zambia and Zaire are often quoted as unsuccessful cases. Morocco and Tunisia seem to be well on the way towards establishing a better base for sustained growth, but may be too early to be outright optimistic. As mentioned above, whether policy based lending has been successful in a cost benefit context (loan repayments against additional output brought about by better functioning markets) is at present impossible to say. But what one can say, however, is that policy based lending has greatly helped to re-establish macroeconomic equilibria in a context that had all the ingredients for run away inflation, insolvency and breakdown of economic discipline. It is true that in some countries the supply responses are weaker than expected, but even if results are slimmer than initially forecasted, what else the donor community could have done when, in the early 1980s, the general economic context in a large number of LDCs was so distorted that conventional project financing leading to new capital formation was no longer the priority ?

#### The EIB strategy in the South mediterranean countries

- .. 2.13 Considering more specifically the EIB, I would like to recall it is mainly a bank for the finance of projects located in the EEC member countries.

More than 90 per cent of the EIB lending is done in these countries and only the remaining 10 per cent is directed to other countries. Roughly speaking about 7.5 billion ECU a year is directed to South Mediterranean Countries, including Yugoslavia. Given the present volume of lending activity, in each non EEC country, it would be unthinkable for the EIB to attempt to introduce its own specific policy reform. We would make sure we agree with the policy reforms promoted, perhaps contribute to their conception, but in a very marginal form.



### 3. EIB operations in mediterranean countries outside the Community

3.1. For many years, the European Investment Bank has been responsible for a significant portion of the financial aid channelled to the Mediterranean region. Before detailing its activity in Mediterranean countries which are not members of the EEC, it would, perhaps, be useful to point out that much of the EIB's activity centres on five Member Countries located wholly or partly in the Mediterranean region and whose combined population accounts for over 50% of the Community total. This implies, in particular, that a sizeable number of the EEC's inhabitants lives off mainly agricultural production in direct competition with that of countries on the other side of the Mediterranean. Moreover, the latest enlargement of the Community has already created problems of adjustment for the Mediterranean regions of Greece, Italy and France sufficiently disquieting as to prompt provision for specific Community action to improve the social and economic structure of these regions. The EIB will contribute towards implementing these programmes (IMPs) by providing loans from its own resources and from those of the NCI, the latter comprising the proceeds of borrowings launched by the Community on the capital markets with the EIB acting under mandate from the Commission in granting the loans.

#### 3.2. Institutional framework

3.2.1. Leaving aside a few operations decided on a case-by-case basis by the EIB's Board of Governors and mounted, for example, in Lebanon or Yugoslavia, European Investment Bank activity in Mediterranean countries outside the Community falls within the ambit of Financial Protocols concluded between the Community and each of these countries. The Protocols generally provide for an aid package to be committed over a five-year period and comprising financing from both the Bank's own resources and budgetary funds on highly advantageous conditions (very long-term loans, risk capital and grants).

3.2.2. The Commission and the Bank work closely together in implementing the Financial Protocols: the Bank grants loans from its own resources and also administers part of the budgetary funds under the terms of a mandate received from the Commission on behalf of the Community.

#### 3.3. Overview of past activity

3.3.1. The first Financial Protocol was concluded with Greece in 1962, followed by that signed with Turkey in 1963.

3.3.2. These two countries virtually continued to represent the EIB's sole Mediterranean partners outside the Community until the mid-1970s when, in tandem with establishment of the Community's "Mediterranean policy", Bank activity was gradually but rapidly extended to embrace the Maghreb and Mashreq countries, Israel, Malta and Cyprus. In addition, we witnessed cooperation with Yugoslavia as well as that embarked upon with Portugal and Spain prior to their accession to the EEC.

- 3.3.3. Following the accession of Greece, Spain and Portugal, the Bank's Mediterranean partners outside the Community are now twelve in number : Algeria, Morocco, Tunisia, Egypt, Syria, Lebanon, Jordan, Israel, Malta, Cyprus, Turkey and Yugoslavia.
- 3.3.4. While avoiding figures - contained in the annex hereto a few general remarks can be made concerning operations mounted by the EIB in the above Mediterranean countries.
- 3.3.4.1. Despite the difficulties inherent in deploying development aid and the particular facets of one or other partner, the Financial Protocols have, on the whole, been implemented in accordance with the prescribed timetable and in a constructive spirit of cooperation (the latter achievement is especially valuable for our future activity which will perhaps take place against an even more delicate economic backdrop than in the past).
- 3.3.4.2. Budgetary resources have made it possible to soften considerably the terms on which aid is provided, notably via interest subsidies of 2% or 3% attaching to Bank loans and funded from grant aid available under the Protocols. They have also enabled training and technical assistance to be stepped up, aspects of particular importance for the beneficiary countries.
- 3.3.4.3. EIB support has often given rise to co-financing operations mounted with bilateral (Member States and other countries) or multilateral (chiefly the World Bank) lenders. Examples include : Turkey - Elbistan and Karakaya power stations; Egypt - Shoubrah El Kheima power station; Morocco - global loan to Caisse Nationale de Crédit Agricole; Syria - Aleppo sewerage scheme. Such operations have been a source of extremely fruitful cooperation.
- 3.3.4.4. Aid provided by the Community (and hence by the EIB), although representing a not inconsiderable effort on the part of the EEC, has remained fairly modest compared with the size of the economies concerned and their respective requirements. Apart from the case of Turkey many years ago where sustained support was furnished for the energy and industrial sectors, or Tunisia where aid available under the second Financial Protocol (1981 - 1986) was devoted solely to agriculture, EIB assistance has mainly comprised a series of duly warranted but specific operations in most economic sectors.
- 3.3.4.5. In certain instances, political events have led to operations being suspended, sometimes for long periods : this was true of Greece, for example, between 1967 and 1974 and is currently the case with both Lebanon where the EIB's last loan dates from 1983 and Turkey where the Bank last financed a project in 1981.

#### 4. Future prospects

- 4.1. In early 1987, the Community fixed the amounts of aid to be channelled to the Maghreb and Mashreq countries and Israel over the period 1987 - 1991, with an eye to conclusion of the third Financial Protocols with these countries.

The aggregate aid package amounts to 1 615m ECUs, of which 615m ECUs are to be advanced from Community budgetary funds and 1 003m ECUs in the form of loans from the EIB's own resources. This represents an overall increase of 59% compared with the second generation of Protocols which provided for 1 015m ECUs to be deployed between 1982 and 1986 (i.e. 415m ECUs in budgetary funds plus 600m ECUs in EIB loans). The country-by-country breakdown is shown in the annex hereto.

##### 4.1.1. Turning to budgetary funds :

- 678m ECUs (94%) are to be made available in the form of grant aid : two-point interest subsidies on EIB loans and financing, via the Commission, for cooperation projects (technical assistance, training, studies); while,
- 97m ECUs (6%) are to be provided in the form of risk capital granted and administered by the Bank under mandate from the Community. In deploying these resources, priority will be accorded to furnishing equity or quasi-equity for private and public undertakings, particularly those in which Community interests are involved, e.g. joint ventures. Risk capital represents a highly flexible instrument and can be deployed in a number of ways (conditional or subordinated loans, equity participations) in the manner best suited to the particular case in point. Although this financing medium has been used for a number of years by the EIB under the Lomé Conventions, it is a virtual novelty in the Mediterranean region where it will be used on a trial basis for an almost symbolic amount.

In contrast to previous Protocols, the third generation of Protocols with the Maghreb and Mashreq countries contains no provision for special loans.

- 4.1.2. EIB loans are subject to the rules spelt out in the Bank's Statute and are given over to part-financing projects of which implementation is duly warranted in economic terms. They may cover either local or foreign expenditure and are generally granted for terms varying between 10 and 20 years, depending on the characteristics of the project involved. Interest rates are close to those prevailing on the market (before taking account of interest subsidies which many loans carry). Loans, denominated in ECUs, are disbursed in several currencies in keeping with the EIB's liquid holdings and the rate of interest set out in the finance contract.

- 4.2. The new Financial Protocols to be concluded in coming months between the Community and the various countries concerned attach priority to agricultural and industrial development and industrial cooperation.
- 4.3. A number of comments can be made concerning the EIB's future cooperation with the Maghreb and Mashreq countries in conjunction with the new Protocols.
- 4.3.1. The financial resources which the Bank will command, although representing a not inconsiderable effort on the part of the Community, constitute a very modest contribution compared with these countries' requirements. It is therefore vital that they be deployed as effectively as possible.
- 4.3.2. Turning to the priority guidelines adopted, emphasis, in terms of agricultural development, should doubtless be accorded to fostering viable agricultural production in keeping with each country's natural and economic environment, rather than striving for self-sufficiency in foodstuffs at any price. Sufficient attention should also be paid to agricultural infrastructures, fertiliser production, agricultural processing industries, etc.
- In industry, support for small and medium-sized enterprises will again represent an important remit for the Bank which will now be able to call on risk capital resources as an additional means of financing.
- 4.3.3. Moreover, as an adjunct to its operations in support of the agricultural and industrial sectors, the EIB will also be able to provide financing for other sectors such as transport, communications, energy and urban infrastructure.
- 4.3.4. As the goal is to make the best possible use of limited resources and to ensure that the impact of financing is felt rapidly wherever possible, it might be wise, in certain cases, to focus on rehabilitation of existing capital investment.
- 4.3.5. Finally, when mounting all operations, the Bank will accord particular importance to protecting the environment.

## 5. Conclusions

Coming years will prove particularly difficult for numerous Mediterranean countries and the new protocols will span this critical period. The requisite adjustment process will call for solidarity on the part of the Bank.

Although the EIB's resources are indeed limited, the Bank will not be acting alone. It will continue to work in concert with other development institutions - both bilateral and international (notably the IBRD) - and will make every effort to accommodate its partners' requirements as efficiently as possible. The solid spirit of cooperation which has developed over the past decade is reason enough for optimism in the future.

Lucio Izzo

18 June 1987

Annexes

**BANK ACTIVITY IN THE SOUTHERN MEDITERRANEAN NON MEMBER COUNTRIES**

**DATA CONCERNING EIB LOANS AND SPECIAL LOANS GRANTED BY THE BANK**

**WITHIN THE FRAMEWORK OF THE FIRST AND SECOND PROTOCOLS**

AMOUNTS IN M ECUS (PERCENTAGES INDICATED IN BRACKETS)

<u>COUNTRY</u>	<u>INFRASTRUCTURE</u>	<u>ENERGY</u>	<u>GLOBAL LOANS (1)</u>	<u>AGRICULTURE</u>	<u>INDUSTRY</u>	<u>Total</u>
ALGERIA	135 ( 87 )	20 ( 13 )				155 ( 100 )
CYPRUS	43 ( 78 )	12 ( 22 )				55 ( 100 )
EGYPT	25 ( 10 )	123 ( 51 )	43 ( 18 )		50 ( 21 )	241 ( 100 )
ISRAEL			70 (100 )			70 ( 100 )
JORDAN	12 ( 19 )	11 ( 17 )	23 ( 36 )	3 ( 5 )	15 ( 23 )	62 ( 100 )
LEBANON		20 (100 )				20 ( 100 )
MALTA	21 (100 )					21 ( 100 )
MOROCCO	83 ( 50 )	34 ( 21 )	49 ( 29 )			165 ( 100 )
SYRIA	74 ( 72 )	28 ( 28 )				102 ( 100 )
TUNISIA	32 ( 21 )		54 ( 35 )	60 ( 39 )	8 ( 5 )	154 ( 100 )
<u>Total</u>	<u>424 ( 41 )</u>	<u>248 ( 24 )</u>	<u>238 ( 23 )</u>	<u>62 ( 6 )</u>	<u>73 ( 7 )</u>	<u>1045 ( 100 )</u>

(1) INCLUDING THOSE GRANTED FOR AGRICULTURAL PURPOSES

THIRD FINANCIAL PROTOCOLS

Scale of allocation  
per beneficiary country

COUNTRY	Budgetary Resources MECU	EIB Loans MECU	Total Protocols MECU
Tunisia	93	131	224
Egypt	200	249	449
Lebanon	20	53	73
Israel	-	63	63
Algeria	56	183	239
Morocco	173	151	324
Jordan	37	63	100
(balance)	36	110	146
	615.0	1.003	1.618

Allocation of risk capital (1)

COUNTRY	MECU
Tunisia	6
Egypt	11
Lebanon	1
Algeria	4
Morocco	11
Jordan	2
(balance)	2
	37

to be charged to budgetary resources

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THIRD CONFERENCE ON THE MEDITERRANEAN WORLD'S CROSSROADS:  
THE APPROACH TO MEDITERRANEAN DEVELOPMENT

MASSIMO LIVI BACCI

DEMOGRAPHIC TRENDS: CONSEQUENCES ON THE LABOR MARKET

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APPENDIX ON POPULATION POLICIES

## DEMOGRAPHIC TRENDS: CONSEQUENCES ON THE LABOR MARKET

### 1. PRESENTING THE ISSUES

It is in the Mediterranean Region that the differential population growth of the more and of the less developed nations typical of our century, presents the sharpest contrast. In no other area of the world, with the exception perhaps of the Rio Grande fronteer between the anglosaxon and the hispanic areas of America, differences in the speed of growth will produce effects on economy and society comparable to those that are taking place in the North, South and Eastern shores of the Mediterranean region. A few figures will be sufficient to give an idea of the magnitude of changes that are taking place under our eyes: according to sensible projections, between the years 1980 and 2020, more than 180 million people will accrue the populations of the Southeastern shores, against slightly more than 20 of the Northern Shore. In the first 50 years of our century, the Northern shore has added 40 millions people to its population, as against an increase of 35 millions in the rest of the Region. This profound modifications are altering the distribution of human settlement around the Mediterranean: at the beginning of our century, about three fourth of the total population of the area lived in the North; this proportion has gradually fallen to one half at the present time and will dwindle to about one third by the middle of the next century.

Changes of this magnitude are often seen as threatening some kind of equilibrium that has actually never existed. Catastrophic consequences are often feared, forgetting that societies have a tremendous ability to accommodate change. Indeed, at the times of Augustus, the populations of the Northern and of the Southeastern shores were of comparable magnitude, and at the times of Caracalla, in the third century, the Northern area probably had a lower population than the rest of the region, which was prosperous and produced and exported grains to the North. But leaving aside far away times, let me add that what is now happening is the consequence of inevitable developments, with their load of positive and negative effects. Stagnation in the North reflects the conclusion of a plurisecular growth cycle initiated at the time of the industrial revolution and that is now coming to an end, under the pressure of a limited environment and

through the action of genuine individual choice. Growth in the East and in the South is the consequence of the rapid fall of mortality and of the increase of the length of life, an indispensable cause and consequence of human progress, and of the slow decline of fertility, guided by cultural values that cannot be changed overnight.

In the following pages I shall first outline the demographic developments of the Mediterranean region with their implications for the active population and the labor force (Par.2); I shall next discuss some demographic, social, economic and geopolitical consequences of population change (Par.3). Problems concerning possible population policies will also be addressed (Par.4), with special reference to fertility, and its interrelations with development, policy and international cooperation. I will then discuss the implications of future population growth patterns on international migration in the area (Par. 5), with particular attention to the potential for absorption in the North and for possible policy strategies.

## 2 - POPULATION GROWTH IN THE REGION

According to recent projections of the United Nations, the population of the Mediterranean region will grow from 345 million people in 1980 to 550 in the year 2020. This section is devoted to a summary analysis of future development of the population, the population of working age, and of the economically active aggregate. Numbers, distributions, rates of growth will be briefly examined and commented. Alternative hypothesis of demographic growth are also presented in order to explore consequences and implications of different scenarios.

### 2.1 - A PLAUSIBLE PROJECTION TO THE YEAR 2020

Demographic inertia has already written part of the future development of the Mediterranean population; the size of the population of working age, from now to the beginning of the next century, can be easily derived from the birth cohorts born up to now; the number of births of the next two decades will be also largely dependent upon the number of people reaching reproductive age, survivors of people already born. The attrition of mortality can be estimated with a good degree of confidence, given the gradual decline and the low levels already reached in large part of the area. The United Nations forecasts can be received with a good degree of confidence up to the beginning of the next century, particularly for the population in working age; forecasts for the year 2010 and 2020 have an increasing degree of incertitude,

although they constitute sensible guidelines for the arguments we are going to develop. The medium variant of the United Nations projections may be used in order to look into the next decades. Basic assumptions (tailored individually to each individual country) are, for the Southern and Eastern shores, those of a reasonable further decline in mortality (expectation of life will reach, by 2025, levels close to the one prevailing nowadays in Southern Europe) and of the continuation of the fertility decline; with final levels, in 2025, not too higher than the replacement levels. For the countries of the Northern shore, fertility is supposed to recover slightly and to attain replacement level at the end of the period, while mortality will have a further slight reduction. A few main indicators of fertility, mortality and growth, according to the UN estimates for 1980-85, are reported in Table 2; among the other facts, the reader will note that fertility as measured by the Total Fertility Rate (a «period» measure of the number of births per woman) is below replacement in the Northern shore (replacement level, i.e. the level that in the long run would insure a stationary population is now between 2 and 2,1), while is almost triple in the South and more than double in the East. Expectation of life at birth,  $e(0)$ , is 74 years in the North, 59 in the South and 63 in the East. In Table 8, the decline of fertility during the last 20 years can be observed, together with the increase of the expectation of life, for individual areas and for the three Shores.

Table 1 reports the results of the UN Medium Variant projections; as said before, they are based on plausible hypothesis, although we might think that they overestimate growth in the North (where fertility has kept up to the current year below the levels assumed by the UN) and probably underestimate growth in the South and in the East.

Between 1980 and the year 2000, the rate of growth of the Southeastern shores will be almost 2 percentage points higher than the rate of growth of the North (2.3 percent a year as against 0.4); between the years 2000 and 2020 the gap will be reduced to 1.4 percentage points because of the strong reduction in the rate of growth of the South and of the East (1.6 percent) against a rate of growth approaching stationarity in the North (0.2 percent). Between 1980 and the year 2000, the Northern shore will add 0.8 million people every year to its population, against 4.5 millions in the South and in the East. Between the years 2000 and 2020, the two areas of the region will gain respectively, every year, 0.35 and 4.6 millions.

In the year 2020, Turkey and Egypt will be the most populous countries of the region, exchanging places with Italy and France, the most populous in 1980. The share of the total population of the two latter countries will dwindle from 30 percent in 1980 to 21 percent in 2020. Spain will keep the fifth place in the ranking, while Yugoslavia, now sixth, in the year 2020 will be only ninth, being surpassed by Algeria, Morocco and Syria.

In Table 3, the medium variant hypothesis is "prolonged" to the year 2050; although the hypothesis is made that fertility in the less developed areas of the Region will attain replacement by the third or fourth decade of next century, inertia will still push up the population numbers of the South and the East, while assuming that the North will remain stationary; the share of the Mediterranean population in the Northern shore, already fallen from two thirds to one half between 1950 and this date, will further decline to 39.5 in 2020 and 32.9 percent in the year 2050.

Let us stop our exercise in projections here; a silent demographic revolution is taking place, and its geopolitical consequences in the area are of a macroscopic nature.

## 2.2 - POPULATION OF WORKING AGE AND ECONOMICALLY ACTIVE POPULATION, 1950-1980 AND 1980-2020 -

As observed before, those who will enter the working age in the next 15 or 20 years, are already born, and there is little uncertainty as to their dimensions. Even if a revolutionary change in fertility took place next year, it would barely affect the stock of the population of working age before 2010. Let us therefore proceed with the results of the Medium Variant projection concerning the segment of the population from 15 to 64 years (Table 4). The differential growth between the North and the South and East is larger than for the total population; between the years 1980 and 2000 is only .5 percent a year in the former area, and 2.8 percent in the latter; between the years 2000 and 2020, growth will approach stationarity in the North (.1 percent), and still exceed 2 percent in the rest of the area (2.1 in the South and 2.2 in the East). Total growth in the North will be 14 million in the first and 3 million in the second period, as against 62 and 77 in the rest of the Region.

Not all those who are of working age are economically active, and contrasting forces are at play in populations with different degrees of development. In the North, the propensity of women to enter the labor force is increasing, and a growing share of the female populations is therefore economically active. On the other hand, the

age structure of the working-age population is rapidly ageing, and overall participation rates may dwindle in the future decades. In the less developed societies of the East and the South, a declining importance of the agricultural sector and an acceleration in the process of urbanization may depress the activity rates; however, the increase of female participation rates (now extremely low) may more than compensate this trend.

Projections of the UN/ILO of the economically active population are reported in Table 5; they include 5 countries of the North and 5 of the South-East, corresponding respectively to 93 and 86 percent of the total population of each of the two areas as we have defined it. According to these projections, the North may gain 9 millions units in the economically active population between 1980 and the year 2000, and then lose another 1.5 millions in the ensuing 20 years. In the Southeast, 28 million units will be added in the 1980-2000 period, and another 36 million in the following 20 years. Rates of increase of the aggregate are almost identical to those of the population of working age: .6 and -.1 percent in the North and 2.6 and 2.1 in the Southeast.

### 2.3 - LABOR FORCE GROWTH

Another way to look at the problems induced by differential demographic growth in the Mediterranean has been followed in a recent study presented at the 1987 Tunis Conference on Labor Market Policies. The problem can be posed in the following way: taking as a target that the countries of the area maintain a constant employment rate up to the year 2000 (in other words, a constant ratio between the number employed and the population of working age), what would be the rate of growth of GNP compatible with that target? The answer to this question requires the knowledge of the level of elasticity labor force/GNP; in other words, we need to know what would be the fractional increase of the labor force for a 1 percent increase of GNP. The values of elasticity tend to be different according to the level of development of the country; indeed, in the case of less developed economies, where the agricultural labor force is high and the level of underemployment conspicuous, elasticity tends to be lower than in more developed economies. This said, and with the help of raw estimates based on the experience of the two decades 1960-70 and 1970-80, an elasticity coefficient of .3 has been chosen as a guideline (this means that a 1 percent GNP growth would result into a .3 percent growth of the labor force).

The result of the exercise tell us that between the '80s and the year 2000, maintaining constant the ratio labor force/population of active age, would require a GNP yearly growth of 1.7 percent in the five major countries of the North and one of 9.3 percent in the 5 major countries of the South-East (a minimum of 8 percent for Turkey and a maximum of 12 percent for Algeria). An annual GNP growth of 1.7 percent seems quite plausible for the countries of the North, but one of 9.3 percent seems excessively high for those of the South, which experienced growth between 4 and 5 percent in the 60's and an acceleration to between 6 and 7 percent in the 70's, when some of the economies were boosted by the oil sector. This means that, under the hypothesis of this scenary, the economies of the South will not be able to keep the current relative levels of occupation: unemployment and/or underemployment will grow, emigration must occur etc.

Different hypothesis will obviously lead to different results, but the message is clear. The economies of the Southeastern shore need to boost their economies in the coming decades in order to accommodate the growth of the working age population that, in the '80s and 90s, is reaching the highest level.

#### 2.4 - ALTERNATIVE SCENARIOS OF POPULATION DEVELOPMENT IN THE MEDITERRANEAN

In the preceding sections the Medium Variant of the UN population projections have been the base of the discussion. But we might like to see which would be the consequences, particularly on population growth and distribution, of completely different, but not impossible, scenarios. The results may constitute a further element of appreciation of long-term developments in the region.

Three scenarios have been selected; each of them has the same assumptions concerning the continuation of the gradual decline of mortality; differences concern the hypothesis on fertility. The first scenario, of the «Maximum Differentiation», implies that the countries of the three areas will continue to experience fertility levels close to those prevailing in 1980-85. The assumption could be realistic for the North, much less so for the South and the East, where an irreversible process of decline has probably already started. The second scenario, of the «Minimum Differentiation», implies that in the countries of the North where fertility is now below replacement (France, Italy, Spain) there will be a gradual recovery to replacement levels by the year 2020. In the countries of the South and the East, on the other hand, there will be an accelerated decline and

convergence to the levels of the North by 2020. The third scenario, or «Policy Oriented», implies a recovery of fertility to replacement level in the North as it is in the wishes, if not in the expectations, of much of public opinion. In the South and in the East, fertility will follow a course which is coherent with public official statements. Two countries - Jordan and Lybia - affirm that current population growth is satisfactory. Another country - Syria - recognizes that current growth may have negative effects, but has no policy directed to decrease fertility. A fourth country - Algeria - had a similar position until recently and has now changed its policy and sustains family planning. For these four countries (indeed Algeria should fall in a different category, but hypothesis were formulated before the change in policy had been known) the assumption is that no change will take place in fertility until the year 2000, and that decline will slowly initiate thereafter. The two major countries of the area, Egypt and Turkey, have strong policy favouring family planning and the reduction of fertility, as so have Morocco and Tunisia. For these a strong reduction of fertility leading to replacement levels in 2020 have been hypothesised.

The results of the three scenarios are shown in Table 6. With the scenario of the «Maximum Differentiation», the population of the region would grow to 712 million in 2020 (as against 550 million for the Medium Variant), and the share of the population of the North would fall to 28.8 percent (39.4 with the M.V.). With constant fertility, the South and the East would accelerate their growth because of declining mortality and younger age structure. It is obviously an "impossible" scenario, useful only for showing what would happen if the enormous potential of growth of the South-East remained unchecked. With the «Minimal Differentiation» hypothesis, that would imply an accelerated effort of the Southeastern countries in curbing fertility, total population would grow to 540 million in 2020, the share of the North shore would fall to 42.8 percent, more than three point above the M.V. But even in this rather favourable scenario, growth differentials remain extremely high; the Southeastern shores would add 82 million inhabitants between 1980 and 2000 and another 75 between the years 2000 and 2020, as against 23 and 15 for the North. With the «Policy Oriented» hypothesis and a total population of 625 million by 2020, the share of the North falls to 37 percent, differentials of growth are substantially larger than with the preceding scenario. Current policies, if punctually translated into actual behavior, would result into trends more unfavourable than those -already full of problems- implied by the reasonable Medium Variant.



The teaching of this further exercise are evident, and can be summarised as follows. (1) The potential of the current demographic situation is tremendous if fertility behaviors remained unchanged around the present levels. Fortunately, autonomous change is taking place and Governments seem inclined to support this change to lower fertility, although with many important exceptions. (2) Even under the most favourable hypothesis (the one of the «Minimum Differentiation») the differential growth of the two areas would be enormous; every 1 new inhabitants added to the North between 1980 and 2020 there will be more than 4 in the East and the South. (3) Current policies must be reinforced.

### 3 - SOCIETAL IMPLICATIONS OF POPULATION GROWTH

Adding some 200 million people in 40 years to the population of the Mediterranean region is, in itself, a tremendous revolution. But the consequences do not reside only in the sheer numbers, but also in the structural aspects of the change. The age composition of the population is bound to change, influencing development; residential changes will be equally important, since the large urban agglomerations will mainly grow in the South-East rather than in the North. Mobility between the shores will increase and intermarriage will develop. The changing demographic distribution will have geopolitical implications while the growing demographic and economic dimensions of the less developed areas will stimulate North-South human, commercial and financial interchange. The next decades of differential growth will not leave the Mediterranean unchanged. Some ideas and hypothesis are briefly explored in this section.

#### 3.1 - THE AGE STRUCTURE

Let us go back to the plausible UN Medium Variant projection, and briefly examine some structural aspects of the Mediterranean region during the coming decades (Table 7). In the North, population is ageing rapidly; the proportion above age 65 will grow from 12 percent in 1980 to 18 percent in the year 2020; the mean age of the population will also increase from about 35 to about 41 years. This trend is feared in all developed economies, meaning increasing transfers for social security, medical care and pensions and a growing load for government budgets. However, developed societies have the time to adapt, and the ageing process is more chronological than biological, since the extended life span means also better health in old age. Dependency ratios -or the

number of the individuals not in the working age per 100 in the working age (ratio of young people below 15 -or, alternatively, below age 25- and over age 65 per 100 people between 15 and 64 - or between 25 and 64) are stationary or slightly decreasing. Turnover rates of the population of working age - the number of young people potentially entering the labor force aged 15 to 19 per 100 people potentially leaving it aged 60 to 64 - which is now extremely unfavourable will gradually decline: from 228 in 1980 to 100 in the year 2020. In the populations of the South and of the East, the continuation of the declining fertility will raise the mean age from about 24 in 1980 to about 30 by 2020, but the proportion of the olds over 65 will only increase fractionally. This trend would have a very beneficial effects on dependency ratios, in rapid decline, as declining will be the turnover ratio.

Age structure has complex effects on economy and society. In general, in rapidly growing populations, the decline of fertility brings beneficial effects, lowering dependency ratios, decreasing the population in school age and permitting savings or better allocation of funds for education and increasing the quality of those who enter the labor force. The trends postulated by the UN could therefore have beneficial effects in the South-East while, perhaps, the negative effects of ageing in the North are overestimated.

### 3.2 - THE GROWTH OF URBANIZATION -

Another aspect of far reaching consequences is the growth of urbanization in the Region. I shall limit my discussion to the macroscopic aspects of urbanization - the growth of large cities and conurbations - since the concepts of «rural» and «urban» are extremely difficult to define. The United Nations have attempted a projection of the population of cities by the year 2000; but let us limit to see the process of growth of large cities, by «large» meaning those cities that in 1980 had 500,000 inhabitants or more. In the Region there were 38 million people living in these cities in 1950, but the vast majority, or 29 million (76 percent), belonged to the North and 9 (24 percent) to the South and to the East. By 1980, 55 million inhabitants in the North lived in these cities (68 percent) against 34 million in the rest of the area (32 percent). By the year 2000, according to the projection, the residents of the large cities will further grow, although with a declining speed, in the North, to 68 million (53 percent), and they will jump to 60 million (47 percent) in the South and the East.

These are not only arid statistics of a well known process, but are indicators of another revolution in human settlement. The process of urban concentration and growth was typically a phenomenon of the Northern shore until mid-twentieth century, the large metropolis was typically European, with a few important exceptions like Istanbul or Cairo. This process is coming to an end in the North, where large cities are growing more slowly and, in some cases, are even losing population, but is now exploding in the rest of the region. The growth of a large urban population in the less developed part of the region may have important consequences; it will increase the opportunities for exchange, stimulate mobility, multiply contacts of all kinds with the northern shore. Large cities are the origin, the stimulus, the focus of human exchange. Their growth will contribute to increase and close the ties between the shores of the region.

The trend above described is even more evident if the analysis is restricted to those large cities on the sea shores (with some exceptions in order to include Rome and Cairo, close to the sea but «technically» not coastal-cities), that are more likely to be the terminal of the networks linking the North and the South. The differential process of growth is even more evident; large sea-towns' population increased in the North from 11 million in 1950 to 20 in 1980 and is expected to further increase to 25 by the year 2000, but the proportion on the total sea-towns population of the region declines from 63 percent in 1950 to 46 percent in 1980 and 35 percent in the year 2000. In the South and the East, the growth of this aggregate is very fast, from 7 to 24 and 45 millions at the three dates considered (or 37, 54 and 65 percent of the total).

### 3.3 - GEOPOLITICAL CHANGES

Differential demographic growth will not be neutral in the complex domain of international relations. It is evident that population size is only a minor factor determining the relations between countries or group of countries, others being much more important (economic, financial, military, cultural, religious power, among others). Still, it would be a great error to assume that the role of population is neutral. In the long run, population size is inevitably linked to the size of the economy, to the intensity of trade, to the network of human, social, cultural, economic contacts.

Here below are some data that may be something more than a curious outcome of the statistics at our disposal. Let us take a few cases of countries that, for different

reasons, have been, or are, in close contact (geographical, political etc.). The ratio of the population of France to the population of the three Maghreb countries was 3.5 at the beginning of this century; it has declined to 1.2 in 1980, and will further decline to .4 by the year 2020. The ratio of Turkey's to Greece's population was around 2 at the beginning of this century, around 5 today and will grow to 9 by 2020; that between Libya and Malta changes, at the three dates considered, from 2 to 9 and to 25. The ratio between the Yugoslavian and the Albanian population will decrease from 8 today to 5 in 2020. The exercise could continue, and analyse the consequences of differential growth within populations, between Albanians and Serbocroatians in Yugoslavia, Greeks and Turks in Cyprus, Christians and Muslims in Lebanon, Jewish and Muslims in Israel.

Population size is certainly a minor factor in international relations; but when this minor factor changes so rapidly, than its role cannot be dismissed.

#### 3.4 - MIXING AND INTERCHANGE

Before closing this section, mention must be made of the possible consequences of increased mobility and circulation in the Mediterranean area. The subject of migration will be specifically dealt with in section 5, but I will assume that differential rates of growth of the working age population and the unskilled labor demand in the more developed economies will stimulate in the long run the presence of foreign labor in the Northern shore. Here it is question of trends and not of the size of migration.

Foreign born population approaches 6 or 7 percent of the national population in some countries of Europe, and an increasing proportion is originating in countries of the Southeastern shores. In the long run, the presence of a conspicuous foreign community will stimulate some degree of etherogamy and mixed marriages, and births issued from mixed marriages will increase. But even in the absence of mixed marriages, children born to foreign stock couples who often acquire permanent residence or citizienship in the hosting country, will readily assimilate and start a process of etherogamy. Mixed marriages will, in turn, be a powerful vehicle of assimilation and permanent contacts between countries.

Births issued from foreign or mixed marriages are relatively important in many countries of Europe; estimates for 1982 give a proportion over total births of 11.8 percent in the Federal Republic of Germany (down

form 16 percent of 1975), of 15.4 in Belgium, 12.3 in France, 7.7 in the Netherlands, 6.4 in Sweden and 16.6 percent in Switzerland. Data for Italy and Spain are not available.

This phenomenon must be followed with care. The growth of foreign communities in the countries of the Northern shore, the growth of second and third generation communities, the intensity of intermarriage, the links established with the countries of origin are too often seen as a liability for the hosting country (very often programs of «stabilization» or «reduction» of the foreign communities are invoked with more attention to size than to quality) while they may prove the strongest asset for promoting international cooperation in the area.

#### 4 - SLOWING POPULATION GROWTH

The tremendous potential for growth of the populations of the Southeastern shores has been shown in section 2; fortunately in many countries there are signs of fertility decline, seconded by Governments' population policies. At the UN 1984 Population Conference in Mexico, it was clear that the great majority of LDCs are now seeing with great worry the current levels of population growth and are enacting policies to reduce it. The countries of the Northern shore, on the other hand, are reducing their speed of growth and, in some instances, like Italy and, to a lesser degree France, may soon face population decline; this may result into policies tending to raise fertility and to stabilise population.

##### 4.1 - CURRENT POPULATION POLICIES IN THE SOUTH AND IN THE EAST

Many countries of the Southern and Eastern shores are adopting population policies tending to reduce fertility, disseminate family planning, improve maternal and child health etc. The evaluation of the effectiveness of these policies is an extremely difficult task. Some countries, however, keep a rather neutral attitude, the official position being that efforts are being made in order «to resolve the remaining problems of underdevelopment, including those associated with population, mainly by means of vigorous economic development» or comparable expressions. This in general means that no effort is being made to diffuse family planning and contraception. The official position of the various countries is reported, in abstract, in the Appendix A. Lybia, Syria,

Jordan and maybe Algeria (although some changes in policy have recently taken place) seem to fall in this category. Other countries, like Israel, perceive their rate of growth as unsatisfactory because too low; and although providing good family planning services, encourage large families and immigration. Among the largest countries, Egypt has a rather vigorous policy leading to an «intensification of the country's family planning programme, with the goal of covering 60 percent of the women of reproductive age by the year 2000». Similar policies are being followed by Turkey, Morocco and Tunisia.

#### 4.2 - LEVELS OF FERTILITY AND DIFFUSION OF FAMILY PLANNING

High fertility is closely related to the absence of contraception, whose «prevalence», or incidence, in less developed countries, is still rather low. It is estimated that, excluding China, prevalence (or the proportion of women in reproductive age practicing contraception) is around 24 percent, as against 68 percent of developed countries. This level of prevalence corresponds, on average, to birth rates close to 40 per thousand. Estimates of contraception prevalence need ad hoc surveys that are costly, and therefore information is not up to date as it would be desirable. Contraceptive prevalence was 7 percent in Algeria (1977), 20 in Syria (1980), 25 in Egypt (1980), 26 in Jordan (1983), 27 in Morocco (1983-84), 31 in Tunisia (1982), 44 percent in Turkey (1978). Covering 70 percent of the target population, a necessary achievement if fertility has to be brought under control, will need time and resources, and unrelenting efforts of the public and of the private sector.

As I have pointed out before, some changes are, however, taking place. Table 8 reports the levels of the Total Fertility Rates in 1960-65 and 1980-85 according to UN estimates. Countries like Algeria, Lybia, Jordan and Syria (accounting for 22 percent of the whole area) have had no or very little change over the 20 years span. In Egypt, Morocco, Tunisia and Turkey declines range between one fourth and one third of the 1960-65 levels. This decline is to be attributed both to the diffusion of contraceptive practice and to an increase of the age at marriage.

A series of detailed indicators of fertility behavior can be found in Table 9 and are drawn from national fertility surveys carried out between 1976 and 1980 in 6 countries of the area as part of the World Fertility Survey. Some

major indications can be drawn. First, age at first marriage is still low, with the exception of Tunisia. Second, fertility had undergone a notable decline (this can be desumed comparing the period TFR of all women in reproductive age with the number of children ever born to older women 45 to 49) in Turkey, Egypt and Morocco. Third, child mortality (0-4 years) close or well above 100 per thousand is still unacceptably high. Fourth, fertility preferences indicate that the desire for large family size is still widespread; only in Turkey a mean number of children of 3 is indicated, while in Jordan and Syria is still 6. Fifth, as we have already seen, the proportion using contraception is low but there is a large proportion of women that would be willing to use it if they had the possibility of doing so; unmet need for contraception is large.

#### 4.3 - THE NEED FOR IMMEDIATE ACTION

Lowering the birth rate today will start affecting the inflow into the active population of working age 15 or 20 years later. It looks, therefore, as if any action taken now is going to have delayed effects. This is only partially true. Smaller birth cohorts mean also a decreasing inflow into the educational system 6 years later, and -for comparable inputs- proportional savings of the public sector or, alternatively, better education for those who are in the system. Improved education means, in the long run, a more efficient labor force. A decrease in fertility means also less children per woman (net of the effects of reduced infant and child mortality); more chances for her education; increased propensity to enter the labor market. This is an essential component of development, particularly in the Mediterranean area where female participation rates are very small. Less children per family may also mean a higher rate of private savings and a higher rate of investment. Therefore, a decline of fertility now has a series of beneficial effects that are less distant in time than those linked to a reduced inflow into the working age.

There is therefore need for action directed to check fertility. In some countries, where desired family size is relatively low and unmet contraceptive needs still high, the chances for success of these policies may obviously be much higher and come earlier than in countries where family norms are closer to tradition. But in both cases, ad hoc policies may accelerate the process of transition to lower fertility.

Population policy is politically a very sensitive area, and for good and sound reasons. However, wherever this is acceptable, aid and cooperation (both financial and technical) in the area of health and family planning, from the more prosperous countries of the North should be granted and no effort spared. There is the widespread impression that in some of the rich countries of the North cooperation in this area is considered politically taboo. This was so in the '60s and in the '70s, but attitudes in this area is rapidly changing, and the action of potential donors should adapt promptly.

## 5 - MIGRATION AND THE LABOR MARKET

Differential growth of the working age population in the Mediterranean area is so high and concerns such a large number of people that it is unthinkable that problems of unemployment or underemployment of the East and the South might be solved through migration. However, it is inevitable that migratory pressure will increase; prosperous countries of the North are reacting by enacting restrictive regulations and policies concerning migration. However, restrictions in the long run maybe detrimental to receiving and sending countries altogether: the former because migration would attenuate problems of a shrinking labor force, ageing population, decreased internal mobility; the latter because they would lose valuable remittances and opportunities for establishing deeper links with the more developed areas.

### 5.1 - HOW MANY MIGRANTS IN EUROPE ?

A simple exercise in arithmetics will help us in understanding the dimensions of possible future migration in the Mediterranean area. Let us suppose that further development will take place in Europe at a good pace in the next decades; that no restrictive regulations are adopted within certain acceptable dimensions of immigration; let us also advance an hypothesis as to the maximum level of immigration that might be tolerable or acceptable; let us suppose that by the year 2010 this maximum level is reached after a gradual process. Let us now estimate the net inflow of migrants and compare it with the probable growth of the economically active population.

The parameters of the exercise can be thought of as follows. Latest estimates of the foreign population in the European countries are presented in Table 10. If we exclude Switzerland and Luxembourg, that are extreme



cases -the second for its small population- the incidence of the foreign population on the total population in no case reaches 10 percent; it is 9 percent in Belgium, 7 percent in Germany and France, 5 percent in Sweden. Similar figures are obtained for the proportion of the foreign labor force over the total labor force of each country. Even allowing for an underestimate of foreign presence because of undocumented immigrants, we may confidently advance the hypothesis that 10 percent represents the acceptable maximum share of foreigners in a given country's labor force.

In 2010, the countries of the Northern shore will have a labor force of approximately 80 million; assuming that the maximum tolerable level is reached in 2010, the number of foreign workers would be 8 million. Let us add another 50 million in the labor force of the rest of western continental Europe, and add another 5 million foreign workers, and we will reach the 13 million figure. Foreign workers in the countries of the Northern shore are below 3 million (1.7 in France, .6 in Italy, .4 in Spain; but some of these are Yugoslavians, Portugueses, Greeks proceeding from the same region); let us assume that they will be 3 million in 1990. In the rest of continental western Europe there are about 4 million foreign workers, and let us assume that their number will remain unchanged in the year 1990. If from a ceiling of 13 million in 2010 we deduct 8 million in 1990, the potential maximum net growth of the foreign workers between 1990 and 2010 is 5 million, or a net inflow of .250 million per year. We may compare this figure with the net addition of 2.2 million per year to the economically active population estimated by the UN/ILO for the countries of the Southeastern shore during the same period. Let us also suppose that Egypt, Syria, Lebanon and Jordan, whose migration now gravitate mainly around the Gulf states, do not generate any migration to Europe; the net annual growth of the economically active population of the remaining states of the area would then be around 1.4 million of which only 18 percent (.250 million) would find employment in Europe.

The exercise, of course, relies on assumptions that «maximise» immigration, because: (1) it is supposed that immigration to Europe will proceed exclusively from the Mediterranean; actually, immigration from Sub-saharan Africa and Asia as well as from other areas of Europe (Portugal, Yugoslavia) is not negligible. (2) It is assumed that all areas of Europe will accept a 10 percent quota of foreign workers, including areas like Yugoslavia and Portugal that are still «exporting» manpower. (3) It is assumed that the current restrictive trend in migratory policies is relaxed. (4) Last, but most

certainly not least, it is assumed that labor demand in the more developed area will grow.

## 5.2 - ARE MIGRATION POLICIES CONSISTENT WITH THE INTERESTS OF THE COUNTRIES OF THE NORTHERN SHORE ?

In recent times, the major countries of the Northern shore have oriented their migratory policies in a restrictive sense, following the example of Switzerland in the '60s and Germany in the '70s. Sound motives are certainly at the base of the changes in policy in Spain in 1985, in France and Italy in 1986; the main being the slowdown of the economies, security, the tightening of the labor market. These factors are likely to persist, and changes do not seem probable in the short term. In France, that has by far the largest foreign community, numbering some 4 million people, changes are most unlikely. Spain and Italy, where immigration is relatively recent, are more likely recipients for future immigration, and this for various reasons. The first is that the high international mobility and the inflow of tourists by the million makes it impossible to control the borders or to enforce other restrictions. This applies to other European countries, but at a much higher degree to Spain and Italy. The second factor is the size of the informal or underground economy, and the high elasticity of unskilled labor demand in relation to the growth of the economy. Although precise data are not available, Spanish sources concur in admitting to a rapid increase of immigration in the last years, both from Portugal and from other origins, mainly in Africa. In Italy, ISTAT has estimated that "full time" foreign labor units have increased from 274,000 in 1980 to 443,000 in 1983 and 604,000 in 1986. The third factor, at least for Italy, is the decreased internal mobility that, initiated during the difficult '70s, does not show signs of recovery. A reason for the lower mobility (linked to many other factors) may be found in the rapid increase of the level of education of the young, and their decreasing propensity to change residence when entering the labor market. The spatial narrowing of the market is a negative development that immigration can partially cure. A fourth factor, linked to the preceding, is the increasing segmentation of the labor market, and the widening of labor demand not satisfied by national workers. This fact justifies, among other things, the increasing presence of foreign labor in spite of a growing unemployment.

Restrictive migratory policies, that tend to admit workers only when provided of working permits or if they can demonstrate that they have the means to support themselves, may have, in these countries, the effect of

limiting «official» migration, and of worsening the conditions of undocumented, clandestine, marginal immigrants.

Some other considerations must be made with an eye to the future decades. In Italy, for instance, if current trends persist, the population of working age may start declining by the end of the century. Although the elasticity of female labor demand is very high, it is likely that it will be oriented to sectors not in direct competition with foreign labor. On the other hand, ageing and the related burden for the public sector, may be attenuated in its consequences by the presence of foreign labor.

### 5.3 - MIGRATION FROM THE SOUTH-EAST: NOT A PROBLEM SOLVING PANACEA, BUT A VITAL OUTLET.

We have seen that migration to Europe, even under the most favourable conditions, would barely account for one sixth-to one fifth of the projected growth of the economically active population, between 1990 and 2010. For Egypt and the countries of the Eastern shore (Turkey excepted) oil-exporting countries in the Gulf are the main destination. The current oil-crisis may attenuate or even reverse current flows, and add further pressure on European destinations. Estimates of Egyptian workers in oil-exporting countries are of the order of 1 or 2 million, most likely above 10 percent of the national labor force. Lebanon has perhaps the equivalent of one third of its labor force abroad, and 10 percent Syria.

Emigration represents, nowadays, a conspicuous resource for the populations of the Southeastern shores. Table 11 reports the data on workers' remittances for 7 countries of the area; from about 600 million dollars in 1970, remittances have grown 15 times to almost 9000 million in 1984. They compare with a deficit of the current account balance of 6000 million dollars. The ratio of remittances to GNP amounts to a startling 23 percent for Jordan, 12 percent for Egypt, 6 percent for Morocco, 4 percent for Tunisia, 3 percent for Turkey, 2 percent for Syria, less than 1 percent for Algeria. There may be a debate on the medium and longterm effects of remittances, whether or not they go into productive investment, whether they contribute to stimulate new activities or boost consumption and tend to create a small unproductive middle class. All this is debatable and probably reality is highly variable according to times and places. But from a macroeconomic point of view the contribution of remittances is conspicuous. In Egypt they exceed the net revenue from oil and cotton exports. Income differences

between the North and the South are so large, that the share of the revenue of an immigrant may support a large family at home.

The development equation has no simple solution. Emigration is not problem-solving by itself but, in the long run, may combine its positive effects with the results of other actions. The positive effects are economic, social and political. Of the economic we have said. Social advantages will derive from the experiences gained in more advanced contexts. The degree of the advantage gained depends very much on the policies adopted by the receiving countries; nonetheless exposure to different cultures, acquisition of skills, increased mobility may constitute an asset in the long run, albeit a painfully acquired one. Political advantages reside in the links that in different ways are established between the receiving and the sending community. Economic advantages operate both in the short and in the long run, the social and the political mostly in the long run. But it is the long run, in this context, that matters.

Migration, therefore, is not a panacea for less developed countries of the Region, but may constitute a vital outlet. Designing flexible and realistic migration policies well integrated in plans for economic cooperation could be a worthwhile challenge for the Governments of the three shores.

Florence, June 10, 1987 .

TABLE 1 - POPULATION OF THE MEDITERRANEAN REGION OBSERVED, 1950-1980, AND PROJECTED, 1980-2020, ACCORDING TO THE U.N. MEDIUM VARIANT

RIVA NORD	1950	1980	2000	2020	ANNUAL RATE OF INCREASE		
					1950/80	980/2000	2000/20
ALBANIA	1230	2731	4102	5441	2,7	2,0	1,4
GREECE	7566	9643	10437	10743	0,8	0,4	0,1
ITALY	46769	57070	58642	57503	0,7	0,1	-0,1
MALTA	312	369	418	454	0,6	0,6	0,4
POTUGAL	6405	9884	11211	12170	1,4	0,6	0,4
SPAIN	27868	37430	42237	45385	1,0	0,6	0,4
YUGOSLAVI	16346	22299	25206	26541	1,0	0,6	0,3
FRANCE	41736	53714	57162	58347	0,8	0,3	0,1
N. SHORE	148232	193140	209415	216584	0,9	0,4	0,2
ALGERIA	8753	18666	33444	47170	2,5	2,9	1,7
EGYPT	20330	41520	63941	85759	2,4	2,2	1,5
LYBIA	1029	2973	6082	10071	3,5	3,6	2,5
MOROCCO	8953	19382	29512	38053	2,6	2,1	1,3
TUNISIA	3530	6392	9429	12215	2,0	1,9	1,3
S. SHORE	42595	88933	142408	193268	2,5	2,4	1,5
CYPRUS	494	629	762	881	0,8	1,0	0,7
JORDAN	1237	2923	6437	12088	2,9	3,9	3,2
LEBANON	1443	2669	3617	4895	2,0	1,5	1,5
SYRIA	3495	8800	17809	28984	3,1	3,5	2,4
ISRAEL	1258	3878	5302	6584	3,8	1,6	1,1
TURKEY	20809	44468	65351	86741	2,5	1,9	1,4
E. SHORE	28736	63367	99278	140173	2,6	2,2	1,7
N. SHORE	148232	193140	209415	216584	0,9	0,4	0,2
S. SHORE	42595	88933	142408	193268	2,5	2,4	1,5
E. SHORE	28736	63367	99278	140173	2,6	2,2	1,7
MEDITERR	219563	345440	451101	550025	1,5	1,3	1,0
PERCENT DISTRIBUTION							
N. SHORE	67,5	55,9	46,4	39,4			
S. SHORE	19,4	25,7	31,6	35,1			
E. SHORE	13,1	18,3	22,0	25,5			
MEDITERR	100	100	100	100			

SOURCE - UNITED NATIONS

TABLE 2 - SELECTED DEMOGRAPHIC INDICATORS, MEDITERRANEAN REGION, ACCORDING  
TO U.N ESTIMATES, 1980-85

AREA	POPULAT.	CBR	CDR	NI	TFR	NRR	IMR	E(0)
ALBANIA	2731	27,8	5,7	22	3,6	1,64	45	70,9
FRANCE	53714	14,5	11,2	3,4	1,92	0,93	9	74,5
GREECE	9643	14,9	10,1	4,8	2,15	1,01	16	74
ITALY	57070	11,2	10,4	0,8	1,6	0,76	13	74,5
MALTA	369	17,4	10,1	7,3	1,97	0,93	13	71,7
PORTUGAL	9884	17,1	9,7	7,4	2,17	1,02	20	71,7
SPAIN	37430	14,6	8,7	5,9	2,07	0,99	10	74,3
YUGOSLAV	22299	16,4	8,9	7,5	2,07	0,96	30	70,7
NORTH S.	193140	14,1	10,0	4,1	1,9	0,9	14,2	73,8
ALGERIA	18666	42,7	10,7	32	6,66	2,69	88	60,1
EGYPT	41520	36,6	11,6	25,1	4,82	1,91	100	58,1
LYBIA	2973	47,3	12,7	34,6	7,38	2,9	107	55,8
MOROCCO	19382	36,4	11,3	25,1	5,13	2,04	97	58,3
TUNISIA	6392	32,8	10	22,8	4,82	1,97	85	60,6
SOUTH S.	88933	37,9	11,3	26,7	5,4	2,1	96,0	58,7
CYPRUS	629	20,7	8,5	12,2	2,43	1,16	17	74
ISRAEL	3878	23,2	7,2	15,9	3,09	1,47	14	74,4
JORDAN	2923	44,7	7,9	36,8	7,38	3,22	54	63,7
LEBANON	2669	29,3	8,8	20,5	3,79	1,69	48	65
SYRIA	8800	46,5	8,7	37,8	7,17	3,09	59	62,6
TURKEY	44468	30,2	9,4	20,8	3,96	1,66	92	61,6
EAST S.	63367	32,6	9,1	23,5	4,5	1,9	78,3	62,9
NORTH S.	193140	14,1	10	4,1	1,9	0,9	14,2	73,8
SOUTH S.	88933	37,9	11,3	26,7	5,4	2,1	96	58,7
EAST S.	63367	32,6	9,1	23,5	4,5	1,9	78,3	62,9
MEDITERR	345440	23,6	10,2	13,5	3,3	1,4	47,0	67,9

SOURCE: UNITED NATIONS ESTIMATES

NOTES: CBR= Crude Birth Rate; CDR=Crude Death Rate; NI = Rate of natural increase; TFR = Total Fertility rate; NRR = Net reproductio Rate; IMR = Infant Mortality rate; E(0) = Expectation of Life at Birth

TABLE 3 - POPULATION OF THE MEDITERRANEAN OBSERVED, 1950-1980,  
AND PROJECTED, 1980-2050, ACCORDING TO THE U.N. MEDIUM VARIANT

AREA	UNITED NATIONS MEDIUM VARIANT				
	1950	1980	2000	2020	2050(A)
NORTH S.	148	193	209	217	220
SOUTH S.	43	89	142	193	292
EAST S.	29	63	99	140	156
MEDITERR	220	345	450	550	668
	PERCENT DISTRIBUTION				
NORTHS S.	67,3	55,9	46,4	39,5	32,9
SOUTH S.	19,5	25,8	31,6	35,1	43,7
EAST S.	13,2	18,3	22,0	25,5	23,4
MEDITERR	100,0	100,0	100,0	100,0	100,0
	ANNUAL RATE OF INCREASE (R*100)				
NORTH S.		0,9	0,4	0,2	0,0
SOUTH S.		2,4	2,3	1,5	1,4
EAST S.		2,6	2,3	1,7	0,4
MEDITERR		1,5	1,3	1,0	0,6

SOURCE: UNITED NATIONS AND WORLD BANK (FOR 2050)

TABLE 4 - MEDITERRANEAN POPULATION OF WORKING AGE, 15 TO 64 YEARS  
1950 TO 2020, ACCORDING TO THE U.N. MEDIUM VARIANT PROJECTION

AREA	1950	1980	2000	2020	ANNUAL RATE OF INCREASE %		
					1950/80	80/2000	2000/20
ALBANIA	665	1582	2574	3590	2,9	2,4	1,7
GREECE	4884	6176	6654	6882	0,8	0,4	0,2
ITALY	30598	36843	38704	37198	0,6	0,2	-0,2
MALTA	185	248	286	292	1,0	0,7	0,1
PORTUGAL	5341	6287	7327	8044	0,5	0,8	0,5
SPAIN	18285	23485	27425	30001	0,8	0,8	0,4
YUGOSLAV	10334	14770	16862	17102	1,2	0,7	0,1
FRANCE	27508	34247	37888	37500	0,7	0,5	-0,1
N. SHORE	97800	123638	137720	140609	0,8	0,5	0,1
ALGERIA	4857	9253	18683	32232	2,1	3,5	2,7
EGYPT	11660	23218	39378	57821	2,3	2,6	1,9
LYBIA	549	1519	3191	6160	3,4	3,7	3,3
MOROCCO	4722	10217	18577	26484	2,6	3,0	1,8
TUNISIA	1955	3431	5921	8507	1,9	2,7	1,8
S. SHORE	23743	47638	85750	131204	2,3	2,9	2,1
CYPRUS	294	411	511	562	1,1	1,1	0,5
JORDAN	612	1387	3102	7045	2,7	4,0	4,1
LEBANON	844	1455	2188	3285	1,8	2,0	2,0
SYRIA	1893	4338	9124	18383	2,8	3,7	3,5
ISRAEL	810	2268	3405	4288	3,4	2,0	1,2
TURKEY	12148	25228	40885	57514	2,4	2,4	1,7
E. SHORE	16601	35087	59215	91077	2,5	2,6	2,2
N. SHORE	97800	123638	137728	140609	0,8	0,5	0,1
S. SHORE	23743	47638	85750	131204	2,3	2,9	2,1
E. SHORE	16601	35087	59215	91077	2,5	2,6	2,2
MEDITERR	138144	206363	282693	362890	1,3	1,6	1,2
PERCENT DISTRIBUTION							
N. SHORE	70,8	59,9	48,7	38,7			
S. SHORE	17,2	23,1	30,3	36,2			
E. SHORE	12,0	17,0	20,9	25,1			
MEDITERR	100	100	100	100			
RATE OF INCREASE (R*100)							
N. SHORE	0,781444	0,539613	0,103511				
S. SHORE	2,321143	2,939026	2,126586				
E. SHORE	2,494559	2,616720	2,152652				
MEDITERR	1,337800	1,573623	1,248691				

SOURCE: UNITED NATIONS



TABLE 5 - ECONOMICALLY ACTIVE POPULATION FOR SELECTED MEDITERRANEAN COUNTRIES: ESTIMATED, 1950-1980, AND PROJECTED, 1980-2000, ACCORDING TO UN-ILO PROJECTIONS

AREA	1950	1980	2000	2020	ANNUAL RATE OF INCREASE		
					1950/80	980/2000	2000/202
FRANCIA	19248	23559	26486	25648	0,7	0,6	-0,2
GRECIA	3089	3668	3947	4089	0,6	0,4	0,2
ITALIA	20417	21936	23310	21078	0,2	0,3	-0,5
SPAGNA	10686	12895	15539	16711	0,6	0,9	0,4
YUGOSLAVI	7613	9958	11627	11905	0,9	0,8	0,1
NORTH S	61053	72016	80909	79431	0,6	0,6	-0,1
ALGERIA	2691	4051	8378	15712	1,4	3,6	3,1
EGYPT	6331	11298	19114	29454	1,9	2,6	2,2
MOROCCO	2666	5688	10503	15568	2,5	3,1	2,0
TUNISIA	1063	1908	3378	4894	1,9	2,9	1,9
TURKEY	11954	19090	28752	40406	1,6	2,0	1,7
SOUTHEAST	24705	42035	70125	106034	1,8	2,6	2,1
NORTH	61053	72016	80909	79431	0,6	0,6	-0,1
SOUTHEAST	24785	42035	70125	106034	1,8	2,6	2,1
TOTAL	85838	114051	151034	185465	0,9	1,4	1,0

SOURCE - UNITED NATIONS AND ILO

TABLE 6 - POPULATION PROJECTIONS OF THE MEDITERRANEAN ACCORDING TO THREE SCENARIOS: MAXIMAL DIFFERENTIATION, MINIMAL DIFFERENTIATION AND POLICY-ORIENTED

AREA	MAXIMAL DIFFERENTIATION			MINIMAL DIFFERENTIATION			POLICY ORIENTED		
	1980	2000	2020	1980	2000	2020	1980	2000	2020
NORTH S.	193	205	205	193	216	231	193	216	231
SOUTH S.	89	162	308	89	139	184	89	153	242
EAST S.	63	106	183	63	95	125	63	101	152
MEDITERR	345	481	712	345	450	540	345	470	625
PERCENT DISTRIBUTION									
NORTH S.	55,9	42,6	28,8	55,9	48,0	42,8	55,9	46,0	37,0
SOUTH S.	25,8	33,7	43,3	25,8	30,9	34,1	25,8	32,6	38,7
EAST S.	18,3	22,0	25,7	18,3	21,1	23,1	18,3	21,5	24,3
MEDITERR	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
ANNUAL RATE OF INCREASE (R*100) -									
NORTH S.		0,3	0,0		0,6	0,3		0,6	0,3
SOUTH S.		3,0	3,2		2,2	1,4		2,7	2,3
EAST S.		2,6	2,7		2,1	1,4		2,4	2,0
MEDITERR		1,7	2,0		1,3	0,9		1,5	1,4

TABLE 7 - INDICATORS OF THE AGE STRUCTURE OF THE MEDITERRANEAN POPULATION, 1980-2020, ACCORDING TO THE U.N. MEDIUM VARIANT

AREA	PERCENT OF TOTAL POPULATION			INDICATORS OF THE AGE STRUCTURE (%)			
	0-14	0-24	65 +	MEAN AGE	DPNDNCY RATIO 1	DPNDNCY RATIO 2	TURNOVER
NORTH							
1980	23,7	39,7	12,2	34,8	56	108	228
2000	19,7	32,7	15,4	38,2	54	93	120
2020	18	30,4	18	40,7	56	94	100
SOUTH							
1980	42,4	62,4	4	23,5	87	198	511
2000	33,8	54,6	4,5	26,4	62	144	486
2020	26,4	44,1	5,6	30,5	47	99	264
EAST							
1980	39,9	59,9	4,7	24,7	81	183	584
2000	36,1	53,9	5,2	26,5	70	144	380
2020	31,9	50	6,3	29	62	128	286

NOTE: Dependency ratio 1 is the ratio of the population 0 to 14 and 65 and over divided by the population 15 to 64. Dependency ratio 2 is the ratio of the population 0 to 24 and 65 and over divided by the population 25 to 64. turnover is the ratio of the population 15-19 to the population 60-64.

TABLE 8 - SELECTED DEMOGRAPHIC INDICATORS FOR THE MEDITERRANEAN REGION, 1960-65, 1980-85

AREA	POPULATION			TOTAL FERTILITY RATE			INFANT MORTALITY RATE			EXPECTATION OF LIFE AT		
	1960	1980	% CHANGE	1960/65	1980/85	% CHANGE	1960/65	1980/85	% CHANGE	1960/65	1980/85	% CHAN
ALBANIA	1611	2731	70	5,74	3,6	-37	99	45	-55	64,8	70,9	
FRANCE	45684	53714	18	2,85	1,92	-33	25	9	-64	71	74,5	
GREECE	8327	9643	16	2,18	2,15	-1	50	16	-68	69,5	74	
ITALY	50223	57070	14	2,55	1,6	-37	40	13	-68	69,9	74,5	
MALTA	329	369	12	3,11	1,97	-37	34	13	-62	68,8	71,7	
PORTUGAL	8826	9884	12	3,06	2,17	-29	76	20	-74	64,2	71,7	
SPAIN	30303	37430	24	2,87	2,07	-28	42	10	-76	70,2	74,3	
YUGOSLAV	18402	22299	21	2,7	2,07	-23	80	30	-63	64,6	70,7	
NORTH S.	163705,0	193140,0	18	2,8	1,9	-31	43,7	14,2	-68	69,3	73,8	
ALGERIA	10800	18666	73	7,38	6,66	-10	160	88	-45	48,3	60,1	
EGYPT	25922	41520	60	7,07	4,82	-32	175	100	-43	47,4	58,1	
LYBIA	1349	2973	120	7,17	7,38	3	150	107	-29	47,9	55,8	
MOROCCO	11626	19382	67	7,15	5,13	-28	155	97	-37	47,9	58,3	
TUNISIA	4221	6392	51	7,17	4,82	-33	155	85	-45	49,6	60,6	
SOUTH S.	53918,0	88933,0	65	7,2	5,4	-25	165,5	96,0	-42	47,9	58,7	
CYPRUS	573	629	10	3,42	2,43	-29	29	17	-41	69,2	74	
ISRAEL	2114	3878	83	3,85	3,09	-20	29	14	-52	69,4	74,4	
JORDAN	1695	2923	72	7,17	7,38	3	125	54	-57	48,2	63,7	
LEBANON	1857	2669	44	6,35	3,79	-40	62	48	-23	60,7	65	
SYRIA	4561	8800	93	7,46	7,17	-4	125	59	-53	51	62,6	
TURKEY	27509	44468	62	6,01	3,96	-34	176	92	-48	51,7	61,6	
EAST S.	38309,0	63367,0	65	6,1	4,5	-26	151,8	78,3	-48	53,1	62,9	
NORTH S.	163705	193140	18	2,75	1,9	-31	43,7	14,2	-68	69,3	73,8	
SOUTH S.	53918	88933	65	7,16	5,4	-25	165,5	96	-42	47,9	58,7	
EAST S.	38309	63367	65	6,09	4,5	-26	151,8	78,3	-48	53,1	62,9	
MEDITERR.	255932,0	345440,0	35	4,2	3,3	-21	85,5	47,0	-45	62,4	67,9	

SOURCE: ELABORATION ON U.N. ESTIMATES

TABLE 9 - SOME SOCIAL AND DEMOGRAPHIC CHARACTERISTICS OF FERTILITY IN SELECTED MEDITERRANEAN COUNTRIES; WORLD FERTILITY SURVEY RESULTS

COUNTRY	MEAN AGE & MARRIED		CRUDE BIRTH RATE	TOTAL FERTILITY RATE	CHILDREN EVER BORN	CHILD MORTALITY 0-4	DURATION FULL BREASTF.	FERTILITY PREFERENCES:		
	AT FIRST MARRIAGE	AT AGE 15-19						% WANTS NO MORE CHILDREN	MEAN DESIRED FAMI-LY SIZE	DESIRED FERTILITY
	(1)	(2)						(8)	(9)	(10)
EGYPT	21,3	22,5	43	5,3	6,8	191	7,4	53,7	4,1	3,1
MOROCCO	21,3	22,1	44	5,9	7,1	142	5,5	41,8	5	3,7
TUNISIA	23,9	5,2	35	5,9	6,2	107	6,2	48,9	4,2	3,6
JORDAN	21,6	19	45	7,5	8,6	80	--	41,8	6,3	5,1
SYRIA	22,1	22,7	45	7,5	7,7	86	5,5	36,5	6,1	5,6
TURKEY	20,4	22,4	31	4,5	6,3	166	--	59,3	3	2,4

METHOD	% AWARE ANY CONTR	% EVER USED CONTRCPTN	% USING EFFICIENT METHODS	% WILLING ANY TO USE CONTRACEP	% UNMET NEEDS FOR CONTR.	YEAR OF SURVEY	
	(11)	(12)	(13)	(14)	(15)	(16)	
	(11)	(12)	(13)	(14)	(15)	(16)	
EGYPT	90	40	23	24	43,1	17,9	1980
MOROCCO	84	29	16	19	23,7	10,8	1980
TUNISIA	95	45	25	32	27	12,5	1978
JORDAN	97	46	17	25	36,6	10,6	1976
SYRIA	78	33	15	20	20,4	10,5	1978
TURKEY	88	55	13	38	39	12,8	1978

NOTES: Indicators at time of survey or for the 5 years preceding survey.  
 Col.(5): Average number of children ever born to women aged 45-49 at survey  
 Col. (6): per thousand. Col. (7): months. Col.(8): % of currently married women who want no more children. Col. (9): Among currently married women.  
 Col. (10): Total fertility of women if preferences of married women come true.  
 Cols. (11)-(16): married women. Col.(16): Percent of currently married

women, non pregnant and fecund, who do not want more children and who report that they are not using any method of contraception.

Source: WORLD FERTILITY SURVEY, Major Findings and Implications, London, 1984.

Population and international migration flows in some European countries

Country	Population of foreign citizenship (1)			International migration (2)		
	around 1970	around 1975	latest available figure	Emigrants around 1984	Immigrants around 1984	Net migration around 1984
Table 3: absolute numbers						
Austria	211 896	291 448	271 947	..	..	..
Belgium	696 282	..	878 577	37 033	39 427	2 394
Denmark	..	..	116 949	25 053	29 035	3 982
France	2 664 060	3 442 415	3 680 100	..	51 425	..
Germany, F.R.	2 976 497	4 009 594	4 378 942	608 240	457 093	-151 147
Greece	26 075	..	82 692	..	..	..
Iceland	2 853	3 240	3 499	2 335	1 827	- 508
Italy	..	..	210 937	62 840	86 915	24 075
Luxembourg	62 504	..	95 789	..	..	..
Netherlands	252 299	350 465	558 710	58 854	66 907	8 053
Norway	76 109	68 244	97 403	15 927	19 688	3 761
Portugal	..	..	108 526	6 556	..	..
Spain	..	..	226 470	9 418	19 135	9 717
Sweden	411 280	409 894	388 641	22 041	33 134	11 093
Switzerland	1 080 076	1 032 610	960 691	83 845	99 217	15 372
Turkey	39 765	50 069	..	47 353	..	..
United Kingdom	..	..	1 614 000	163 900	201 100	37 200

	Percentage of foreign citizenship			Migration rate (per 1000 population)		
Austria	2.84	3.85	3.62	..	..	..
Belgium	7.22	..	8.92	3.76	4.00	0.24
Denmark	..	..	2.28	4.90	5.68	0.78
France	5.26	6.53	6.75	..	0.94	..
Germany, F.R.	4.90	6.61	7.20	9.94	7.47	-2.47
Greece	0.29	..	0.84	..	..	..
Iceland	1.40	1.49	1.44	9.61	7.52	-2.09
Italy	..	..	0.37	1.10	1.52	0.42
Luxembourg	18.44	..	26.34	..	..	..
Netherlands	1.93	2.54	3.85	4.08	4.64	0.56
Norway	1.96	1.70	2.35	3.85	4.76	0.91
Portugal	..	..	..	0.65	..	..
Spain	..	..	0.60	..	..	..
Sweden	5.11	5.00	4.65	2.64	3.97	1.33
Switzerland	17.23	16.12	15.07	13.15	15.57	2.42
Turkey	0.11	0.12	..	..	..	..
United Kingdom	..	..	2.88	2.92	3.59	0.67

(1) The data on population of foreign citizenship are referred: Austria to 12-5-1971 (population census), 12-5-1981 (population census) and to 1985 (estimate of average value); Belgium to 31-12-1970, and to 1-3-1981; Denmark to 1-1-1986; France to 1968, 1975 and to 1982 (population censuses); Germany, F. R. around 1970, around 1975 and 31-12-1985; Greece around 1974, around 1975 and 1983; source: Register of aliens; Iceland to 1-12-1970, 1-12-1975 and 1-12-1985; source: National Population Register; Italy to 25-10-1981 (population census); Luxembourg around 1970, around 1975 and 31-3-1981; Netherlands to 28-2-1971 (population census), 1-1-1976 and 1-1-1985; Norway around 1970 (population census; data on the country of birth), 31-3-1976 (Register data) and 31-12-1984 (Register data); Portugal not specified date; Spain to 1984; Sweden to 31-12-1970, 31-12-1975 and 31-12-1985; Switzerland to 1-12-1970, 1-1-1976 and 1-1-1986; Turkey 1970 and 1975 (population census); United Kingdom to 1984; Labour Force Survey (LFS).

(2) International migration data are referred: Belgium to 1983; Denmark to 1984; France to 1984; Germany, F. R. to 1984; Iceland to 1985; Italy to 1984; Netherlands to 1984; Norway to 1984; Portugal to 1984; Spain not specified date; Sweden to 1985; Switzerland to 1985; Turkey not specified date; United Kingdom to 1984;

(a) Owing to the items "unknown citizenship", "stateless" or "unsettled" in some countries the value for "non member states of Council of Europe" can not coincide with the sum of the corresponding geographical areas.

Source of basic data: Evolution démographique récente dans les Etats membres du Conseil de l'Europe, C. of E., Strasbourg 1986.

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TABLE 11 - WORKER'S REMITTANCES, CURRENT ACCOUNTS BALANCE AND GNP, SELECTED COUNTRIES, 1970 AND 1984 (MILLION DOLLARS)

COUNTRY	WORKERS REMITTNCES 1970	1984	CURRENT ACCOUNT BAL(1984)	GNP (1984)	REMITTANCES AS PERCENT OF GNP
ALGERIA	211	329	75	51092	0,6
JORDAN	..	1236	-269	5338	23,2
EGYPT	29	3963	-1978	33048	12,0
MOROCCO	63	872	-986	14338	6,1
SYRIA	7	327	-852	16362	2,0
TUNISIA	29	317	-734	8890	3,6
TURKEY	273	1820	-1409	56144	3,2
TOTAL	612	8864	-6153	185212	4,8

SOURCE: WORLD BANK, World Development Report 1986

## ISRAEL

The Government of Israel considers the rates of population growth, natural increase and fertility to be unsatisfactory because they are too low. It is felt that each family should aim at having the maximum number of children that it can raise with the support of the State. The Government is actively encouraging immigration and supports for all Jews the right to settle in Israel. New towns have been established throughout the country in order to provide housing and work for the new arrivals. The creation of these development towns is also seen as a means of relieving overcrowding in large cities and generating an interaction between small rural settlements and urban areas.

## JORDAN

The Government emphasizes the role of population factors in development planning so as to ensure the most effective use of the country's material and human resources and to provide the growing population with food, schools, health facilities, employment and housing. In 1983, the Government indicated that current rates of fertility were satisfactory. In 1979 the country officially began a child-spacing programme which had as its goal an improvement in the standard of health for both mother and child. Priority is being given to reducing overall levels of morbidity and mortality, with a target for infant mortality of 27 per 1,000 by the year 2000, and improving the pattern of population distribution. As a result of the large influx of refugees and displaced persons, the population density in urban and rural areas has greatly intensified. Comprehensive socio-economic development programmes include support for the rural sectors, notably within regional development programmes, of which the Jordan Valley Authority is a major example. As a result of serious brain-drain problems caused by the substantial numbers of Jordanian professionals and technicians working in neighbouring countries, the Government would like to limit the flow of emigrants. The level of immigration is significant, and the Government wishes it to continue at the current level.

## LIBYAN ARAB JAMAHIRIYA

The Government considers the rates of population growth and fertility to be satisfactory. Its principal concern is to improve the well-being of the family. Measures being implemented include child welfare allowances, family benefits, maternity leave of up to three months and a birth grant known as a "delivery aid". Measures for the care and protection of the aged and for the improvement of the status of women are also in effect. The levels of morbidity and mortality are considered acceptable. To further improve health conditions and increase life expectancy at birth, particular emphasis is given to maternal and child health. Considerable attention has been given to achieving an appropriate distribution of population within the country and to limiting excess growth in the major cities. A substantial proportion of the labour force consists of immigrants. Due to increasing numbers of foreign migrants in recent years, bilateral agreements have become increasingly important in regulating migration. They have been used to obtain labour supplies from neighbouring Arab countries and a number of non-Arab countries from other regions. While reduction in the level of immigration in the future is sought, the current level of emigration is expected to remain the same.

## ALGERIA

The policy of the Government is to resolve remaining problems of underdevelopment, including those associated with population, mainly by means of vigorous economic development. The establishment of a self-sufficient industrial economy within the new international economic order is viewed as a prerequisite to the generation of desirable demographic changes. The Government has recently adopted a policy to reduce the levels of population growth and fertility, which it considers "too high", by means of family planning, population information, the improvement of the status of women, and the provision of protection to the elderly. Another specific objective is the rapid reduction of morbidity and mortality, including the improvement of maternal and child health. To bring about a more satisfactory distribution of population and decreased flow of migrants to urban areas, the Government has formulated a regional development programme which emphasizes industrialization and comprehensive rural development. In the area of international migration, the Government has suspended all new emigration to France and is pursuing bilateral agreements with that country for extending the duration of visas held by Algerian immigrants. The Government of Algeria is also attempting to identify new recipient countries for potential emigrants, and is actively pursuing measures to accommodate newly returned migrants.

## CYPRUS

A long-term decline in fertility has led the Government to take the view that the rate of population growth is unsatisfactory because it is too low. The policy is to reverse the decline by providing supports and incentives, including maternity allowances, maternity leave of eight weeks, with full pay for public sector employees, tax allowances related to family size, and maternal/child health care and an extension of child care facilities. A primary health care approach in rural areas is expected to improve the health situation further. It is felt that by decelerating the flow of migrants from rural to urban areas, some of the problems associated with rapid urbanization can be alleviated. The policy objectives with regard to international migration are to minimize emigration and encourage repatriation of Cypriots abroad.

## EGYPT

The Government of Egypt has based its population policy on the "development approach to population problems", which is defined in terms of its four major interrelated aspects: growth, distribution, characteristics and structures. Specifically, education, increased participation of women in the labour force, agricultural modernization, rural industrialization, improved social security, general improvement in the socio-economic status of families and reduction of infant mortality were all seen as essential support to the effective implementation of the population policy. The Government's intervention is mainly through efforts to reduce fertility and infant and child mortality. Recently, Government officials have urged intensification of the country's family planning programme, with the goal of covering 60 per cent of the women of reproductive age by year 2000. Programmes are being planned to increase primary education, raise the age at marriage and provide employment for women. In the field of health, maternal and child health centres are being expanded, especially in rural areas, potable water is being provided to deprived villages, and parasites and infectious diseases are being controlled. It is assumed that the crude death rate and crude birth rate may decline from the current levels of 11.4 and 35 per 1,000, respectively, to 7 and 20 per 1,000, respectively, by the year 2000. The spatial distribution of the population is inappropriate. Although there is no explicit policy at that field, efforts are being made to ease population congestion in urban and metropolitan centres through the establishment of new urban centres and other measures, including the expansion of industries in rural areas, in order to improve the standard of living there. The level of international migration is insignificant and satisfactory.

Source: Population Policies Briefs,  
United Nations, 1986



## TUNISIA

The Government considers the rate of natural increase to be unsatisfactory because it is too high. Its policy is to decrease the rates of natural increase and fertility. Emphasis is being placed on the social importance of population limitation, with family planning programmes being implemented as a basis for improving family welfare. The aim is to increase the number of women covered by the programme from 27 per cent in 1980 to 40 per cent by 1986. With regard to family welfare, the Government's strategies consist of population education and improved public health services, including family planning facilities and a number of legislative measures designed to facilitate contraceptive practice. In order to stem the flow of migrants to urban areas and improve the spatial distribution of the population, programmes of rural development and incentives for re-grouping highly dispersed populations into new village communities are in effect. The Government's decentralization policy aims particularly at the development of the interior part of the country. The creation of new employment possibilities has become a primary planning goal, owing to the problems of unemployment which have become aggravated by declining emigration. The Government now views the levels and trends of international migration as insignificant and satisfactory. There is a plan to repatriate up to 20,000 Tunisians between 1982 and 1986 and to send between 10,000 and 15,000 emigrants abroad, mainly to the Gulf States.

## TURKEY

The fourth Five-Year Development Plan (1979-1983) addresses population issues indirectly through its social and economic programmes. In addition, Article 41 of the 1982 Constitution assigns to the Government the task of protecting the family and extending family planning and related services. Legal provision for the delivery of clinical and family planning services by trained paramedical personnel has recently been made. The Government considers the rates of population growth and fertility to be unsatisfactory because they are too high, and has adopted a policy of lowering the growth rate by providing family planning services. In response to unacceptable levels of morbidity and mortality, the Government has stipulated that newly graduated general practitioners give two years of compulsory service in a rural health centre. Socialized public health services are being extended progressively throughout the country. The Government has adopted measures to redirect migration away from the largest metropolitan centres and toward smaller towns and cities, and to control urban sprawl. In order to facilitate intergovernmental relations associated with the problems of Turkish workers abroad and to provide codes for the extension of certain services, such as the transfer of social security benefits of workers returning to Turkey or the extension of health care services to dependents living in Turkey, a series of bilateral agreements on labour and social security affairs has been completed with other European Governments. Other protocols on professional training, children's education etc. have also been signed with various Governments.

The Government recognizes that overall socio-economic development is the most effective way to resolve certain structural problems, making possible desirable demographic changes in the medium term and long term. The Government has indicated that total size of population and rate of natural increase were satisfactory but acknowledged problems associated with large families and inadequate spacing of children among certain groups of the population, still high levels of morbidity and mortality and an inappropriate concentration of population in Greater Beirut. Although the immediate priority is national reconstruction and no recent statements of population policy are known to have been made, the Ministry of Labour and Social Welfare and the Lebanese Army provide family planning services in their welfare clinics, and support continues to be given to the Lebanon Family Planning Association as a means of improving maternal and child health and family welfare.

## MOROCCO

The Government has indicated that it regards the population growth rate as "too high". The current level and trend are seen as a threat to the socio-economic equilibrium of the country. The Government's policy is to reduce fertility by means of family planning services, with a target of covering 24 per cent of women aged 15-49 by 1985, and by providing social welfare services, including child allowance, maternity benefits, and care and protection for the elderly. Other measures include the upgrading of the status of women and improved maternal and child health and family well-being. The levels and trends of mortality and morbidity are unacceptable. The target includes the reduction of infant mortality to 65 per 1,000 by 1985. Efforts are being made to expand health infrastructure, immunization programmes and to improve the provision of safe drinking water. To adjust the spatial distribution of the population, the National Development Plan (1981-1985) calls for further decentralization and a reduction in regional disparities by means of the creation of growth poles and the encouragement of agricultural and industrial development in rural zones. There is a desire to decrease the level of immigration and to increase that of emigration.

## SYRIAN ARAB REPUBLIC

The Government recognizes that the relatively high rate of population growth may have a negative impact on its socio-economic objectives; however, no explicit policy has been adopted. Couples are free to choose the number of children they want to have. The general consensus among officials is that the population question should be dealt with by means of more vigorous socio-economic development. To further improve the health situation, maternal and child health centres as well as general health services are being expanded, with particular attention to narrowing the gap between the urban and rural populations. There exist programmes for comprehensive agricultural modernization, decentralization of industry and the establishment of urban organizational plans which will facilitate the development of small urban centres in order to reduce migration to metropolitan areas. The level of immigration is insignificant and satisfactory. The levels and trends of emigration are viewed as unsatisfactory (too high) and the policy is to discourage emigration and prevent the migration of skilled persons and government employees.

## DEMOGRAPHIC TRENDS: CONSEQUENCES ON THE LABOR MARKET

By Massimo Livi-Bacchi  
(Summary)

It is in the Mediterranean region that the differential population growth of the more and of the less developed countries presents the sharpest contrasts. According to plausible projections, between 1980 and 2020 more than 180 million people will accrue the population of the Southeastern shores, against slightly more than 20 of the Northern Shore. The population of the countries of the Northern shore, which accounted for three fourth of the population of the Region at the beginning of this century, will gradually dwindle to about one third by mid 21st century. Differential growth will be evident also for the population of working age: total growth in the North, between 1980 and the year 2000 will be 14 million, and 3 million between the years 2000 and 2020, as against 62 and 77 for the rest of the Region. Estimates for the economically active population reflects similar patterns. Changes of this magnitude are often seen as threatening some kind of equilibrium that has actually never existed. Catastrophic consequences are often feared, forgetting that societies have a tremendous ability to accommodate change. However, adding some 200 million people in 40 years to the population of the Region is, in itself, a tremendous revolution. Consequences do not reside only in the sheer numbers, but also in the structural aspects of change. The age composition is going to be affected, influencing development; residential changes will be equally important, since the large urban agglomerations will mainly grow in the South-East rather than in the North. Mobility between the shores will increase and mixing and intermarriage will develop. The changing demographic distribution will have geopolitical implications while the growing demographic and economic dimensions of the less developed areas will stimulate North-South human, commercial and financial interchange.

The tremendous potential for growth of the population of the Southeastern shores calls for a reappraisal and strengthening of population policies capable of seconding and stimulating the signs of fertility decline already evident in countries like Turkey and Egypt, Tunisia or Morocco. These countries are already adopting population policies tending to reduce fertility, disseminate family planning, improve maternal and child health. Other countries, however, keep a rather neutral attitude. It is true that lowering the birth rate now will start affecting the inflow into the population of working age 15 to 20 years later, but many positive consequences will be felt in the short term. Smaller birth cohorts mean a decreasing inflow into the educational system, improved education, a more efficient labor force. Less children per family imply an acceleration in the development

of female education, a higher rate in the formation of private savings and a higher rate of investment. Population policy is politically a very sensitive subject, although after the UN Mexico Conference on population in 1984, it became apparent that by far the vast majority of LDC countries are favouring or adopting policies directed to lower the rate of growth and to curb fertility. Therefore, wherever this is acceptable, aid and cooperation (both financial and technical) in the area of health and family planning should be stepped up and no effort spared.

Differential growth of the working age population in the Mediterranean area is so high and concerns such a large number of people that it is unthinkable that problems of employment and underemployment of the South-East might be solved through migration. Prosperous countries of the North are reacting to a mounting demographic pressure and to tightening labor markets with restrictive regulations and policy regarding foreign labor. We have estimated that if all European countries were to increase the share of foreign labor up to 10 percent of their labor force by the year 2010 (a rather extreme hypothesis) the net inflow of foreign labor in the next 20 years would amount to a quarter of a million every year, between 10 and 20 percent (according to the hypothesis) of the estimated growth of the economically active population in the Southeastern shores. However it is possible that in some countries of the Northern shores, shrinking labor force, a conspicuous informal sector, decreased internal mobility and a conspicuous segmentation of the labor market might encourage immigration.

Migration is not problem-solving by itself but, in the long run, may combine its positive effects with the results of other actions. The positive effects are economic, social and political. The amount of worker' remittances is, in the countries of the South and of the East larger than the deficit of the current accounts balance. Social advantages will derive from the experience gained by the labor force in more advanced contexts. Political advantages reside in the links that in different ways are established between the receiving and the sending community. Designing flexible and realistic migration policies well integrated in plans for economic cooperation could be a worthwhile challenge for the Governments of the three shores.

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THIRD CONFERENCE ON THE MEDITERRANEAN WORLD'S CROSSROADS:  
THE APPROACH TO MEDITERRANEAN DEVELOPMENT

Barcelona 22-23 June 1987

PALAU DE PEDRALBES

BARCELONA, 22-23 JUNE, 1987

There is no doubt that one of the major challenges that Egypt is facing is its population which has already exceeded 80 millions, at a growing rate of 2.8% per annum. A factor which aggravates the situation is that 50% of the population falls under 20 years of age, thus, affecting the size of the working population negatively .

Meanwhile, the Egyptian economy continued to suffer from a series of staggering economic policies that have had their roots since the fifties. The impact those policies showed in intensive state control crystallizing in the dominance of a public sector, along with a market governed by price control, subsidized consumption commodities and a nation-wide rationing system. The application of a rigid system of price control meant that the government would maintain many commodities at a fixed nominal level, thus helping the average Egyptian to avoid sharp increases in prices that could reflect the universal wave of inflation at the time. For years Egyptian consumers were made not to face world economic prices of energy and of many other basic commodities. The gap between market and administered prices continued to grow wider, a feature that simply meant a heavier load to the government for the maintenance of the system .

Yet, the seventies witnessed a serious shift in economic policy in Egypt with the adoption of the "opendoor" policy. From 1974 to 1980 Egypt experienced a period of unprecedented economic growth mainly because of a large inflow of foreign currency through oil exports, flourishing tourism, Suez canal traffic dues, and large remittances from Egyptians working abroad. Revenues from these 4 sources kept growing, in nominal terms, at a rate of about 40% per annum, to account for over 70% of the total value of Egyptian exports by 1980. Exports of non-oil commodities practically kept stagnant, if not dropped. Imports witnessed a rapid growth due to development programmes as well as the introduction of new patterns of consumption. In brief, the situation was that the flourishing inflow that the Egyptian economy witnessed during that period, was mainly due to factors beyond the control of the Egyptian economy itself. Thus, when certain changes occurred at the international level, such as the sharp drop in oil prices during the first years of the eighties, the impact was quite serious and resulted in severe sufferings.

Moreover, the financial structure of the country continued to suffer greatly from a state of unbalance and disequilibrium caused by keeping the public sector under administered factors, away from healthy market ones. This sector offered 40% only of G O P, at the time it accounted for 40% of total employment, 54% of the value added, 60% of total expenditure, and 70% of total investment. The result showed in a budget deficit amounting to

about 20% of GDP . About half that deficit was financed through borrowing from the banking system. Thus, the economy was subjected to serious inflationary pressures. One positive feature to mention was that in spite of the growing deficit in the balance of payments, the situation concerning external due payments continued to be manageable for a number of years.

By mid-eighties, along with the serious fiscal deficit of 20% of GDP, the balance of payments suffered a serious deficit caused by the large cost-price distortions, declining oil prices and remittances from abroad, and by substantial increases in debt-service obligations. The situation called for immediate action.

To face the situation, starting from the Egyptian fiscal year 84/1985, a number of corrective measures have been taken. Beside policies to improve production and increase productivity, these measures have included a variety of policies mainly related to fiscal, monetary, foreign trade and balance of payments areas. Examples are :

- reducing public expenditure ;
- introducing greater price flexibility;
- the privatisation of certain imports and allowing for selling such products at market prices ,

- increasing taxes and fees on certain commodities and services; and ,
- introducing a wide-range tariff reform (August 1986) .

In May 1986, the government started consultations with IMF on the introduction of a comprehensive financial programmes that the IMF endorsed last month. In fact, apart of this programme had already been applied, e.g. :

- energy prices (electricity and petroleum) are being increased;
- The government procurement system of crops is being terminated except for cotton, rice and sugar cane. Procurement prices for agricultural products are being increased ;
- a term-exchange reform is being applied ;
- a term-structure of interest rates is being introduced; and
- a wide-range policy of encouraging private investment is being adopted .

It was quite evident that the overall fiscal deficit amounting to 20% of GDP was the key factor in the financial imbalances from which the country's economy suffered. During the Fiscal year 1986/1987 the government succeeded in reducing this deficit to 16% of GDP . It is intended that the deficit would be reduced



during the coming few years by 2% of GDP annually, so that it would not exceed 4% of GDP by 1991/1992.

Meanwhile, Egypt set up a new five-year plan of Economic and Social Development covering the period from 1987/1988 to 1991/1992. The plan reflects the country's need to re-evaluate its economic strategies on the one hand, and on the other presents a good indication of the general direction Egypt's future development is meant to take .

The Five-year Plan aims at the following :

- 1- Achieving an annual rate of growth of GDP of 5.8% . This is to be realized through an investment expenditure that totals 46.5 L.E. billion, of which 28.5 billion are allowed for the public sector and 18 billion for the private sector. Corresponding sectoral growth rates are 5.8% for the commodity sector, 5.6% for the productive services sector, and 6.2% for social services .
- 2- Facing the deficit in the balance of payments through the following measures :
  - (a) marking high priority in the allocation of investment to the commodity sector including agriculture, industry etc..

Export-oriented projects and import-substituting ones are given highest priority ; and

(b) emphasizing the need for increasing production and raising productivity through the rehabilitation of existing industries and training programmes;

- 3- Maximizing the role of the private sector in the implementation of the plan. Thus, this sector is allowed about 40% of investments identified by the plan, a share that did not exceed 25% in the first Five-Year Plan , nor 11% of total investments during the early seventies.
- 4- Increasing industrial production and exports to 13% and 5% of current revenues in 1991/1992 against 8.3% and 4.4% in 1986/1987 (the base year for the Plan ).
- 5- Raising tourism revenues by an average annual rate of 17.8%.
- 6- Maintaining the low rate of 0.7% for the increase in the consumption of goods, while raising the rate for the increase in intermediate goods to 3.2% per year and reducing that for capital goods to 3.3% per year .

This programme of reform may be considered a first step in a long adjustment process which needs the support of international financial institutions and that of the donor/creditor community .

In addition, we also realize that along with the support of freindly countries, Egypt need to consolidate and increase the flow of foreign savings which are directed towards long-term economic motries, provided that the benefits of joint and foreign ventures can be shared in a way that allows Egypt, together with foreign investors, to enjoy not only a short-term foregin exchange flow, but also a steady stream of net benefits. In order to achieve this, Egypt-within its adopted policies - gives high priority to measures that may strangthen the country's ability to encourage, evaluate, select and monitor long-term investment projects of this nature.

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SITUATION ECONOMIQUE ACTUELLE

by

Nazim Zouïouche

THIRD CONFERENCE ON THE MEDITERRANEAN WORLD'S CROSSROADS:  
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### Situation économique actuelle

Avec 2 381 741 Km<sup>2</sup> l'Algérie est après le Soudan, le plus étendu à la fois des pays africains et des pays arabo-musulmans.

Située entre le 18° et 37° de latitude nord, elle comprend:

- au nord, les zones telliennes et steppiques qui s'étendent sur environ 381 000 Km<sup>2</sup>;
- au sud, les zones sahariennes qui s'étendent sur plus de 2.000.000 Km<sup>2</sup>.

L'Algérie est un état socialiste, option irréversible qui est réaffirmée par la charte nationale, source suprême de la politique de la nation et des lois de l'état, le système institutionnel algérienne repose sur le principe du parti unique ( Front de libération national F.L.N.).

La Direction de la fonction exécutive est assumée par le président de la république chef de l'état et secrétaire général du parti du F.L.N. La fonction législative est exercée par l'assemblée populaire nationale qui légifère dans le cadre de ses prérogatives.

A l'échelon nationale, les instances suprêmes du F.L.N. sont:

- le congrès : instance suprême du parti F.L.N.
- le Comité central (plus haute instance du F.L.N. entre deux congrès)
- le bureau politique

L'économie algérienne est orientée et commandée par un système de planification centrale (sur base quinquennale) lui-même démultiplié par des plans déglobalisés et annualisés.

Elle se situe aujourd'hui dans la tranche supérieure des pays à revenu intermédiaire avec un P.N.B. par tête de 2.410 US \$.

Les efforts du pays ont porté principalement en direction de la constitution d'un important secteur industriel (y compris les hydrocarbures et la construction, celui-ci représente plus de 50% du pib en 1984 contre 34% en 1965) avec un accent particulier mis sur les industries manufacturières qui ont progressé, en moyenne, de plus de 15% par an durant la décennie 73/84.

L'agriculture, par contre a connu un développement moins soutenu, ce qui a entraîné une dépendance accrue aux importations des produits alimentaires, compliquée par une population croissant à un rythme moyen annuel de 3,1%.

Les moyens de cette stratégie ont été fournis par l'exploitation et l'exportation des hydrocarbures (brut, gaz et dérivés).

L'Algérie s'est ainsi retrouvée dépendante à plus de 90%, de ses exportations d'hydrocarbures pour s'assurer des ressources en devises lui permettant d'atteindre ses objectifs finals d'intégration.

Le premier plan quinquennal (1980-1984) visait une croissance du pib de 7% l'an et un taux d'investissement du pib de 48,6%.

C'est au cours de ce plan que les premiers effets de la crise se sont faits sentir par le retournement de tendance sur le marché des hydrocarbures.

C'est aussi au cours de ce plan, que les autorités ont commencé à modifier le panorama de l'économie par la restructuration des entreprises, le modelage du paysage des unités de productions agricoles et des circuits de distribution des produits agricoles. En effet, ce qui a permis de fonctionner et de progresser pendant 10 ans, avait atteint ses limites.

Le second plan quinquennal (1985-1989) a été élaboré alors que le retournement de la tendance du marché pétrolier était déjà bien amorcé.

Aussi les objectifs ont-ils été moins ambitieux puisqu'il est prévu une croissance du pib de 6,6% et un taux d'investissement d'environ 40% du pib.

Qualitativement ce plan a poursuivi les tendances déjà constatées dans le précédent, en l'occurrence:

- donner une importance plus grande à l'agriculture et à son support hydraulique;
- poursuite de l'amélioration et du développement des infrastructures sans lesquelles toute industrie risque de s'essouffier;
- amélioration du rendement dans tous les secteurs de l'économie.

A présent pour avoir une idée plus précise de la situation économique, une appréciation de l'état actuel et des perspectives d'un certain nombre de secteurs importants est nécessaire.

Le secteur agricole est caractérisé par une dépendance alimentaire qui représentait environ 60% en 1980.

Le premier plan, en vue d'accroître la production, s'est attaché à réorganiser le secteur socialiste, à améliorer le dispositif d'aide au secteur privé, à accroître les interventions des organismes de service et de recherche.

L'amélioration de l'encadrement a permis un progrès certain dans ce domaine d'autant plus que le secteur privé qui dispose d'environ 60% des surfaces cultivables a eu un accès facilité aux moyens de production.

Le deuxième plan quinquennal, a quant à lui axé ses efforts sur l'extension des surfaces utiles, et l'amélioration de la disponibilité de l'eau.

De bons résultats ont été déjà obtenus avec les récoltes de 1985 et 1986, bien qu'une part non négligeable de ces performances soit aussi dues aux conditions climatiques favorables.

On peut cependant dire que les dispositifs mis en place, la volonté de rendre à l'agriculture une place importante dans l'économie, par l'amélioration des réseaux de commercialisation qui sont encore soumis à trop d'intermédiaires, les projets importants d'irrigation mis en oeuvre, le programme de suppression de la jachère, contribueront sans doute à terme à résoudre tout ou partie importante du problème alimentaire d'autant plus que l'on assiste à une mise en place rationnelle d'un contrôle du rythme de croissance de la population.

L'hydraulique, support essentiel de ce secteur connaît ainsi un grand développement: sept grands barrages ont été achevés (autant qu'entre 1963 et 1983) au cours de ces deux dernières années et seize autres seront terminés d'ici 1990.

Ce programme a permis en particulier, de résoudre définitivement le problème de l'alimentation en eau de la ville d'Alger, opération qui se poursuit en direction des autres grandes villes du pays.

D'autre part on considère qu'environ 1 300 000 hectares supplémentaires pourraient être affectés à l'agriculture moyennant une irrigation convenable.

Incontestablement le secteur industriel a été le "fer de lance" du développement de l'Algérie. Il a atteint un stade de maturité technique qui se révèle à travers un ensemble d'indicateurs significatifs (améliorations des taux d'utilisation des capacités de production, réduction des taux de dépendance ....).

Les unités de production ont été ramenées à des dimensions plus faciles à gérer au terme du programme de restructuration entrepris en 1982.

Toutefois, les performances économiques sont encore largement perfectibles en particulier pour certaines activités du secteur des industries légères comme les cimenteries ou les conserveries.

Aussi le second plan quinquennal a fait de ce secteur des industries légères une priorité nationale dans le but de satisfaire les besoins prioritaires, les productions stratégiques, ensuite de réduire le degré de dépendance donc de poursuivre la politique de substitution des importations puis d'améliorer la gestion des unités industrielles et l'efficacité productive.

Moyennant la poursuite de l'effort d'amélioration, ainsi que la recherche de nouveaux gains de productivité tout en développant une mentalité d'exportation, le secteur industriel pourrait atteindre des scores remarquables aussi bien sur le marché intérieur qu'à l'exportation.

Le secteur des hydrocarbures qui a joué longtemps le rôle du secteur d'accumulation a subi les effets de la crise de manière très sévère. En effet les recettes, suivant le déclin brutal des cours du pétrole ont été réduites d'environ 50% lorsque le prix du baril a atteint son cours plancher au cours de l'été 1986.

Le niveau de production du brut s'est stabilisé autour de 650 000 bbls/jour pour en premier lieu respecter les quotas de l'OPEC et aussi obéir à la stratégie de conservation inaugurée dès le début des années 1980.

La production de condensat par contre s'est accrue à 300.000 bbls/jour dès que la production du gisement de Hassi R'Mel a atteint son palier.



La production de GPL a été multipliée par trois pour atteindre 3,5 10<sup>6</sup> TM en 1985. Cette production est encore appelée à connaître un essor.

La production brut de gaz a atteint 98 10<sup>9</sup> m<sup>3</sup> (doublement en cinq ans), la production nette quant à elle atteignant 35 10<sup>9</sup> m<sup>3</sup>.

La production de GNL a pratiquement doublé (18 10<sup>9</sup> m<sup>3</sup> en 1985) alors que les produits raffinés doublés aussi atteignant 22 10<sup>6</sup> T en 1985.

Ces productions sont traditionnellement destinées à l'exportation bien que le marché intérieur ait connu lui aussi une forte progression.

On peut estimer que sur des ressources d'environ 85 Millions de tep, 20% représentent le marché intérieur.

On note aussi une bonne répartition entre les exportations et une diversification qui a contribué à amoindrir les conséquences de la chute des prix et qui réduit les risques possibles.

Malgré la chute des cours, le secteur reste prioritaire dans les investissements avec 31 10<sup>9</sup> DA prévu pendant le plan 1985-1989.

En particulier, il est prévu une exploration poussée du sous-sol supportée par la promulgation d'une nouvelle loi et une poursuite de l'amélioration des récupérations et aussi qu'une augmentation des gains de productivité.

Dans le secteur des transports qui a connu une phase d'expansion remarquable, l'accent est mis à présent sur l'amélioration de la productivité, le renforcement de l'efficacité.

Aussi la maintenance et la réhabilitation ont été privilégiés au cours du premier plan quinquennal, un total de 31 10<sup>9</sup> DA a été réalisé (80% de la prévision) concentré sur les routes et voies ferrées.

L'actuel plan prévoit des engagements à hauteur de 54 10<sup>9</sup> DA afin de poursuivre l'effort engagé, qui est le complément nécessaire sans lequel l'amélioration des performances de l'industrie ne serait pas possible.

L'infrastructure routière représente 40% alors que le rail est à 25%.

L'accent sera mis sur la remise en état de l'infrastructure existante en particulier les voies ferrées et l'amélioration des performances des ports, ainsi que la réalisation d'une nouvelle infrastructure ferroviaire.

Le secteur de l'éducation et de la formation a constamment été la priorité numéro 1 depuis l'indépendance. En effet il ne peut y avoir un développement économique sans la mise en place d'un système efficace d'enseignement et de formation.

Aussi l'Algérie a consacré, sans désespérer plus de 7% du pib pour construire son avenir par l'enseignement.

En plus de la nécessité et du besoin de formation de chacun, ces efforts ont aussi été réalisés pour répondre à l'augmentation de la population et pour fournir une main d'oeuvre qualifiée à une industrie qui se développait à grand pas.

Ce dernier point a conduit à la création de techniciens ou l'on peut accéder après 9 ans d'enseignement fondamental. Ceci permet de répondre au besoin de formation de cadres intermédiaires qui se révèlent être un rouage essentiel dans le cadre de l'industrie et de l'agriculture.

Le plan actuel prévoit un investissement de 45 10<sup>9</sup> DA dans ce secteur dont 28% sont consacrés à la formation professionnelle.

Quelles sont les tendances pour l'avenir, sachant que le pays milite pour une amélioration de la croissance afin d'atteindre un niveau satisfaisant.

Sur le plan macro-économique, nous assistons à la mise en place d'une politique volontariste d'allègement des procédures et des pesanteurs en vue de mettre en place des procédures faisant appel à plus d'incitations.

Cette tendance se ressent très bien dans les différents secteurs passés en revue.

Aussi dans le secteur de production, la restructuration des

entreprises a permis de mettre l'accent sur une plus grande responsabilisation, d'éliminer au fur et à mesure les subventions, ce qui nous laisse entrevoir le dégagement de marge nette d'autofinancement plus décentralisée.

Dans le même secteur, bien que les investissements d'expansion se poursuivent à un rythme soutenu, comme nous avons pu le voir précédemment, l'accent est mis surtout sur une réduction des difficultés qui existent; la réhabilitation et l'assainissement de la base déjà existante est une nécessité et doit se situer à l'amont de tout nouveau investissement au risque de créer des distorsions préjudiciables à l'ensemble.

Quant au secteur éducation et formation, l'accent mis sur la formation professionnelle doit être poursuivi en particulier sur le programme de création de centres de formation professionnelle.

Enfin pour le secteur hydrocarbure, l'avenir se résume, à accroître de manière substantielle le rythme d'exploration, soit en effort propre, soit en association, car les ressources potentielles du pays sont importantes, tout en améliorant les performances des compagnies de service.

En conclusion, nous pouvons dire que les efforts engagés sur le terrain en matière d'organisation devraient permettre de poursuivre la croissance du pays, en particulier préparer le relais aux hydrocarbures comme source essentielle d'accumulations qui déjà représentent le quart des ressources (cf budget 1987) et mettre l'économie sur une voie d'expansion stable de niveau appréciable.

POPULATIONESTIMATION DE LA POPULATION RESIDENTE PAR GROUPE D'AGE  
AU 1 JANVIER 1979 ET AU 1 JANVIER 1984

GROUPE D'AGE	POPULATION EN :					
	1979	1980	1981	1982	1983	1984
0 - 4	3.180	3.285	3.393	3.448	3.588	3.698
5 - 9	2.674	2.759	2.849	2.945	3.039	3.138
10 - 14	2.346	2.420	2.499	2.583	2.666	2.752
15 - 19	1.985	2.048	2.115	2.186	2.256	2.329
20 - 24	1.546	1.595	1.646	1.701	1.757	1.814
25 - 29	1.292	1.333	1.376	1.422	1.469	1.516
30 - 34	974	1.005	1.038	1.073	1.107	1.142
35 - 39	654	674	696	720	743	766
40 - 44	643	663	685	708	730	754
45 - 49	603	622	642	664	685	707
50 - 54	495	510	527	545	561	579
55 - 59	381	393	406	419	433	448
60 - 64	323	334	345	356	368	380
65 - 69	243	251	259	268	277	286
70 - 74	210	217	224	231	239	247
75 - 79	128	132	136	141	146	150
+ 80	114	117	120	122	128	135
TOTAL	17.791	18.358	18.956	19.564	20.192	20.841

MOUVEMENT NATUREL DE LA POPULATIONRESIDENTE

Unité : millier

ANNEES	NAISSANCES	DECES	ACCROISSEMENT NATUREL
1979	774	212	562
1980	797	203	594
1981	791	178	613
1982	808	180	628
1983	830	181	649
1984	850	173	677

ANNEES	TAUX BRUT DE NATALITE 0%	TAUX BRUT DE MORTALITE 0%	TAUX D'ACCROISSEMENT NATUREL 0%
1979	42,80	11,70	31,10
1980	42,70	10,90	31,80
1981	41,04	9,44	31,60
1982	40,60	9,10	31,50
1983	40,40	8,80	31,60
1984	40,18	8,60	31,60

c)

SANTE PUBLIQUEPERSONNEL MEDICAL

	1979	1980	1981	1982	1983	1984
<u>Médecins :</u>						
- Algériens	3.761	4.286	5.312	6.984	9.025	9.056
- Etrangers	2.320	2.235	2.283	2.767	3.188	3.026
<u>TOTAL</u>	6.081	6.521	7.595	9.751	10.652	12.082
<u>Dentistes :</u>						
- Algériens	1.005	1.044	1.473	2.122	2.517	2.664
- Etrangers	178	137	130	191	239	216
<u>TOTAL</u>	1.183	1.181	1.603	2.313	2.853	2.880
<u>Pharmaciens :</u>						
- Algériens	721	-	-	1.093	1.095	1.137
- Etrangers	57	-	-	82	64	60
<u>TOTAL</u>	778	899	925	1.175	1.193	1.197
<u>Nombre d'habitants :</u>						
- Médecins	3.639	3.022	-	2.889	1.925	2.301
- Etrangers	18.784	15.532	-	9.509	7.185	7.823
<u>TOTAL</u>	23.850	23.619	-	17.173	17.184	18.329

CONSTRUCTION HOSPITALIERE

- Hôpitaux :	182	183	196	196	198	189
- Centre de Santé :	747	662	771	781	910	869
- Polyclinique :	175	161	187	208	249	279
- Salle de soins :	1.422	1.364	1.438	1.425	1.664	2.197
- Liste d'Hôpitaux :	45.160	43.028	43.128	40.708	47.360	49.680

**ENSEIGNEMENT PUBLIC**  
**ETUDIANTS ET ELEVES INSCRITS**

ANNEE SCOLAIRE	1979/80	1980/81	1981/82	1982/83	1983/84
<b><u>ENSEIGNEMENT PRIMAIRE</u></b>					
<b><u>(ELEVES INSCRITS)</u></b>	3.061.252	3.118.827	3.178.912	3.241.924	3.336.536
SALLES DE CLASSE	56.701	59.390	62.676	62.627	71.065
ECOLES PRIMAIRES	9.034	9.263	9.339	9.864	10.266
TAUX SCOLARISATION (6 - 13 ans)	76,3	77,4	78,0	78,8	80,82
<b><u>ENSEIGNEMENT MOYEN ET SECONDAIRE</u></b>					
ELEVES INSCRITS MOYEN	737.894	804.261	891.452	1.001.420	1.126.920
ELEVES INSCRITS SECONDAIRE	185.391	212.497	249.245	279.299	325.869
TOTAL	923.285	1.017.118	1.140.697	1.280.719	1.452.389
DONT FILLES (%)	37,7	38,7	39,5	39,9	40,6
CEM & LYCEES	1.101	1.162	1.282	1.453	1.586
<b><u>ENSEIGNEMENT SUPERIEUR</u></b>					
ETUDIANTS INSCRITS EN GRADUATION ET POST GRADUATION	61,410	72,200	79,631	95,867	110,210

## E L E V A G E

## NOMBRE DE TETES PAR SECTEUR (milliers de têtes)

	BOVINS VACHES	PURE RACE VACHES LAITIERES	OVINS	CHEVRES	CHAMEAUX	CHEVAUX	VOLAILLES PRODUITS VIANE	
<u>1982 :</u>								
S. Socialiste	42,2	42,6	1.271,1	14,0		5,2		
S. Privé	852	66	14.227,7	2.843,1	155,6	840,8	2.400	99,0
<u>TOTAL :</u>	894,6	108,6	15.498,8	2.857,1	155,6	845,8		
<u>1983 :</u>								
S. Socialiste	40,1	40,1	1.139,1	7,7		3,8	2.500	113,0
S. Privé	935	66	16.562	2.955	147,7	806,1		
<u>TOTAL :</u>	975,1	106,1	17.701,8	2.962,0	147,7	809,9		
<u>1984 :</u>								
S. Socialiste	39,0	39,0	867,8	1,1		3,1		
S. Privé	724,8	66,0	14.796,7	2.808,1	125,4	646,8	6.800	114,0
<u>TOTAL :</u>	763,8	105,0	15.664,5	2.809,2	125,4	649,8		
<u>1985 :</u>								
S. Socialiste	27,0	27,0						
S. Privé	734,8	76,0						
<u>TOTAL :</u>	761,8	103,0						



AGRICULTURESuperficies utilisées par l'Agriculture

Unité : hectare

Secteur	1979/80	1980/81	1981/82	1982/83
L Superficie utile-S.R.A.	1.048.430	1.048.480	963.380	506.980
S.S.	2.040.390	2.040.400	2.075.630	2.344.470
S.P.	4.421.520	4.421.200	4.469.730	4.379.900
TOTAL	7.510.340	7.710.080	7.508.740	7.231.350
1. Terres labourables-Total:	6.858.320	6.868.110	6.858.810	6.567.880
Cultures herbacées S.R.A.	591.400	525.100	426.490	232.550
S.S.	1.247.700	1.160.940	1.074.670	1.148.290
S.P.	2.052.390	1.862.450	1.761.100	1.715.220
Total	3.891.490	3.548.490	3.262.260	3.096.060
Terres au repos S.R.A.	383.580	460.740	473.560	238.210
S.S.	497.060	584.430	707.470	887.440
S.P.	2.086.190	2.274.450	2.415.520	2.346.170
Total	2.966.830	3.319.620	3.596.550	3.471.820
2. Cultures permanentes Total:	652.020	641.970	649.930	657.470
Prairies naturelles S.R.A.	3.050	2.620	2.160	1.020
S.S.	5.990	5.400	6.650	5.070
S.P.	8.610	9.250	12.270	17.870
Total :	17.650	17.270	21.080	23.960
Vignobles S.R.A.	8.230	8.160	7.810	1.690
S.S.	162.530	162.490	159.190	159.630
S.P.	29.840	28.340	28.460	26.890
Total :	196.600	198.990	195.460	182.210
Plantations arbres fruitiers S.R.A.	62.170	51.860	53.360	33.510
S.S.	127.110	127.140	127.650	144.040
S.P.	248.490	246.710	252.380	273.750
Total :	437.770	425.710	433.390	451.300
2. Pacages et parcours - Total:	31.660.980	31.661.240	31.598.370	32.050.910
3. Terres non/Productives des exp. agricoles S.R.A.	41.700	41.700	38.020	21.350
S.S.	48.920	48.920	47.600	50.070
S.P.	255.130	255.130	269.320	354.580
Total :	345.750	345.750	354.940	426.000
Total (1 + 2 + 3)	39.517.070	39.517.070	39.462.050	39.708.260

A G R I C U L T U R E

g)

PRINCIPALES PRODUCTIONS

Unité : 1 000 quintaux

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
Céréales dont	24.209	18.316	15.232	12.980	14.417	30.030
blé dur	9.265	7.681	6.326	4.920	5.752	10.340
blé tendre	5.850	4.503	3.445	2.978	3.002	5.420
orge	7.942	5.248	4.834	4.468	5.111	13.160
avoine	1.102	859	601	493	515	1.100
légumes secs	518	507	332	361	471	460
Cultures maraîchères dont :	14.270	12.978	12.366	13.748	15.400	
% de terre	5.906	5.282	4.151	4.907	4.903	7.240
Tomates	1.823	1.342	1.940	1.597	1.520	1.450
Oignons	1.179	1.258	1.129	1.214	1.905	1.370
Melons et Pastèques	1.725	1.792	1.932	2.069	2.688	2.800
Autres	3.637	3.304	3.214	3.315	3.534	
Cultures Industrielles	1.486	-	-	1.951	1.442	
Tomates industrielles	954	1.686	524	918	1.377	1.370
Tabac	33	48	45	33	65	
Betterave sucrière	494	636	350	995	-	
Oléagineux	5	20	17	3	-	
Agrumes dont :	4.217	3.553	3.194	2.554	2.854	
Oranges	2.807	2.296	2.009	1.618	1.829	
Clémentines	1.031	1.164	1.080	805	-	
Arboricultures dont :						
Dattes	2.007	1.953	2.065	1.815	1.827	1.000
Figs fraîches	694	706	187	385	314	
Olives	1.034	2.136	1.433	1.353	1.020	
Amandes	39	70	67	53	-	
Autres fruits	1.032	1.341	1.393	1.600	-	
Vigne à vin	2.838	2.669	1.400	1.875	1.393	
Raisons de table	807	661	700	771	807	

COMMERCE EXTERIEUR

h)

EVOLUTION DES IMPORTATIONS DE MARCHANDISES EN PRIX COURANT

	1979	1980	1981	1982	%	1983	%	1984
Produits alimentaires	5.174,3	7.781,8	8.398,9	8.744,9	17,7	9209	18,5	7.833
de base destinés à l'industrie	1.932,9	2.719,1	2.483,9	2.573,3		3.024		3.022
de la base destinés à la consommation	686,5	740,0	521,9	960,0		991		780
Transformés et destinés à l'industrie	1.674,2	2.597,0	3.537,9	2.725,3		2.176		1.738
Transformés et destinés à la consom.	880,7	1.725,7	1.855,2	2.306,3		3.018		2.293
Appros. Industriels	10.834,5	13.680,4	17.468,6	17.256,3	34,9	17.693	35,7	21.627
- Produits de base	972,3	997,0	1.451,7	1.272,6		1.557		1.856
- Produits ayant subi une transformation	9.862,2	12.683,4	16.016,9	15.983,7		1.636		19.771
- Huile et lubrifiants	550,0	853,4	846,1	316,8	0,6	881	1,8	894
- Machines et biens équipements	10.658,7	11.320,9	11.831,1	11.982,6	24,3	12.854	25,8	12.029
- Matériel transport	3.370,7	4.176,1	7.033,9	7.313,7	14,8	5.062	10,2	5.626
- Biens de consommation industriel	1.177,9	2.697,0	3.192,5	3.759,5	7,6	3.959	8,0	3.203
- Divers	10,0	6,1	8,7	10,0		124		45
- Total	32.376,1	40.515,7	48.779,8	49.383,8	100	49.782	100,0	51.257

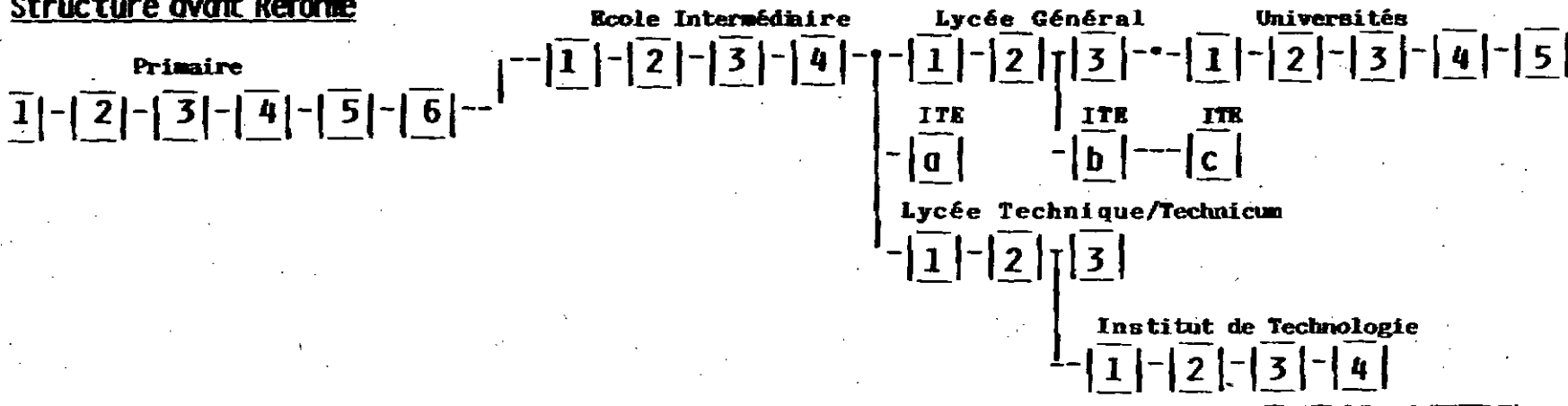
ESTIMATION DE LA DEMANDE EN MAIN D'OEUVRE QUALIFIEE  
ET SORTIES DU SYSTEME EDUCATIF

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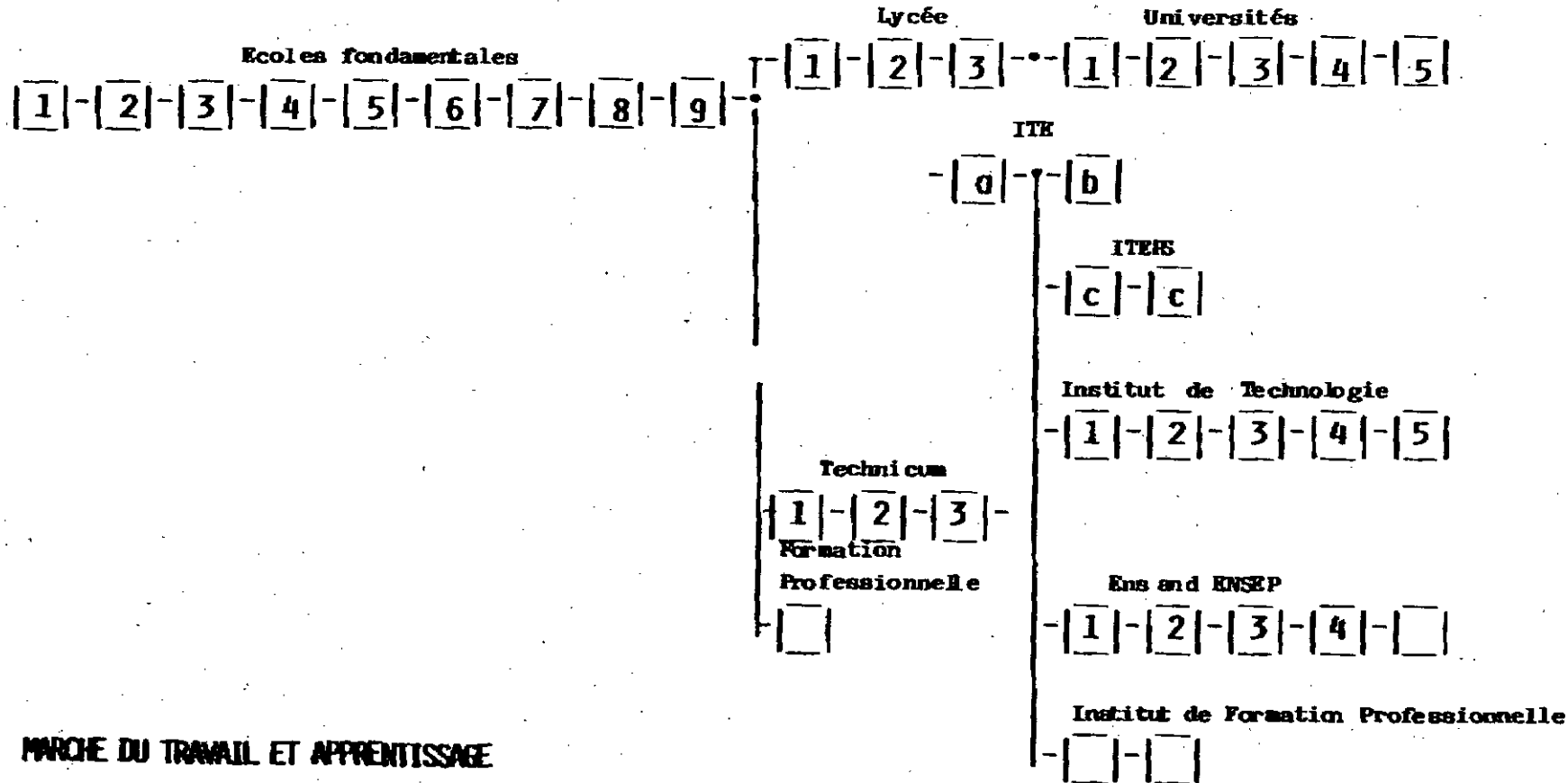
	Besoins Nouveaux 1985-89	Prévisions de Sorties	Ecart
<u>Niveau 6 Cadres Supérieurs</u>	83,800	77,000	(6,800)
DONT			
Ingénieurs	32,200	10,000	22,200
Ing. Agronomes et Forestiers	2,500	1,600	(900)
Vétérinaires	700	600	(100)
Architectes etc.	3,400	1,000	(2,400)
Juristes	3,200	3,500	+ 300
Médecins	10,000	7,700	(2,300)
Dentistes	3,000	2,300	(700)
Pharmaciens	1,600	1,500	(100)
<u>Niveau 5 Techniciens Supérieurs</u>	174,200	83,000	(91,200)
DONT			
Agriculture	5,000	1,800	(3,200)
Technologie	70,000 1/	10,000	(60,000)
Santé	25,000 1/	18,000	(7,000)
Enseignants (PEM) et Formateurs	49,000	44,000	(5,000)
<u>Niveau 4 Techniciens/Maîtrise</u>	164,200	152,000	(12,200)
DONT			
Agriculture	12,000	4,700	(7,300)
Industriel	13,700	12,700	(1,000)
Enseignants Primaire	35,000	47,500	+12,500
Santé	10,000	18,000	+ 8,000
<u>Niveau 3/2 Qualifié et Semi Qualifié</u>	425,800	408,000	(17,800)

# Structure du Système Educatif Formel

## Structure avant Réforme



## Structure après Réforme



Suivi du Premier Plan  
Quinquennal 1980-1984

Programme d'investissement du deuxième plan quinquennal  
(Milliards de DA de 1984)

m)

	Report nominal du Plan précédent en DA courants	Report effectif du Plan précédent DA (1984)	Différence (2)-(1)	Prog. nouveaux	Dépenses d'invest. planifiées pour 1985-1989	Dépenses à réaliser au-delà de 1989	Coûts total des programmes envisagés (5)+(6)	Réalisations initiales prévues pour 1986	Réalisations révisées prévues pour 1986
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>INDUSTRIE</b>	<u>164.5</u>	<u>52.9</u>	<u>-111.6</u>	<u>198.7</u>	<u>174.20</u>	<u>77.40</u>	<u>251.6</u>	<u>28.2</u>	<u>25.1</u>
dont hydrocarbures		(15.0)		(26.5)	39.80	1.70	(41.5)		
<b>AGRICULTURE</b>	<u>43.3</u>	<u>34.34</u>	<u>-9.0</u>	<u>81.08</u>	<u>79.0</u>	<u>36.42</u>	<u>115.42</u>	<u>11.8</u>	<u>10.0</u>
• Forêt		1.10		8.50	7.0			1.1	1.0
• Agriculture		9.00		35.0	30.0			4.7	3.9
• Hydraulique		24.00		36.72	41.0			5.8	5.0
• Pêche		0.24		0.86	1.0			0.2	0.1
<b>TRANSPORTS</b>	<u>13.6</u>	<u>6.41</u>	<u>-7.2</u>	<u>15.41</u>	<u>15.0</u>	<u>6.52</u>	<u>21.52</u>	<u>2.6</u>	<u>2.1</u>
<b>INFRASTRUCTURES ECONOMIQUES</b>	<u>36.8</u>	<u>38.14</u>	<u>1.3</u>	<u>45.60</u>	<u>61.7</u>	<u>31.50</u>	<u>93.20</u>	<u>12.0</u>	<u>9.7</u>
• Communicat. Hors rail		8.78		17.0	18.5	8.50		4.4	3.6
• Infrastructure ferroviaires		6.84		8.8	17.8	6.80		3.0	2.0
• Télécommunications		7.35		6.7	8.0	6.00		1.3	1.1
• Stockage-distribution		13.65		11.3	15.85	9.16		3.0	2.7
• Zones Industrielles		1.52		1.8	1.50	1.00		0.3	0.3
<b>HABITAT</b>	<u>72.0</u>	<u>61.42</u>	<u>-10.6</u>	<u>63.50</u>	<u>86.45</u>	<u>38.47</u>	<u>124.92</u>	<u>10.3</u>	<u>9.8</u>
<b>EDUCATION-FORMATION</b>	<u>60.4</u>	<u>33.30</u>	<u>-27.1</u>	<u>31.50</u>	<u>45.00</u>	<u>19.80</u>	<u>64.80</u>	<u>9.3</u>	<u>7.8</u>
<b>INFRASTRUCTURES SOCIALES</b>	<u>19.6</u>	<u>21.33</u>	<u>1.7</u>	<u>35.28</u>	<u>18.00</u>	<u>38.61</u>	<u>56.61</u>	<u>4.8</u>	<u>4.0</u>
dont santé		(13.27)		(21.50)	(10.00)	(24.77)	(24.77)	(3.0)	(2.4)
<b>EQUIPEMENTS COLLECTIFS</b>	<u>13.0</u>	<u>22.67</u>	<u>19.7</u>	<u>25.47</u>	<u>51.65</u>	<u>15.46</u>	<u>62.11</u>	<u>17.6</u>	<u>14.8</u>
<b>ENTREPRISES DE REALISATION</b>	<u>19.6</u>	<u>8.20</u>	<u>-11.4</u>	<u>25.00</u>	<u>19.00</u>	<u>14.2</u>	<u>33.20</u>	<u>2.8</u>	<u>2.0</u>
<b>DIVERS</b>		<u>18.6</u>	<u>18.1</u>						
<b>TOTAL</b>	<u>442.8</u>	<u>306.77</u>	<u>-136.1</u>	<u>521.61</u>	<u>550.00</u>	<u>278.38</u>	<u>828.38</u>	<u>99.4</u>	<u>85.3</u>

**Capacités de production installées, production réalisée et planifiée**  
(quelques biens industriels)

	Capacités installées à fin 79	Capacités installées à fin 83	Accroissement des capacités			Production réalisée			Indice volume		Taux d'utilisations capacités		Taux de réalisation objectifs	
			à fin 84	à fin 85	Objectifs 86	1979	1984	1985	85/79	86/79	79	85	84	85
Minéral de fer (10 <sup>3</sup> T)	4.615	4.615	-	-	-	2.864	3.664	3.376	110	100	42%	73%	85%	97%
Zinc (10 <sup>3</sup> T)	16	22.2	-	-	-	8.8	23	26.2	298	139	55%	118%	95%	98%
Phosphates (10 <sup>3</sup> T)	1.150	1.850	-	-	-	1.062	1.000	1.271	113	161	94%	66%	80%	102%
Sel (10 <sup>3</sup> T)	146	178	-	-	15	146	182	163	112	132	100%	91%	91%	79%
Fonte (10 <sup>3</sup> T)	480	1.200	100	390	-	496	1.176	1.462	295	352	103%	87%	95%	92%
Acier (10 <sup>3</sup> T)	636	1.129	209	6	5	432	1.143	1.246	288	213	68%	93%	94%	86%
Laminés (10 <sup>3</sup> T)	400	586	539	345	-	263	535	682	259	397	66%	43%	76%	88%
Rond à béton (10 <sup>3</sup> T)	275	429	-	-	-	216	282	266	123	156	79%	62%	100%	82%
Emballages mécaniques (10 <sup>3</sup> T)	35.4	40.6	8.1	0.01	9.5	22.8	29.8	34.9	149	159	64%	72%	72%	95%
Charpente-Chaudronnerie (10 <sup>3</sup> T)	70	114	22	12	7	67.5	114.9	126.6	188	221	96%	92%	97%	92%
Wagons (unités)	334	488	107	-	-	334	895	857	257	268	100%	96%	105%	102%
Camions (U)	-	4.300	-	-	-	6.082	6.619	5.722	94	-	-	133%	100%	85%
Bétonnières (U)	1.575	4.070	33	-	-	1.141	4.152	4.441	389	261	72%	108%	101%	106%
Compresseurs (U)	-	-	-	61	565	-	-	16	-	-	-	-	-	-
Moteurs diesel (U)	6.220	8.300	-	-	1.875	6.220	10.976	12.095	193	164	100%	145%	85%	91%
Tracteurs agricoles (U)	4.000	-	-	-	1.498	4.886	5.927	6.250	128	157	122%	156%	88%	89%
Moissonneuses-batteuses (U)	371	601	-	149	299	371	590	700	189	280	100%	67%	78%	88%
Autobus (U)	700	700	-	50	100	524	731	636	121	121	75%	91%	104%	85%
Motocycles (U)	27.672	45.510	1.490	1.000	2.000	27.012	47.000	47.434	176	181	98%	95%	102%	99%
Cycles (U)	17.325	33.550	9.547	7.903	4.000	17.325	43.097	47.213	273	317	100%	94%	100%	93%
Pompes (U)	5.615	19.050	6.050	3.800	4.800	3.800	14.678	17.529	461	600	85%	61%	89%	119%
Vanres et raccords (U)	66.000	66.000	-	10.000	2.500	98.000	50.848	41.416	42	119	148%	54%	113%	86%
Robinetterie (T)	1.720	1.720	-	-	-	183	1.275	1.336	730	100	11%	78%	96%	92%
Fraisures (U)	-	150	-	-	-	-	92	97	-	-	-	65%	-	69%
Tours (U)	-	-	-	-	20	-	666	614	-	-	-	-	-	96%
Compteurs électriques (U)	-	132.000	108.000	-	-	-	183.787	240.155	-	-	-	100%	-	100%
Compteurs à eau (U)	-	120.000	120.000	-	-	-	136.000	143.900	-	-	-	102%	-	111%
Compteurs à gaz (U)	-	80.000	-	-	-	-	20.280	27.000	-	-	-	34%	-	45%
Câbles électriques (10 <sup>3</sup> T)	22.7	25.2	-	-	7.7	14.5	17.2	19.6	131	145	64%	77%	82%	90%
Câbles téléphoniques (10 <sup>3</sup> T)	3.1	3.2	0.2	0.3	1	4.1	2.9	2.3	56	152	132%	49%	102%	102%
Récepteurs radio (U)	235.000	235.000	-	-	300.000	53.000	140.809	166.404	314	228	71%	83%	83%	71%
Récepteurs TV noir et blanc (U)	100.000	197.000	53.000	50.000	40.000	54.000	210.026	271.518	499	240	54%	91%	99%	100%
Récepteurs TV couleur (U)	26.300	90.000	-	-	50.000	7.000	82.098	87.163	1.245	532	27%	97%	82%	96%
Centraux téléphoniques (lignes)	80.000	80.000	-	-	-	10.080	43.000	43.013	398	100	14%	54%	97%	74%
Postes téléphoniques (U)	140.000	140.000	-	1.500	1.500	20.000	104.520	81.625	408	102	14%	58%	90%	51%
Réfrigérateurs (U)	36.000	115.000	4.000	18.400	-	37.400	100.024	102.016	273	382	104%	69%	80%	79%
Cuisinières (U)	18.800	75.900	2.100	15.100	-	11.808	73.766	79.232	671	493	63%	85%	92%	86%
Chauffe-eau bain (U)	20.000	82.200	-50.300	-19.400	-148.000	18.900	29.426	12.236	65	-200	-	-	96%	98%

## Produits des Industries légères - Capacités Installées et production

	Capacités installées (1984)	Objectifs de productions		Production réalisée		Taux d'utilisation des capacités		Taux de réalisation des objectifs			Objectifs 1986 (product.)	Objectifs production 86 Capacités installées 84
		83	84	83	84	83	84	80	83	84		
Ciments 10 <sup>3</sup> T	10.000	5.723	6.750	4.776	5.539	48%	55%	74%	84%	82%	6.900	69%
Produits rouges 10 <sup>3</sup> T	1.990	1.392	1.586	1.513	1.661	76%	83%	81%	109%	105%	1.747	88%
Céramique carreaux 10 <sup>3</sup> M <sup>2</sup>	2.650	2.300	2.200	2.019	2.040	76%	76%	93%	88%	93%	2.300	87%
Céramique sanitaire 10 <sup>3</sup> T	29	14	12	14.5	12	49%	39%	82%	105%	90%	22	76%
Menuiserie générale 10 <sup>3</sup> M <sup>2</sup>	4.448	2.171	3.604	904	954	35%	21%	81%	42%	26%	2.300	52%
Préfabriqués bois 10 <sup>3</sup> M <sup>2</sup>	119	115	119	129	121	112%	108%	64%	112%	108%	-	-
Verre plat 10 <sup>3</sup> T	15	6	13	30	13	19%	85%	98%	48%	100%	26	173%
Verre creux 10 <sup>3</sup> T	76	42	47	41	43	54%	57%	45%	97%	92%	55	72%
Céramique vaisselle tonnes	18.100	12.870	16.300	9.690	10.250	55%	57%	nd	75%	65%	12.900	71%
Papier imprimeur écriture 10 <sup>3</sup> T	55	40	37	29	32	54%	78%	76%	73%	85%	124	86%
Papier carton emballage 10 <sup>3</sup> T	89	67	69	64	67	72%	76%	75%	95%	98%	-	-
Semoule 10 <sup>3</sup> T	1.219	1.195	1.121	1.124	1.205	94%	99%	98%	94%	99%	1.240	102%
Farine 10 <sup>3</sup> T	1.105	1.150	1.123	929	1.052	86%	93%	85%	81%	92%	1.200	109%
Huile alimentaire 10 <sup>3</sup> T	285	290	294	279	275	97%	97%	108%	96%	93%	280	98%
Savons 10 <sup>3</sup> T	82	74	73	77	77	94%	94%	95%	103%	105%	74	90%
Margarines, Graisse végétale 10 <sup>3</sup> T	27	19	19	15	15	57%	57%	86%	81%	81%	19	70%
Conserves de légumes 10 <sup>3</sup> T	27	4	3	3	2	12%	8%	18%	75%	66%	24	89%
Concentré de tomates 10 <sup>3</sup> T	15	8	17	7	18	45%	71%	85%	81%	104%	34	227%
Eaux minérales 10 <sup>3</sup> ML	1.610	1.190	1.294	1.054	1.129	66%	70%	73%	89%	87%	1.650	102%
Bolssons gazeuses 10 <sup>3</sup> ML	2.854	1.437	1.930	969	1.610	39%	46%	67%	67%	68%	2.300	81%
Cigarettes 10 <sup>6</sup> paquets	1.030	804	804	769	799	75%	77%	-	96%	99%	-	-
Filés coton tonnes	34.020	29.355	29.264	24.636	27.194	72%	80%	71%	84%	93%	27.500	81%
Filés laine tonnes	8.371	7.110	7.203	5.911	6.189	63%	66%	70%	83%	86%	9.600	102%
Tissut fins coton 10 <sup>3</sup> ML	120.399	95.055	89.696	86.254	86.963	72%	72%	81%	91%	97%	87.000	72%
Tissut fins laine 10 <sup>3</sup> ML	34.024	16.949	15.903	8.831	9.721	26%	29%	99%	52%	61%	13.000	38%
Tissut fins soie 10 <sup>3</sup> ML	12.544	8.202	9.102	8.663	9.987	69%	73%	-	106%	110%	17.000	136%
Couvertures 10 <sup>3</sup> pièces	1.459	1.319	1.108	1.509	1.371	103%	94%	84%	114%	124%	1.400	96%
Chemises 10 <sup>3</sup> articles	3.379	3.165	2.925	2.355	2.654	62%	79%	89%	74%	91%	1.800	55%
Articles chaussons 10 <sup>3</sup> pièces	4.106	2.892	2.956	2.795	3.112	70%	76%	70%	87%	105%	4.500	110%
Chaussures 10 <sup>3</sup> paires	18.783	18.281	18.783	16.780	18.138	92%	97%	99%	92%	97%	21.000	112%
Maroquinerie 10 <sup>3</sup> articles	2.125	2.031	2.125	2.508	3.058	124%	144%	104%	124%	144%	4.100	193%



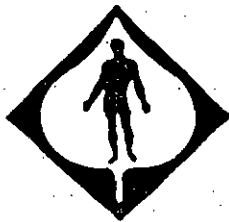
**AGREGATS PRINCIPAUX**

Millions de dinars

	1980	1981	1982	1983
Production intérieure brute	143.703,6	169.413,7	182.272,6	202.010,0
Produit intérieur brut	162.867,5	191.847,0	208.747,8	231.945,0
Revenu national	144.639,6	171.185,2	186.356,8	207.108,0
Taux croissance an- nuelle (%) Prix courants				
La PIB	26,9	17,9	7,6	10,8
Le PIB	26,7	17,8	8,8	11,1
Prix constants '79				
La PIB	2,8	2,9	5,3	5,0
La PIB s/s Hydrocar- bures	7,9	6,8	5,0	6,7
Ratios choisis en %				
Exportations / La PIB	39,4	39,4	33,4	32,5
Importations / La PIB	34,4	34,9	33,0	29,8

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QUELQUES INDICATEURS DE L'ECONOMIE TUNISIENNE  
A LA VILLE DU VII PLAN

by

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THIRD CONFERENCE ON THE MEDITERRANEAN WORLD'S CROSSROADS:  
THE APPROACH TO MEDITERRANEAN DEVELOPMENT

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## PRINCIPAUX INDICATEURS DE L'ECONOMIE TUNISIENNE

### A LA VEILLE DU VII PLAN

L'année 1986 aura été pour l'économie tunisienne une année charnière :

- Elle correspond à la fin d'une période, celle que couvre le VI<sup>e</sup> plan de développement économique et social (1982 - 1986) .

- C'est aussi la période qui a vu la conception et l'élaboration des grandes lignes de la politique de développement pour la prochaine quinquennie .

- C'est surtout l'année, où consciente des risques que font peser les déséquilibres extérieurs sur les acquis de 30 ans de développement, la Tunisie s'est engagée dans un processus d'ajustement structurel tendant à réduire les rigidités qui caractérisent l'économie et à assainir la situation financière du pays .

Peut-être serait-il intéressant - afin de situer l'état de l'économie tunisienne dans cette conjoncture particulière - d'évaluer les résultats les plus significatifs enregistrés durant la période du VI<sup>e</sup> plan, puis de présenter le schéma de développement retenu par les planificateurs pour les 5 prochaines années , et enfin d'exposer les principales réformes contenues dans le programme de redressement et qui devraient permettre la réalisation des objectifs du VII<sup>e</sup> plan .

#### 1 - Le Bilan du VI<sup>e</sup> plan (1982 - 1986)

Selon un bilan provisoire du VI<sup>e</sup> plan, le taux de croissance du PIB ne s'est élevé que de 3% par an au lieu des 6% prévus, les créations d'emploi n'ont atteint que 100.000 contre 270.000 prévus, malgré le dépassement de l'enveloppe d'investissement, tandis que la consommation a progressé à un taux (4,2%) supérieur à celui du PIB et que les exportations ont regressé de 0,9 % par an .

En outre, les finances publiques ont accusé un déficit représentant pour la période 6,4 % du PNB et le déficit courant de la balance des paiements s'est aggravé du fait d'une progression des importations plus importante que celle des exportations .

Nous donnons ici des résultats plus détaillés pour la période 1982-1986.

- La production

Après la stagnation de 1982 due pour l'essentiel à la conjoncture économique internationale, la croissance a repris durant la période 83 - 85 atteignant un taux annuel de 5 % en moyenne, pour fléchir à nouveau en 1986 sous l'effet de causes conjoncturelles : chute des prix du pétrole, événements dans le bassin méditerranéen, conditions climatiques défavorables. La croissance a ainsi été de 0,7 % pour l'année 1986, et de 3% pour l'ensemble de la période 1982 - 1986 contre un taux de 5,6 % réalisé au cours du plan précédent (1977 - 1981).

Plus précisément, et au niveau des secteurs, les résultats enregistrés pour la période ont ressortir :

- Une progression très modérée de la production agricole + 0,9 % , en rapport avec la faible productivité du secteur .

- Une croissance de 5,7 % de la production manufacturière, supérieure à la croissance globale , mais en retrait de 5 points par rapport aux prévisions du plan.

- Une croissance de 1,2 % du secteur des Industries non manufacturières, qui marque en fait, la recession qui touche ce secteur depuis 1985, et tout particulièrement les hydrocarbures et le BTP.

- Une évolution moyenne du produit des services + 3,3 % par an , en dépit d'une baisse de l'activité touristique :-2,1% par an .

- L'emploi

Si au cours de la période 1972-1981, la demande additionnelle d'emploi a été en bonne partie, satisfaite grâce à des créations d'emploi conséquentes et à l'appoint de l'émigration, la période du VI<sup>e</sup> plan a été caractérisée par l'accentuation du déséquilibre du marché de l'emploi : les créations d'emploi (200.000) ont couvert moins des 2/3 de la demande additionnelle (324.000) et les mouvements migratoires se sont inversés au cours de la période. Cela s'est traduit par un chômage important (évalué à 270.000 soit près de 14 % de la population active par l'enquête emploi 1986) composé pour 25 % par des demandeurs de premier emploi, pour 35 % par des chômeurs saisonniers ou victimes de la recession de certains secteurs et pour 40 % par des chômeurs de longue durée pour la plupart dépourvus de qualification .

- L'Investissement

La période du VI<sup>e</sup> plan a vu la réalisation d'un montant global d'investissement de 8595 MD : 16,4 % de ces investissements ont concerné le secteur de l'agriculture et la pêche 39,4 % le secteur de l'Industrie, 36,2 % les services dont 18,2 % pour les logements, et 8% ont été consacrés aux équipements collectifs .

En outre, la répartition par agent montre que le secteur public a réalisé la plus grande partie de ces investissements soit 56,1 %, tandis que les entreprises privées n'ont contribué que pour 27,5 % et les ménages pour 16,4%.

De la sorte, les investissements productifs à fort contenu d'emploi ne représentent que le 1/5 du montant global contre 2/5 pour les investissements productifs capitalistes et 2/5 pour les infrastructures et les logements.

#### - La consommation

La consommation qui a augmenté rapidement durant les 3 premières années du VI<sup>e</sup> plan a pu être maîtrisée depuis, grâce notamment à la modération des dépenses publiques et à celle de l'évolution des revenus salariaux. La consommation a ainsi progressé de + 4,2 % par an en moyenne sur l'ensemble de la période .

#### - Les exportations

Les exportations ont connu une évolution inverse sur la période :

- Evolution très modérée pour les 3 premières années (1,4 % pour les exportations hors énergie et + 2,2 % pour les exportations totales nettes des importations d'énergie).

- Reprise en 1985 et 1986 avec une progression annuelle de 6,2 % pour les exportations hors énergie et 3,2 % pour les exportations totales nettes des importations d'énergie ).

- Toutefois, l'évolution la plus remarquable concernerait plutôt la structure de ces exportations, puisque la part des exportations d'énergie qui était de 38 % en 1981 n'a représenté que le 1/4 des exportations totales en moyenne au cours du VI<sup>e</sup> plan avec une tendance nette à la baisse, tandis que le part des autres produits a sensiblement augmenté. C'est notamment le cas du textile dont la part est passée de 11 % en 1981 à 15 % en 1986 .

#### - Les finances publiques

Les dépenses publiques ont fortement progressé sur la période 1982 - 1984 : 17,1 % par an contre 14,7 % seulement pour le PIB à prix courants, du fait d'une intervention plus massive de la caisse de compensation, de l'aggravation du service de la dette avec la hausse du dollar, de l'augmentation des dépenses d'équipement et des hausses de salaire dans la fonction publique en 1982 et 1983 .

De la sorte et malgré le renforcement de la pression fiscale qui est passée de 21,5 % du PIB en 1981 à 23,3 % en 1984, le déficit budgétaire a augmenté de près de 63 % entre 1982 et 1984 .

Depuis, les pouvoirs publics ont déployé des efforts pour la maîtrise des dépenses, mais dont les effets ont été en partie atténués par une ramédiation des ressources consécutive à la chute des prix pétroliers. Ce qui , au total, débouche sur un déficit budgétaire important pour l'ensemble de la période représentant 6,4 % du PNB .

- La balance des paiements :

Durant les 3 premières années du plan, les importations de biens et services ont progressé beaucoup plus vite que les exportations (respectivement 10 % et 6,2 % par an , à prix courants ).

Cette évolution s'explique en partie par les pressions exercées par la demande intérieure et les difficultés rencontrées par les exportations, en partie, également, par les fluctuations des taux de change ainsi que par la détérioration des termes de l'échange.

A partir de 1985 et jusqu'à l'adoption du programme d'ajustement, les efforts des pouvoirs publics ont porté d'une part sur la rationalisation de la demande intérieure et la relance des exportations, d'autre part sur un contrôle rigoureux des importations .

Cela n'a toutefois pas permis de renverser les tendances puisque pour l'ensemble de la période, les importations se sont accrues à un taux (7,6 % par an ) plus élevé que celui des exportations (5,9%). Ce qui s'est traduit par un déficit courant cumulé de 2683 MD soit 8,7 % du PNB .

Par ailleurs, les fluctuations des taux de change expliquent en grande partie l'évolution du poids de la dette extérieure dont l'encours à presque triplé entre 1981 et 1986 passant de 1593 MD et 38 % du PNB à 4200 MD et 58 %, et dont le service a atteint en 1986 le 1/4 des recettes courantes d'exportation .

Tels sont, en bref, les principaux résultats qui ressortent d'un bilan provisoire de la quinquennie du VI<sup>e</sup> plan et qui se traduisent dans l'ensemble par des écarts importants par rapport aux prévisions des planificateurs .

C'est ainsi qu'à la lumière de ces résultats et des contraintes démographique , sociale, économique, et financière qui pèseront sur la Tunisie pour les années à venir qu'ont été établies les grandes orientations du VII<sup>e</sup> plan de développement .

2 - Les orientations du VIII<sup>e</sup> plan (1987 - 1991)

La politique de développement pour les 5 prochaines années devra répondre à 3 préoccupations majeures :

- Faire face au problème de l'emploi qui se posera avec plus d'acuité durant le prochain quinquennat au cours duquel la population passera de 7,5 millions à 8,5 millions d'habitants et la demande additionnelle d'emploi sera de 345.000 .

- Poursuivre la diffusion du développement dans les différentes régions de la République .

- Et surtout, maîtriser la balance des paiements.

En égard à ces préoccupations, les planificateurs estimant que le prolongement des tendances actuelles notamment en matière de demande intérieure conduirait à un déséquilibre et un endettement extérieurs insupportables et qu'une compression draconienne de la demande intérieure avec l'exportation comme moteur quasi-exclusif de la croissance, est une alternative peu réaliste ont retenu un schéma de développement intermédiaire qui essaie de concilier l'impératif de développement et de créations d'emploi avec celui du retour à une situation acceptable de la balance des paiements et de l'endettement du pays .

Les caractéristiques de ce schéma peuvent être ainsi résumées :

- Une croissance annuelle moyenne de 3,8 %, "tirée" par les exportations qui devront progresser au taux de 5,7 % par an à prix constants et par l'agriculture dont la valeur ajoutée est tenue de réaliser une croissance annuelle moyenne de 6,1 %.

- La maîtrise de la consommation dont la progression serait en retrait d'un(1) point de la croissance du PIB.

- L'orientation des investissements davantage vers les projets productifs peu capitalistiques et ceux porteurs pour l'exportation. A cet égard, il est prévu une intervention accrue du secteur privé et la répartition suivante selon les secteurs :

Agriculture	20 %
Industrie manufacturière	18 %
Industrie non manufacturière	16,3 %
Services et équipements collectifs	45,7 %

- La création de 250.000 emplois qui devraient couvrir près de 72 % de la demande additionnelle.

- La réduction des dépenses globale de l'Etat en termes réels de 1,2% par an .

- Une évolution modérée des importations ( + 0,9 % par an à prix constants ) qui, compte tenu des objectifs en matière d'exportations, ramènerait en 1991 l'encours de la dette à 51 % du PNB et maintiendrait son service à 27,3 % des recettes courantes, en moyenne .

Ces objectifs, plutôt modestes en terme de croissance et d'emploi pour un pays en développement, sont toutefois ambitieux eu égard aux contraintes qui pèseront pour quelques années encore sur l'économie tunisienne.

Leur réalisation dépendra dans une large mesure de l'efficacité des réformes préconisées pour le prochain quinquennat et dont les grandes lignes sont contenues dans le programme d'ajustement .

### 3 - Le programme d'ajustement structurel

Lorsqu'en 1986, la Tunisie entamait la dernière année de son VI<sup>e</sup> plan de développement économique et social, les résultats enregistrés à ce stade, notamment en termes d'emploi et de croissance, étaient très éloignés des prévisions .

Pourtant, ces résultats jugés par ailleurs satisfaisants au regard de l'environnement international - peu favorable aux pays en développement - qui a prévalu durant cette période, ont été réalisés au prix de vives tensions sur le plan financier se traduisant par une aggravation du déficit budgétaire et du déficit courant de la balance des paiements .

Ces tensions ont nécessité un recours accru aux emprunts extérieurs, ce qui allié aux révaluations enregistrées par les principales monnaies de règlement (dollar, deutch Mark, yen) et à une part plus importante de prêts à moyen terme aux conditions du marché, a sérieusement altéré la capacité d'endettement du pays .

L'encours de la dette qui se situait à 38 % du PNB à la veille du VI<sup>e</sup> plan, atteignait 47 % de ce même produit à fin 1985 , tandis que le service de la dette passait de 14 à 22 % des recettes courantes d'exportation. De même, les avoirs extérieurs nets qui couvraient en 1981 près d' 1 mois et 1/2 d'importation de biens et services, ne correspondaient fin 1985, qu'à 1 semaine et 1/2 .



Cette situation devait s'aggraver durant les premiers mois de 1986 en dépit des mesures décidées notamment pour la compression des dépenses publiques et des importations et pour la promotion des exportations ; et ce en raison des retards de mise en oeuvre des mesures préconisées et surtout de la conjonction d'un certain nombre de facteurs défavorables :

- La chute brutale des prix du pétrole dont le niveau est passé de 30 \$ le baril à moins de 10 \$ durant le premier semestre 1986, et qui s'est traduite par une moins-value importante des revenus pétroliers.

- Les événements intervenus dans le bassin méditerranéen qui ont compromis la saison touristique.

- Les conditions climatiques particulièrement défavorables qui ont affecté les récoltes de céréales .

C'est dans ces conditions qu'a été décidée la mise en oeuvre d'un programme d'ajustement structurel soutenu par le FMI et la Banque Mondiale, alternative jugée préférable à une compression draconienne des importations - aux effets fortement déflationnistes - de même qu'<sup>un</sup> à recours plus important aux facilités d'emprunt qui déboucherait à terme à l'insolubilité du pays.

Lors de la présentation d'un projet de loi de finances rectificative, le 19 août 1986, le premier ministre déclarait devant la chambre des députés : "le gouvernement... a pris l'initiative d'établir un programme économique et social intégré, comportant des mesures d'ordre conjoncturel, rendues obligatoires par la nécessité de rétablir avec la célérité requise, les équilibres financiers de base .

Le programme introduit, également, des réajustements substantiels qui visent à améliorer le fonctionnement des rouages économiques pour les doter d'une souplesse et d'une efficacité propres à permettre , dans peu d'années, la relance de notre économie sur des bases saines et durables ".

Ces propos illustrent le schéma général du programme envisagé et qui à partir du constat que les difficultés rencontrées durant les dernières années ne sont pas uniquement conjoncturelles mais que certaines d'entre elles seront appelées à s'accroître, prévoit outre les actions à court terme, des mesures portant sur le moyen terme. Parmi les contraintes structurelles qui pèseront sur l'économie tunisienne durant les prochaines années, on peut citer :

- La balance énergétique dont l'excédent serait à défaut de nouvelles découvertes graduellement résorbé et qui deviendrait déficitaire à partir de 1990 .

- La dette extérieure dont le service, en se limitant aux prêts déjà contractés, devrait accaparer pour la période 1987 - 1991 près du 1/4 des recettes courantes d'exportation prévues .

A court terme, le programme d'ajustement prévoit des actions qui couvrent une période de 18 mois, et dont l'essentiel est contenu dans la loi de finances rectificative de 1986 et le projet de budget économique de l'Etat pour l'année 1987 . Elles concernent :

- l'ajustement du taux de change (dévaluation de 10 % )
- la mobilisation des ressources extérieures nécessaires à la couverture des besoins pour la période 1986-1987.
- La maîtrise des dépenses publiques et la mobilisation de ressources propres additionnelles afin de réduire le déficit budgétaire .
- La politique monétaire : limitation de l'expansion de la masse monétaire, libéralisation des taux d'intérêt pour les secteurs non-prioritaires, encadrement du crédit .

Le second axe du programme d'ajustement concerné les mesures préconisées pour le moyen terme et plus précisément l'horizon 1991. Ces mesures destinées à réduire les rigidités qui caractérisent l'économie tunisienne, stimuler et responsabiliser les agents économiques et surtout rétablir les équilibres extérieurs du pays à des niveaux raisonnables s'articulent autour de deux préoccupations majeures :

- La promotion des exportations
- La maîtrise de la demande intérieure avec ses 2 composantes investissement et consommation .

Les réajustements prévus à cet égard touchent les instruments essentiels de la politique économique dans les domaines des prix, du commerce extérieur, de l'investissement, des entreprises publiques et de la fiscalité.

- La politique des prix

Il s'agit, pour les prix industriels, d'éliminer progressivement la réglementation à laquelle ils sont soumis et qui n'est pas de nature à favoriser l'esprit de compétitivité ni l'utilisation optimale des capacités de production .

En ce qui concerne les produits subventionnés, la politique suivie tendra à éliminer dans un délai raisonnable les subventions accordées aux intrants agricoles et à certains produits ayant un impact indirect sur les prix à la consommation, tandis que seront maintenues les subventions pour les produits sensibles (pain, céréales, huile).

- Le commerce extérieur :

L'orientation, là aussi, sera vers la libéralisation. D'une part, les restrictions quantitatives à l'importation seront graduellement levées : pour les matières premières et demi-produits dans un premier temps, puis pour les biens d'équipement, et enfin de parcours pour les biens de consommation.

D'autre part, la protection du marché intérieur sera aménagée - par la réduction et l'uniformisation des tarifs douaniers - de manière à stimuler la compétitivité des producteurs tunisiens et à les orienter vers les marchés extérieurs.

- Les investissements

Le cadre juridique de l'investissement industriel sera révisé. Ainsi l'agrément préalable auquel étaient soumis les projets industriels sera supprimé et les avantages seront accordés sur une base plus sélective en fonction de critères relatifs aux efforts d'exportation, de décentralisation et de transfert technologique .

- Les entreprises publiques

Le secteur public ayant atteint des dimensions disproportionnées et faisant peser par ses déficits cumulés un poids de plus en plus lourd sur le budget de l'Etat, l'orientation dans ce domaine sera vers la cession totale ou partielle au secteur privé des participations de l'Etat dans les activités non-prioritaires et non stratégiques.

- La fiscalité

Le système d'imposition sera refondu dans le sens d'un remplacement des nombreuses taxes indirectes par une taxe unique assise sur la valeur ajoutée de manière à disposer d'un outil plus efficace d'incitations et de mobilisation des ressources .

Parallèlement, la fiscalité directe sera aménagée par la simplification et l'allègement des taux d'imposition.

Telles sont les grandes lignes du programme d'ajustement qui devraient permettre la réalisation des objectifs quantitatifs du VII<sup>e</sup> plan et préparer l'économie tunisienne à un nouveau cycle de développement.

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BLUE PLAN SCENARIOS FOR THE MEDITERRANEAN

by

Michel Grenon

THIRD CONFERENCE ON THE MEDITERRANEAN WORLD' S CROSSROADS:  
THE APPROACH TO MEDITERRANEAN DEVELOPMENT

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This paper, concerning the scenarios developed in the Second Phase of the Mediterranean Blue Plan, is in two parts:

Part I - Some Results of the Scenarios

Part II - Background and Methodology

Part I - Some results of the Scenarios

The levels of Mediterranean populations in 2025 could be between 520 and 570 millions inhabitants. The difference between the two extremes is about equivalent to the populations of present Egypt or Turkey. The actual levels will depend of the development achievements in 2025. Such figures give a first idea of possible consequences on the future income per capita, unemployment, health needs, education, housing, infrastructures and energy requirements, and of probable pressures on the soils, water resources, forests, and especially on the coastal areas of the Mediterranean.

Using the medium value of 545 millions inhabitants, the Northern

countries of the basin (from Spain to Greece) will represent only one third of the total in 2025, as compared to two thirds in 1950 and about one half now. In sharp contrast, the Southern and Eastern countries of the basin (from Morocco to Turkey) will represent in 2025 nearly two third of total population, two times more than to day, and almost five times more than in 1950.

Although, as above, to study unemployment was not the objective of Blue Plan, the scenarios occasionally provided some results about this problem: no one scenario offered any promising solution...

In all the scenarios, urbanisation will continue at a high rate: near saturation (70 to 80%) for Northern countries of the basin, approaching such for Southern and Eastern countries (most of them being presently between 40 and 50%). Depending on the scenarios, the modes of this urbanisation will be somewhat different: "megalopolis" almost impossible to control for the trend scenarios, development of small and medium cities in the alternative scenarios, with better space distribution.

Total urban populations will most probably be between 377 and 443 millions in 2025, as compared to about 200 millions to day. The difference between the two extreme scenarios is equivalent to no less than 6 or 7 Cairo's of to day. All the studies have shown how much all present efforts -although already very important- are largely insufficient to master the

tremendous problems associated with this exploding situation.

Within the food and agriculture sector, situations are dramatically different between Northern (with the EEC surplus problems) and Southern-Eastern countries (with food imbalance and serious threats of growing shortages). No scenario was really able to solve completely the food problems of Southern countries. Two ways to increase the value of agriculture production have been explored: intensification without changing the structure of the production, and intensification with a progressive change of the structure of production with more high value products and increase of the exchanges. In all cases, intensification of production is mandatory, with varying degrees of industrial inputs: irrigation, fertilisers and pesticides, tractors, etc. This means that intensification will highly depend on gains of productivity in the industrial sector, and no intensification could progress without parallel progress in upstream and downstream industrial sectors. Depending of the scenarios, increases of the value of the production in Southern and Eastern countries by factors between 3 and 6 can probably be achieved, assuming mandatory technological progress (in irrigation, fertilizer and pesticide utilisation, control of seeds and genetic varieties, etc).

In most of the Southern countries, water is a major problem. If irrigation trends continue, say 200.000 additional hectares every year, water requirements will increase about 2 billion cubic

meters per year for the whole basin. If there is no limitation for various countries, this is not true for some Southern countries, ... there will not be enough water for agriculture AND urban requirements. Traditional agriculture will not be able to pay the high price of transferred water or of non conventional water resources (fossil water, desalination, etc).

In addition to the water problem, expansion of agriculture (because of the high pressure of growing populations) on marginal lands will dramatically increase soil erosion and lead finally to a decrease of available soils. According to FAO, there is as much land being lost by salinisation of soils than actually gained by the progress of irrigation.

This is why finally some of the scenarios foresee food imports (cereals and others) of 100 million tons around 2000, most of these for the Southern countries of the basin.

Concerning industry, it is worth to remind that in 1950 the Mediterranean countries' share of world industrial production was less than in 1929, and many experts were diagnosing a definitive decline of the region. In fact, after 1950 the region (and many of its countries) have witnessed an industrial growth rate higher than world average.

In Northern countries, major trends point to a continuing decline of classical industries (steel, cement, fertilizers, some



petrochemical, and possibly aluminum), and growth of new industries, the growth rate of which will depend on future relationships between Europe, USA and Japan. Many of these new industries could settle in the Mediterranean coastal areas, and a sub-scenario has imagined Andalucia as a European California or new Silicon Valley...In fact, there is much less possibilities for industrial development in the North than in the Southern and Eastern countries.

In these countries, the increase of populations will create tremendous needs of manufactured goods. Steel and cement production will probably overpass Northern levels after 2000: 50 million tons of steel, compared to 30 millions for the North, and 110 million tons cement compared to 90 millions or less. Petrochemistry will probably not change very much in the North, but here again, although it is more difficult to give a date, Southern and Eastern capacities will probably overpass those of the North.

All these achievements will vary according to the level of possible cooperation between the two sides of the Mediterranean, and, in case of the alternative integration scenario, will depend also of South-South cooperation.

But all these developments will also highly depend on availability of commercial energy. At the global level, the scenarios do not foresee a big increase of world oil production,

with two possible levels: 3 and 3,5 billion tons per year, but such a production will be able to last, in some cases, longer than the time horizon of 2025. Developed countries would stabilize, and possibly decrease their consumption, and developing countries would be able to increase slowly their share. A major trend of the energy sector in the Mediterranean basin will be the continuation of electrification, although at a slower rate than in recent years. Part of this progress of electricity will rely on coal imports till the year 2000. After 2000, a major -and most difficult- choice will be between coal and nuclear, assuming a new start of nuclear in industrialised countries. Anyhow, in 2025, there may be some 200 thermal power plants sited on the coast, from Morocco to Turkey.

Some of the scenarios give to natural gas a much greater role than to day, especially in the Southern and Eastern countries, with an expansion of transmediterranean gas lines between North Africa and Europe through Sicilia Channel and through Gibraltar.

One result of world fossile energy consumption could be a warming of global climate due to greenhouse effect of CO<sub>2</sub> (and other industrial gases), with an increase of Mediterranean sea level between 0,40 and 1,20 meter in 2025- 2030. Some thoughts have been given to this possibility, jointly with UNEP Regional Seas Program.

Finally, it is worth to mention that tourism is, and probably

will remain one of the most dynamic sectors in the Mediterranean basin. The scenarios give between 320 and 670 million international and national tourists in the Mediterranean countries in 2025, half of them on the Mediterranean coast (hopefully, not all of them at the same time...)

#### WHAT NEXT?

All these results will be discussed in coming months with the Mediterranean countries, together with the results of their own scenarios, aiming to a closer integration.

In September 1987, the representatives of the Contracting Parties to the Barcelona Convention will have to decide on the possible continuation of the Blue Plan. This could take various paths, from a continuation and deepening of scenarios, to concentrating more on possible items, such as energy, and searching for an active and operational cooperation.

One last comment. The scenarios have been defined two years ago, beginning of 1985. It was questionable to include what did appear as a rather pessimistic, WORSE TREND Scenario. Unfortunately, would we have to start again to day, this WORSE TREND scenario would probably be the REFERENCE TREND scenario. This could show, if ever necessary, the urgency for Mediterranean cooperation.

## Part II - Background and Methodology

At the end of the sixties, when economic growth was still steady in many countries, the effects of this expansion on the environment had started to be cause of concern in most parts of the world. As a result, the United Nations Environment Programme (UNEP) was established following the Stockholm Conference on the Environment in 1972. One of the first prospects to be launched within the framework of this programme was entitled "The Health of the Oceans", which soon became centered on the "Regional Seas".

At the same time, others were focusing on the possibility of "the death of the Mediterranean, mother of civilisation".

This concern, together with the implicit geographical solidarity of the countries bordering the Mediterranean and the need to tackle pollution hazards upstream, led to the establishment of the Mediterranean Action Plan (MAP) in 1975. In addition to a legal component and a research component (MEDPOL), it included an economic and social planning component: notably the Blue Plan, a series of prospective studies on the Mediterranean basin regions

and on the relationship between development and the protection of fragile environments, which was launched at Split in 1977 during an intergovernmental meeting.

When the Blue Plan began its studies at the end of 1980, world economic growth had been upset by the two oil shocks of 1973 and 1979. Since then economic recovery, employment and, for some countries, debt were to become overriding priorities. Nevertheless, and up to now, Mediterranean countries have never decreased their interest and their support to the Blue Plan, which enters its last, third phase.

This paper will present shortly Blue Plan history and organisation, and will focus on the Mediterranean scenarios and their main results. Although Blue Plan (or similar programs) can now address itself to a lot of economical and environmental problems, it must be stressed that it was NOT the objective of Blue Plan to study food imbalance, or unemployment, but only to try to estimate the relationships between various development policies and Mediterranean resources and environment.

#### BLUE PLAN PROGRESS

The work which began in 1980 was divided into three phases.

The first phase was exploratory: a set of twelve sectoral and "transversal" expert reports was prepared by twelve two-man teams

comprising one expert from the north and the other from the south of the Mediterranean (a very important rule for the research).

The second phase started in spring 1985, to last two years. Most of the work was carried out by a reduced central team (in Sophia-Antipolis, near Antibes), under the guidance of a scientific director, and assisted by Mediterranean consultants incorporated (or not, depending on the subject) into specialized working parties on agriculture, industry, tourism, transport, etc. The scientific director was also assisted by a "Study Group on Mediterranean Scenarios", an open group of some twenty independent scientific or economic experts from various Mediterranean countries. This last Group met four times, and it should be noted that within the Group the basic choices for defining the scenarios were always made through consensus.

On the basis of the Group work, and as has been decided at intergovernmental level, the Blue Plan team prepared a "Guide for the Formulation of National Scenarios". This guide was forwarded in mid-December 1985 to the technical correspondents appointed by all the countries, responsible for the national scenarios.

The first reports on the national scenarios started to arrive at the end of 1986 and they were taken into account in the global studies prepared by the permanent team and its consultants, and finally covering population, macroeconomic development, urbanization, agriculture, industry, energy, tourism, transport,

environment/ development relationships, specific impacts on coastline, etc. These global studies were always undertaken for all countries and concentrated on the Mediterranean regions when the availability of data so permitted. At the same time, factual and economic data banks were prepared by the permanent team, and can be made available to interested persons.

Although there were some delays, it is very significant that most of the countries did commit themselves to this exercise, true to the interest expressed ten years before in Barcelona in 1976 to "study thoroughly together" development requirements, the best use of resources, and good long term management of the Mediterranean environment.

It is hoped that this study will be deemed useful to all the governments involved and to all those concerned. Experience shows, however, that relationship of this kind acquire full importance only when they are followed by individual or collective decisions and action and an increased awareness of certain major issues.

#### BLUE PLAN MAIN SCENARIOS

During the second phase of the Blue Plan, a certain number of development/environment scenarios have been established. Such scenarios necessarily include arbitrary hypotheses. The most important criterion was to be able to explore a large range of

possibilities and to ensure a minimum of logic and a maximum of consistency. The figures which provided the basis for quantifying the hypotheses, and the figures in the ensuing results should not deceive: only orders of magnitude count, only the insight which may stem from them is meaningful. It is not a matter of forecasting but of exploration.

The figures on individual countries, intended to help pinpoint problems, were for the most part obtained from rational econometric relationships, considering as far as possible the most recent situation. Whenever possible, these figures were discussed with the countries concerned and corrected if necessary.

This kind of exercise requires working at several levels: international, regional, national, subregional and local. The transition from one level to another was not a one-way process, but implied moving up and down depending the analysis.

Horizon 2000 (long term) and 2025 (very long term) were chosen. These horizons, however, must not be considered as identical: many things that will happen in 2000 are already underway, and assumptions for this date could be fairly accurate. Beyond 2000, prospects are much more open, although certain phenomena (such as the depletion of certain resources) are likely to occur during the first quarter of the next century. Setting the horizon at 2000 would have concealed phenomena which will have very



significant consequences. Naturally horizons 2000 and 2025 involve uncertainty, and the further away the horizon the greater the uncertainty.

The first matter to deal with when tackling the formulation of the scenarios was to decide in which areas or on what themes to make hypotheses. These areas or themes, which play the role of variables (in the broadest meaning of the word) in the scenarios are called "dimensions". They must be both the most meaningful for the future evolution of the system studied and sufficiently uncertain to admit different future outcomes. Five main "dimensions" were selected:

- the international economic context,
- the Mediterranean populations and their movements,
- national development strategies,
- space management,
- consideration of the environment.

Various contrasting hypotheses, which seemed the most meaningful, were defined on the basis of these dimensions. Each of the FIVE scenarios selected was characterized by a certain combination of these main hypotheses, the most important aspect being the formulation of the hypotheses into a coherent set.

Two kinds of scenarios were defined:

- trend scenarios

-alternative scenarios.

Generally speaking, trend scenarios describe evolutionary processes which do not radically depart from trends observed up to now (policy trends, and not necessarily statistical trends). Alternative scenarios, on the contrary, describe evolutionary processes which diverge from the trends observed up to now, and are characterized by a more goal-oriented attitude on the part of Mediterranean governments both at domestic and international level.

The economic engine of the trend scenarios is the expansion of an international market characterized by American-Japanese economic and technological predominance. American dynamism enables United States to maintain a lasting advance over Europe in leading technologies. In this context, whether from a political, economic, cultural or other point of view, Europe has not managed to assert itself as much as it would like. Likewise, in the Mediterranean, individual countries adapt more or less both in the North and the South to this "Pacific" predominance.

In these circumstances, it seemed necessary, given the uncertainties, to identify three trend scenarios which would differ from one another according to the extent to which the above pattern develop. In the WORSE TREND scenario, international economic growth would remain weak, especially because the dominant partners in the world economy are unable to co-ordinate their policies in the political, financial and macroeconomic

area. Consequently, the problem of Third World debt in particular would remain acute during a long period. On the contrary, in the MODERATE TREND scenario, a better co-ordination of economic policies between the European Community, the United States and Japan makes it possible to achieve comparatively stable economic growth. The REFERENCE TREND scenario is situated between these two relatively contrasting scenarios.

The main feature of the two alternative scenarios is greater self-assertion on the part of the Mediterranean countries. This is facilitated by the formation of a multipolar world structure in which Western Europe, the United States, the USSR, Japan and perhaps one or two other countries or groups of countries assert themselves. In particular, political Europe is more assertive, although playing a different role in the two alternative scenarios.

The two alternative scenarios differ inter alia through the kind of relationship established among the countries of the Mediterranean basin, namely:

-for the ALTERNATIVE REFERENCE scenario, a "Mediterranean" concept of relationship between countries bordering the basin, the EEC and other Mediterranean countries, whether heavily industrialized or industrializing, attempting to forge together a region of harmonious development with an optimal opening to exchanges and agreement on migratory flows. In this scenario, Mediterranean exchanges flow North-South, since the European

Community has a certain spillover effect.

-for the ALTERNATIVE "INTEGRATION" scenario, a more "regional" concept of these relationships, including economic cooperation involving preferably groups of countries, e.g. the countries of the enlarged EEC, the Maghreb countries, the Arab East, etc, with maximal opening to exchanges and migration within these groups, while maintaining certain barriers between these groups, since countries may wish to protect themselves from external influences. In this scenario, the role of the European Community is comparatively less predominant and the countries bordering the basin which are not members of the EEC manage to establish comparatively well-integrated subgroups.

In both cases there is a certain degree of Mediterranean autonomy, looser in the alternative integration scenario, but perhaps more effective at the beginning in terms of growth in the alternative reference scenario because of the economic and technological weight of Europe.

Development strategies in the alternative scenarios may be termed "self-reliant", understood here as the search for complementarity between the development of a "modern" sector, inspired by that of advanced developed societies, and the development, within urban societies, of small and medium-sized business in the formal and informal sectors.

The self-reliance concept also implies reduced dependence, food

or other, including the adaptation of behaviour and of life-style or trends, whether at the level of individual or of collective consumption. The two alternative scenarios therefore assume a greater mobilization of Mediterranean resources, within the framework of a more goal-oriented approach and a more determined struggle against waste and resource degradation -all areas in which innovation has a major role to play- as well as long term growth in intra-Mediterranean exchanges. Also, preference is given systematically to non-polluting or limited-pollution manufacturing processes, biological processes, water-saving irrigation methods, or "systemic" solutions rather than purely mechanical ones.

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ENERGY CO-OPERATION IN THE MEDITERRANEAN

by

ROBERT MABRO

THIRD CONFERENCE ON THE MEDITERRANEAN WORLD'S CROSSROADS:  
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## ENERGY CO-OPERATION IN THE MEDITERRANEAN

By Robert Mabro

### 1. Introduction

There are obvious complementarities between the southern and the northern shores of the Mediterranean. The South has hydrocarbon resources - oil and natural gas; it has a surplus of manpower; and it suffers from both capital shortages and problems of underdevelopment. The North is poorer in primary energy resources but has markets served by imports of fuel; it can export skills and technology, if not capital, it can also export goods and services demanded by the South.

Proximity helps trade and economic relationships when neighbouring countries have things to exchange. This is simply because transport costs are lower, and infrastructural links, be it pipelines or telecommunication cables, are cheaper than when the partners are thousands of miles away.

There are also historical links and cultural affinities between the people of the Mediterranean which can facilitate relations in ways that may be subtle or intangible, but that are nevertheless real.

Complementarities and comparative advantages induce, by themselves, trade flows and movements of factors of production. Labour from the South has sought employment in the North, and businesses from the North have sought opportunities for deals in the South. In energy, commercial links have existed for some time. Gas, oil, or both, are imported in varying amounts by most European countries in the Mediterranean from Algeria, Tunisia,

Libya and Egypt, and some European oil companies operate on the Southern shores of the Mediterranean, particularly in Tunisia and in Egypt.

Furthermore, when we consider energy, or more precisely oil, which is our main focus in this paper, we find that the Mediterranean or a much broader concept than the geographical one, as it includes other countries than the bordering states. For the Mediterranean is the locus of a petroleum market supplied by countries which are situated nearby, though outside the basin. Oil flows from the Gulf (also from the Soviet Union) into the Mediterranean; and the market for this oil has links with markets further away in North West Europe. These extensions of the Mediterranean concept must be borne in mind throughout because they have some interesting implications.

These preliminary observations raise important questions however. One may want to ask, first, whether the complementarities, which everybody can recognise, are inducing through the normal operation of economic forces the optimum type and the optimum volume of trade, investment, technological and factors of production flows. If they do, then the economic forces are better left to operate on their own momentum, and to produce by themselves beneficial outcomes which commerce and other exchange are expected to yield. We know, however, that the economic world is marred by imperfections and that there are institutional and political obstacles which stand in their way. We shall need therefore to identify these imperfections and obstacles and assess their significance.



The second set of questions relates to the concept of co-operation which must be defined in this context as policy measures, mutually agreed and coordinated by the economic partners, in order to remove some of the constraints that hinder the beneficial operation of economic forces. The case for co-operation has to be clarified and firmly established and its prospects assessed.

Finally, the third step is to explore concrete approaches to co-operation and to evaluate their feasibility. This investigation can only be tentative; at this stage one can only suggest ideas and open avenues for debate and research. A complete evaluation of possible projects or joint ventures which implement the idea of co-operation requires technical studies that are beyond the scope of a conference paper.

In short our purpose is modest. We only hope to stimulate discussion and thinking on complex issues which deserve attention but which cannot be immediately resolved. The road to enhanced co-operation, in search of greater mutual benefits for all the economic partners in energy, in the Mediterranean and beyond, is a long and arduous one. To recognize the difficulties does not provide a legitimate excuse for discarding the issue altogether. We are inclined to argue, rather, that the recognition of these difficulties signals that the task is urgent and that we need to engage the debate sooner, rather than later. For these reasons the Aspen Institute must be congratulated for providing the opportunity to raise and discuss these issues once more, and for the encouragement given to all those, many of whom are present here today, who have believed all along that the way to economic

betterment for the people of the Mediterranean is, neither a blind acceptance of the outcome of imperfect economic forces, nor conflict between unequal partners but an imaginative search for fruitful and mutually beneficial co-operation.

## 2. Imperfections and Obstacles

There is no need to elaborate at great lengths on the imperfections of the energy world. Oil-producing and oil-consuming countries have experienced three major upheavals in the past 15 years which have resulted in short-term benefits, sometimes to the producers, and sometimes to the consumers, but which have left everybody in the end with long-term scars. This is of course an universal phenomenon, not specific to the Mediterranean. We would submit, however, that Mediterranean countries benefited less than some others whenever the tide of events was in their favour and suffered more when the developments were adverse. The oil price rises of 1973 and 1979 did not bring to the Mediterranean producers - Algeria, Libya, Egypt and Tunisia, the significant wealth and benefits which they bestowed on other oil producing countries. This is largely because of the size and relative weakness of these economies. Both Algeria and Libya were then, and still are, small producers; while Egypt and Tunisia were not in a position to benefit in the 1970s from the oil price increases because the development of their petroleum sector then was still in its infancy. The Mediterranean oil-consuming countries suffered from the oil price rises more than most of their fellow brethren of the OECD simply because they were poorer, less industrialized, generally less

well-endowed with energy resources, thus economically poorer than the European countries further north, and than the two western and eastern giants, the USA and Japan. The oil price collapse of 1986 caused probably more damages to the economy of the Mediterranean producers, particularly Egypt and Tunisia, than to the rich Gulf States who could, and may continue for a while, to rely on the cushion of accumulated financial reserves. It benefited, however, the Mediterranean consuming countries - a fact which we need not gloss over - more than their richer brethren, simply because any relief is more welcome to those who were previously badly affected than to those who were less seriously hit. But this relief is associated with some costs arising from the impoverishment of the neighbours on the southern shores and the restrictions on trade and investment opportunities in the region.

A world in which the price of a major commodity is subject to sudden and very sharp shocks in both directions over a relatively short period of time is not one in which great reliance can be placed on the optimality of economic forces. Significant uncertainties and instabilities prevent the smooth and continuous operations of these forces. The Mediterranean countries, on their own, cannot prevent the occurrence of these shocks; they cannot remove the causes of instability. They are small players in a game, involving very big actors, very powerful factors and interests, and, let us be candid, very high stakes. The realistic option is not to attempt actions to change this world (although they can of course join forces with the bigger

powers, if these manifested any desire for doing something about it), but to find ways of mitigating the adverse effects to themselves of this unstable world. This calls for policies and actions of their own, in the region where their natural partners share common interests.

The imperfections of the energy world are not confined to the major structural problems which cause the price of oil, and by association that of all other fuels, to move up and down in sudden and sharp jerks. To be sure, these structural problems are the more serious ones, but there are others.

First the degree of market concentration in energy, although continually and considerably eroded in the past twenty years, is still high. The oil industry, for example, remains dominated by four or five major groups with US or UK parents. The oil companies of the Mediterranean countries of Europe - France, Italy, Spain to name the most important - are part of a competitive fringe. This feature has implications for the economic behaviour of these firms. Because they are small, relatively to the four or five giants, the firms at the fringe tend to be competitively aggressive because they seek to increase, however marginally, their market shares. We are not trying to say that economic competition is undesirable, simply that there is a difference between the competition that takes place in an oligopolistic structure with a fringe. In the former case everybody is a price taker and market instability arises from shifts in demand and supply which affect in the same way the whole industry. In the latter case, there is additional instability arising from the actions of the small firms at the

fringe. To give concrete examples say, in oil. It is the smaller firms that tend to engage in processing deals which play an important role at the margin in eroding oil prices. Let us stress that we are not passing here moral judgment, as these are irrelevant to the issues, but we are just describing a structure in which every agent, given the characteristics of this structure which he cannot change, acts in the way that suits best his economic interests. There is, however, another side to the coin. Small firms, cushioned to some extent by the oligopoly, are able to approach the investment decision in small countries, to engage in projects and in joint ventures in places where the opportunities appear limited in a more imaginative way and with a greater tolerance for risk than the oligopolistic giants themselves. The latter prefer to concentrate their resources and their efforts in the big territories which they hold and where they have already much at stake. In fact one often observes that the big firms tend to retrench and consolidate in the core markets abandoning their activities in smaller markets when the times are difficult. This happened in Europe itself where major oil companies gave up interests in Scandinavia and the Benelux creating an opportunity for KPC to implant itself. The small firms are well placed to increase their involvement in areas of lower priority for the giants; and we think that some such opportunities exist in the Mediterranean as elsewhere in the world.

The structure which characterises the oil industry has its exact counterpart for oil-exporting countries. There are big and

small players among these countries. The Mediterranean producers are not the bigger players. Their market behaviour, when it comes to sell oil, often reflects the imperfections of the structure. But because they are small, they have an interest in economic relationships with equal partners who can provide them with capital knowhow and access to markets.

Sometimes politics stand in the way of these relationships. In some countries the political philosophy does not allow foreign investors and requires that potential partners be kept in an arm's length, fairly distant relationship. In others, the bias goes in the opposite direction; there is a market preference for involvement with big firms or with the most advanced industrial countries on the grounds that one should go for the better known brand names. In one case the opportunity for partnership is blocked and in the other unequal partnerships tend to develop. Both tendencies, though radically different, can be explained or justified by legitimate arguments; but despite the differences and irrespective of any possible justification they represent serious obstacles to an expansion of fertile relationships between the north and the south in the Mediterranean.

### 3. The Cooperative Approach

Imperfect markets produce economic outcomes which make trading partners less well-off than they would otherwise be. Obstacles to the expansion of economic relationships restrict opportunities for the movement of labour and capital and the transfer of technology. The biggest casualty of this state of affairs is economic growth and development.

In the 1970s the oil-exporting countries of the south and more generally all countries in the southern Mediterranean enjoyed high rates of economic growth because of a boom in oil revenues and of the spill-over effects of these revenues on non-oil Arab countries. Unfortunately the pattern of economic development which was associated with this growth was far from being satisfactory. There was inflation; imbalances between economic sectors were accentuated, usually at the detriment of the main productive sectors such as agriculture and manufacturing industry; the qualities in the relative distribution of income became more serious in some countries despite the general improvement in standards of living; there was also much waste particularly in hasty investments in uneconomical projects. Some countries, such as Egypt, incurred a large foreign debt which is causing serious problems today.

During the same period, most European countries entered a period of recession. The smaller economies suffered more than the large ones from the oil price rise, but all of them became victim of a world recession which had a wide variety of causes (of which oil was but one) but which was entirely attributed to the oil price rise.

The oil price decline of the mid-1980s killed economic growth in the South. Both oil-exporting countries and their non-oil Arab neighbours are suffering, the former because of a drastic reduction in revenues; the latter because of spill-over effects. It would be wrong to think that because growth did not result in a very satisfactory pattern of development, economic stagnation will do the reverse and produce development. It just

would not for the simple reason that growth is a necessary, but as we have seen, not a sufficient condition for development to take place. If favourable circumstances could not just do the trick, one dare not think what unfavourable circumstances will do.

The oil price collapse does not seem to have led the countries of the North out of the recession. It relieved, no doubt, the balance-of-payments. But the potentially beneficial effects on growth seem to have been neutralized by the combination of conservative domestic economic policies and the unfavourable state of the world economy.

So in the 1970s some were better off for a while but were unable to take full advantage of the betterment and others were worse off; in the mid-1980s some are very significantly worse off, and those who were expected to gain something do not appear to have become much better off.

There must be something wrong in a world which produces such topsy-turvy situations. The objective of economic development is too important for the smaller countries of the world (the large industrialized countries with a mature economy can afford to show a lack of concern but nobody else can) to be allowed to become the victim of this state of affairs.

But what can be done? Of course, much can and has to be done internally. This is no doubt the most important task. But we cannot dwell here on this subject which is outside the scope of this paper. Our brief relates to regional, not to domestic issues, and we shall concentrate on them with the proviso that



our silence on the internal aspects does not imply that they are insignificant.

Thus, the formulation of the question changes and becomes: what can be done on the regional front? We believe that co-operation in this context can help the cause of development and bestow benefits on all the parties concerned.

However, we must first emphasize that co-operation does not ignore the important role that economic forces play and must be allowed to play. It is not a substitute but a complement. Its aim is not to supersede the market but to remove some of its imperfections and to bring into play countervailing forces.

Economic co-operation is about the establishment of a privileged set of relationships between countries which give each of them a stake in the economic development of the other. In practice this involves co-ordinated policies for opening-up markets and for facilitating movements of labour and capital, and the transfer of technology. It implies the creation of regional institutions animated by a regional perspective and an informed understanding of the potential of the region, and of the complementarities that exist between the various economies which constitute the region. More fundamentally, it pre-supposes an appreciation, which needs to be promoted because it is not yet fully recognized, that a strengthening of regional ties enables the countries involved to cope better with the shocks imparted by the outside world, and to limit the influence of bigger entities on their own fortunes. And the motivation for all that can only be the belief that co-operation brings mutual benefits that are distributed in a fair

manner between the parties concerned.

### Co-operation Energy

Co-operation in energy must be conceived in the broader framework of co-operation for economic growth and development. The rationale of this broad conception includes at least three main elements. The first is that economic growth and development are fundamental objectives for all the parties concerned, and that energy is but a particular sector, one among several that can be instrumental for that purpose. The second is that any action on the energy front, whatever its purpose, has wide repercussions outside the energy sector, and therefore either favourable or adverse "external" effects which must be taken into account. The third is that the mutuality of interests between the south and the north is much more substantial, and becomes increasingly more substantial, in a growing than in a stagnant world. The interests of the north are enhanced when economic development takes place in the south, and the interests of the south can get a boost from economic growth in the north, assuming that economic links do exist between the various countries on both sides of the divide.

Practical means to achieve cooperation in energy and development cannot be devised in the abstract. We must first identify a set of needs, secondly define specific frameworks for co-operation, and thirdly examine the feasibility of specific proposals.

On the energy front, the southern Mediterranean countries' needs are as follows:

- The discovery of new hydrocarbon reserves (both oil and gas) and the full development of their old and new reserves. This involves various challenges. In Egypt and Tunisia where the need to take maximum advantage of their natural resources is evident, the challenges are to find ways of exploring and bringing to economic use small oilfields and to develop gas reserves for the internal market. In Algeria, and perhaps Libya, more can be done on the exploration front to add to known oil reserves. The challenge, here, is to find ways of associating foreign expertise with the activities of the national oil companies without infringing on the full national autonomy of the state company. Increased hydrocarbon supplies in the southern Mediterranean will provide much needed foreign exchange for countries such as Tunisia, Egypt and Algeria, which face balance-of-payments problems and an economic crisis which bode ill for their economic development prospects in the next 5-10 years. Tunisia needs help to go ahead with gas projects which have been shelved despite their potential value for the economy (companies find them unattractive in the present climate); and Egypt, despite considerable progress achieved recently, has still much work to do in promoting gas development upstream and its economic uses in internal downstream markets. It is a sad reflection on the state of the energy world that Egypt had to concede so much to foreign oil companies to induce an interest in its gas.

- Training of skilled manpower and improved absorption of technology. This is better achieved in the framework of joint ventures with specific provisions for co-management, training programmes, the transmission of technological information and for

schemes ensuring that local staff become familiar with the imported technology.

- Investments in energy-related industries. These may range from petrochemicals at one end of the spectrum to industries providing equipment, maintenance and other services to the energy sector at the other end. We are not advocating here huge investments in large petrochemical plants producing commodities which may already be in abundant supply in the world market but a selective approach which identifies particular products in which the southern Mediterranean countries may have a comparative advantage.

- Outside oil and gas, the energy sector that requires most attention is electricity. There is too much waste in the generation, and particularly the transmission of electricity in most developing countries. The southern Mediterranean is not an exception to that general observation. The planning of the electricity sector leaves also much to be desired. There is room here for an expert contribution to the search for greater efficiency and better planning.

- Furthermore, there is a crying and very urgent need to improve the performance of the agricultural sector in all the southern Mediterranean countries. This is a vast problem but some of its aspects relate to energy - namely more efficient, and in many cases more intensive use of fertilizers, the more extensive distribution of electricity needed for irrigation, and the development of wind and solar energy sources for small application (pumps, etc.) on the farms.

- Finally, the southern countries need a secure market for their gas and oil exports.

The needs of the northern European countries are different but complementary.

- The oil companies of these countries have an international vocation and operate outside the domestic confines. An expansion of their activities in the southern Mediterranean where the prospects of finding oil and gas are still good and where technical co-operation with the national oil companies of the exporting countries could involve mutual advantage seem desirable.

- The north needs markets for its industrial goods and for a wide range of services, from construction to finance, which the south can provide particularly if economic cooperation increases its own prosperity.

- The north which is a net importer of oil and gas needs greater security of supplies and would benefit from the establishment of stable, long-term export relationships.

- The north has capital and technology in search of outlets not only in energy but in other sectors such as industry and agriculture.

- Finally the work can benefit in the long run from regulated movements of labour between the shores of the Mediterranean. The present recession and the high levels of unemployment (particularly in Spain, Italy and Greece) have closed opportunities for migration from the south. But this situation is likely to change in the future, and prospects for labour flows, in both direction, could slowly improve.

Having identified the needs of potential partners for co-operation, let us now try to identify possible frameworks for this co-operation. Ideally, one would like to see the establishment of a regional organisation of Mediterranean states with a mandate to explore means and modes of regional economic cooperation. This may not be achieved immediately. Governments have to be persuaded that such an organization is both necessary and useful. Political will must be promoted and strengthened, differences of views ironed out, and constraints arising from the existence of other organizations (such as the EEC in the north and OPEC which counts two southern Mediterranean countries among its members) explored and their implications sorted out. But unless the idea is floated, and unless persons of standing and goodwill adopt the idea and work hard for its implementation, nothing will ever happen. After all the EEC owes much to the vision of individuals such as Monnet and Schuman, and OPEC to that of Peres and Tariki. Those who may become the Monnets or the Tarikis of the Mediterranean are perhaps in this room.

At the macro-level co-operation requires more than the removal of trade barriers. It involves preferential arrangements for the flows of capital and labour and the transfer of technology. In oil and gas, one needs to explore a "security pact" through which the north will help to develop the resources of the south on terms which are economically more favourable to the producing countries than those capable of attracting the majors and US independents in exchange for supply contracts with protection clauses against disruption in times of oil market

crises. In other words, the south will guarantee its supplies to the north in the event of disruptions arising in other parts of the world.

At the micro-level the most fruitful framework for co-operation is the joint-venture. These ensure co-operation of management, capital and labour, but also access to markets. The scope of joint ventures should not be restricted to export projects. Projects, in natural gas for example (but the examples can be multiplied), which serve internal markets are also candidates for joint-ventures despite difficulties which may arise as regards the convertibility into foreign exchange of earnings in domestic currency and the repatriation of profits. Joint-ventures should not all be located in the south. There must be reciprocity and the opening up of opportunities for joint-ventures in the north. Thus one can envisage a parallel development of upstream activities by European companies in the southern Mediterranean and of downstream marketing in Europe by the national oil companies of the south. Of course, these developments will not happen overnight because of several major impediments; but they should be allowed in the concept of co-operation from the outset.

But what is realistically feasible in the field of co-operation? We doubt whether one can just find many well-studied projects and ready-to-implement ideas off the shelf. At this stage it is only possible to make a shopping list of suggestions for appraisal by the parties concerned. The list groups ideas under different headings:

#### A. Institutional

1. Study means to promote the concept of Mediterranean economic co-operation to a set of governments: Spain, Italy, France, Yugoslavia, Greece, Turkey, Portugal, Cyprus and Malta on the one hand; Morocco, Algeria, Tunisia, Libya, Egypt, Syria, Lebanon and (why not) Jordan on the other.
2. Launch the idea of regular informal meetings between heads or high officials of oil companies in the Mediterranean.
3. Commission a review and up-dating of studies on the economic potential and economic links in the region.

#### B. Hydrocarbon Development

1. Study the potential of an expansion of gas trade in the Mediterranean including both south-south and south-north trade.
2. Study opportunities for gas development for internal markets in Tunisia, Syria and Egypt with the participation of European companies at least upstream.
3. Explore the prospects of an energy security pact involving an increased involvement of European companies in the development of oil resources in the southern Mediterranean.
4. Investigate the feasibility of a small downstream venture in Europe.

#### C. Other Energy

1. Provision of consultancy services and eventually technical help for the improved efficiency of the electricity sector.
2. Development and promotion of techniques for the use of wind and solar energy in agriculture and small industries.



D. Industry

1. Identify projects in the petrochemical and other sectors (engineering, textiles, etc.) suitable for joint ventures.
2. Development of training schemes in European industries for managers and skilled workers from the south.

E. Policy

1. Establish task forces to survey existing institutional and policy barriers to economic cooperation and to propose remedies.



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STATEMENT BY:

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"OPPORTUNITIES FOR THE AGRICULTURAL DEVELOPMENT"

THIRD CONFERENCE ON THE MEDITERRANEAN WORLD'S CROSSROADS:  
THE APPROACH TO MEDITERRANEAN DEVELOPMENT

Barcelona 22-23 June 1987

PALAU DE PEDRALBES

BARCELONA, 22-23 JUNE, 1987

## OPPORTUNITIES FOR AGRICULTURAL DEVELOPMENT

### 1. Introduction

The Mediterranean is a unique meeting place for cultural, historical, political and economic events. Today, it is probably one of the most strategic areas in the world, for the following reasons:

- The North Mediterranean countries are all members of the EEC, candidates for same (Turkey) or members of NATO. And those in the East play an essential strategic role.
- It is the area through which the European Economic Community has direct, geographical boundaries with the CMEA, the Third World and the OPEC.
- It is the meeting point for the three, great, world religions: Judaism, Christianity and Islam, which makes any project for cultural unity difficult.
- Historically, the EEC countries and those of the South Mediterranean have maintained a close relationship of interdependence during recent times.
- It has been a backcloth against which international powers have recently been in dialectical conflict and where the struggle between terrorism and anti-terrorism constantly appears.

- It is, finally, a region of fragile balance, where the confrontation between rich and poor has its natural and historical scenario.

The extension of the European Economic Community by Spain and Portugal's recent entry brings about a greater balance between North European economies and the Mediterranean, thus opening up new opportunities for the countries in this area.

## 2. The Economic Inter-relationship

Economic relationships between EEC countries and those of the South Mediterranean are, today, close but unbalanced:

- \* Exports from the EEC to South Mediterranean countries represented, in 1985, approximately 1.5 of the EEC's GNP. However, this percentage does not reflect the true magnitude of the export flow because, if this is considered in ECUs, we find that exports to Mediterranean countries have a similar volume to those made to the USA or Canada.
- \* On the other hand, the economic dependence of Mediterranean countries on the EEC is great. Of these, four countries (Morocco, Tunis, Egypt and Malta) sent more than 50% of their total exports to the EEC and in six countries (Algeria, Lybia, Israel, Cyprus, Turkey and Yugoslavia) this percentage was between 25 and 50%. However, these percentages do not reflect the true nature of their inter-dependence.

If oil and mining products are eliminated, the dependence of Mediterranean countries on the EEC changes radically. Exports to the EEC, now, in percentage of the exporting country's GNP, change as follows: Malta 30%, Israel 9%, Tunis 8.6%, Cyprus 6%, Yugoslavia 5%. All important oil exporting countries then show a percentage lower than 2%.

Finished products represent, in fact, two thirds of exports, excluding oil and minerals, from the South to the EEC. Nevertheless, there are three countries in which agricultural exports are higher than their mineral or finished products: Cyprus (58%) Turkey (48%) and Morocco (38%). In order of importance, in as far as the percentage of exporting country's GNP in food products to the EEC is concerned, they are: Cyprus 4%; Israel and Morocco 3%, Tunis 2% and Turkey 1%.

If, finally, we take into consideration agrarian exports from the Mediterranean countries to the EEC, we see that, not only are they greater than those from the Community, but also that these countries absorb the sixth part of milk exports from the EEC and the third part of cereal exports.

### 3. Agricultural Perspectives

Both the North and South Mediterranean have been able to develop a more or less flourishing agriculture. However, if in the Northern area problems of abundance and surpluses have arisen, much of the South

Mediterranean still needs to increase its production. The problem is that some products are produced in great quantity in both areas. And for those of which production within the EEC is lower, exchange possibilities do not derive from their competitiveness, but rather from the high protectionism of European agriculture.

The European Economic Community spends more than 20,000 Million ECUs a year on its agricultural policy. And its surplus of sugar, powdered milk, butter, wines and other products, together with the highly protective structure of certain markets, makes the inter-relationship between the two zones difficult. And the above is in spite of the agreements and treaties that the Community holds with certain countries and the ACP (Africa, the Caribbean and the Pacific) Agreements. These agreements grant privileged treatment to those geographical areas.

Under the present circumstances in which the EEC is revising its agricultural policy (CAP) in an attempt to open up to foreign markets, South Mediterranean agriculture should be presented with new opportunities for growth. But it must not trust only in this aperture.

Over the last decade, the agricultural sector has undergone an almost world-wide evolution, typified by the following factors:

- A great increase in productivity due to the application of new technologies. More agricultural inputs have generated new and greater outputs.
- The search for new underground water supplies at greater and greater depths, the salinization of numerous zones and the cost of energy to obtain irrigation water makes the extension of new surfaces for cultivation difficult.
- Agriculture is working more and more for the agro-food-stuffs industry. In developed countries, between two thirds and three quarters of the agricultural production is acquired by the food-stuffs industry for transformation.

#### 4. New Opportunities for and in the Field of Agriculture

All the above indicates that a profound change has come about in the agrarian sector of the developed countries, which has, in turn, affected the expansion of the lines of development. South Mediterranean countries should not trust only to the growth of their fruit and vegetable exports to the EEC for the development of their agriculture. The market is not sufficient, nor can the Community sacrifice its own agricultural sectors.

In my opinion, it is in the new products derived from agriculture, in a new industry born from it, in new agrarian technologies, that we must "all" find new opportunities for investment, for job creation and for development.

It is impossible, in this quarter of an hour, to enumerate all the fields in which new possibilities are arising. Consequently, I would just like to refer to three, generic aspects:

- Opportunities in Botanics
- Opportunities in Agro-biology
- Opportunities in Industry

a) Opportunities in Botanics:

In the first place, the new botanical possibilities appear. Thousands of years ago, 5 million people had available to them about 5,000 edible plants. Today, there do not exist more than 150 in world trade. But the other 4,850 are still there, at hand's reach. Many of them contain active ingredients, nutritional elements, chemical products which have hardly begun to be taken advantage of. Many of them also have special, alimentary properties or can be cultivated in barren lands.

Allow me to put forward the hypothesis of a new agriculture, based on the intensive production of plants that today form part of the, as yet, unexploited botanical reserves of mankind.

b) Opportunities in Agrobiolgy:

The agrarian production is no more than a transformation of energy. The seed, through the action of solar and fossil energy (in the form of



gas-oil or fertilizers) generates biological calories. Today, approximately six fossil calories of oil are necessary to obtain one biological calory, placed on the consumers's plate.

But, perhaps for that very reason, the new technologies in productive outputs not only try to save the consumption of gas-oil, but also attempt to make possible the self-generation of the fertilizer needed by the plants. To this end, work is being carried out today to create new plants, capable of synthesizing nitrogen; disease-resistant rices; barley that grows without fertilizer; new, disease and drought resistant cereals; to expand the use of capsulized seeds which already have their energy ration incorporated so as to avoid unnecessary work and waste; and the extension of the biological fight.

The above, together with the general criticism of certain plaguicides, will bring about an important change, in the future, in the fertilizer industry and that of phytosanitary products.

As though all this were not enough, the selection of new races in the animal kingdom, or the use of genetic engineering to obtain new species, gives rise to new possibilities for food development.

c) Opportunities in Industry

Finally, new opportunities are appearing in the field of industry.

A hundred years ago, even ten years ago, the majority of products derived from agriculture and stock-breeding was directed towards clothing and food. Nowadays, outlets to industry are being sought for surplus agricultural products (alcohol, sugar, butter). In view of this, a new industry has appeared. Milk or fish "cracking" is already being spoken of, as years ago was oil "cracking". New techniques convert the agro-alimentary industries into refineries in which new elements and new products are decomposed, revalued and reconstructed.

In addition to this, the transformation of classical food products and their conservation are entering a new generation. Classical conservation and freezing processes are beginning to be replaced by "vacuum cooked" products, which can be kept under normal refrigeration conditions.

Furthermore, dietetics, the attention to nutrition, already form a part of the modern food producing industry. The attention paid to preserving the vitamin content in food, to avoiding the destruction of proteins, to eliminating fats which may be damaging to health or to substituting beet saccharose, are just a few examples of what the new food producing industry is made up of today.

In summary, if the Mediterranean is today a zone of conflict, with mutually competitive economies and trade policies that, on occasions, do not facilitate the economic inter-relationship, it is also true that we are dealing with a region that has great possibilities for mutual cooperation and for taking joint advantage of the new opportunities that arise in the new, modern economy. Among these opportunities, those arising from the agrarian sector should be emphasised.

Agriculture today is an important part of the Mediterranean economy, both in the North and South. However, agriculture today is facing the challenge of a new way of conceiving productive techniques and industrial possibilities.

I have tried to bring to your attention some significant lines in this evolution. They are within our reach. Many entrepreneurs in the Mediterranean area are in conditions to develop and promote initiatives in these fields. These development opportunities could be situated on one side or the other of the Mediterranean and make both shores much more prosperous. Nevertheless, the aforementioned opportunities should not be exclusively limited to the agrarian ambit. In the Mediterranean, we can, all together, give impulse to industrial products and establish, once and for all, an extremely important tourist and leisure industry.

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THE OPPORTUNITIES FOR DEVELOPMENT  
IN INDUSTRY

BY  
MARCELLO COLITTI

THIRD CONFERENCE ON THE MEDITERRANEAN WORLD' S CROSSROADS:  
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## THE OPPORTUNITIES FOR DEVELOPMENT IN INDUSTRY

### 1. The recent development of Industry in the Mediterranean and in neighbouring areas

The Mediterranean can be defined as a crossroads of different areas and cultures, the most important among them being Europe and the Arab-Persian Gulf. These two areas exercise a strong "pull" on the Mediterranean and both, as the Interdependence Study has shown, would greatly benefit from the acceleration of its economic development. The present paper therefore starts with a quick qualitative overview of their recent industrial development.

The North Mediterranean Shore has been involved in the structural change which is transforming the European economy. The Mediterranean regions of Europe were the last to be industrialized, mainly with heavy industries having a high energy consumption. These industries, like steel or petrochemicals, are either still seriously in the red or just going back to profit. The new, electronics-based industries and services have up to now shown a preference for the Northern European regions over the Southern ones. However, the Northern Shore of the Mediterranean has

participated - although with a secondary role - in the general growth of industry in Europe. In the last decade this growth has been slower than expected, but not negligible.

A strong industrial development has taken place on the Arab side of the Gulf, where the investment effort has been effective and well-ordered. A large petroleum and petrolchemical industry has been created which is or will soon be in production. Although there is no lack of problems, the first big step towards development has been taken.

On the Southern Shore of the Mediterranean the situation is much less satisfactory. Although it was competing for capital and political attention with agriculture and the services, in the '70s and early '80s industry received a relatively large flow of investments, representing a sizeable part of the available resources. However, the industrialization process has tended to be intermittent, with delays in completion and in start up, low capacity operations, frequent stoppages etc. Economic and political results have been below expectations and something like anti-industrial revulsion is taking place there.

Some of the problems stemmed from the fact that international contractors sell the technologies and

the designs they have available, and find it very hard, or downright impossible to "adapt " them to the needs of developing countries. As a result, the size of the plants has often been chosen simply by technical optimization and on the basis of the contractor's international experience; moreover, investment has been mainly directed towards mature industries, whose international markets were - and still are - fully supplied by the preexisting producers. Productive capacity has therefore often been far in excess of the market, internal or international, which the new plants could hope to supply.

Once built, the plants have not been easy to run. Maintenance has rarely been given its due, also because of import restrictions, and plants have often been left totally or partly idle soon after commissioning for lack of maintenance and spare parts.

In many instances, a very large part of the investment had to go into the infrastructure, so that the actual productive capacity resulting from large projects - although big in relation to the market - has often been too small to pay for the whole, in terms of economic and political profit.

Finally, a certain scarcity of experienced managers

has often resulted in a desultory direction, made more damaging by the political uncertainties about investment choices and the scope and nature of the controlling agencies.

The bulk of these problems is due to the isolation of the countries attempting industrialization. Very little industrial cooperation has been offered by developed countries, who have generally ignored the new opportunities, and have often seen in the efforts of Mediterranean countries only the rise of a competitor. Nor could the engineering companies play a role bigger than their very nature would allow.

2. The need for quicker development of the industrial sector, and the prerequisites for this

To speed up their development, the South Mediterranean countries need more sustained industrial growth. Industry produces all tools and implements, and is therefore the main vehicle of technical innovation; it prepares the work force for modern activities, in industry itself or in other sectors; and it provides many products, which satisfy many different needs. Its overall demand has therefore no visible limit. Instead, demand for agricultural products is now stagnant, while



the main agriculture commodities are grossly overproduced. In any case, industry is the only sector which can reasonably be expected to absorb some of the available labour force. Every increase in agricultural productivity releases workers who can find profitable employment only in industry, while the tertiary sector physiologically absorbs manpower only after industry has grown, and its employment has actually peaked.

Industrial development requires three primary conditions:

- investment capital, generated within the economy, by agriculture or by mineral production or, conceivably, flowing in from abroad;
- entrepreneurs able to implement production projects, and to take the relative risks;
- access to a market, national or international, large enough to sustain production on an economic scale.

Without capital, entrepreneurs and markets, industry will not develop, and will be unable to reduce unemployment, which will be constantly enlarged by population growth and by the increase in agricultural productivity.

Secondary conditions - like raw materials and

energy resources, the technologies to treat them and the necessary services for production - although favourable, cannot engender industrial growth if the three basic ones are not satisfied: and on the Southern Shore of the Mediterranean they are not. The only real supplier of investment capital, the production of oil and gas, is limited in many of these countries, and their prices have fallen. Moreover, in many cases the countries are heavily in debt, and afraid of becoming more so; and the confidence of the financial system in their growth potential has diminished with the fall in oil prices and the world-wide debt problems.

The internal market of these countries is normally not very large, and projects organized purely for it would in many cases be too small to be profitable. Enhanced cooperation among the developing countries of the Mediterranean would certainly enlarge it, although it is easy to overevaluate the positive effect of a free-trade area among countries with little production capacity. The international market is a very competitive environment, and the newcomer has to overcome not only his scant knowledge of the market, but also the creeping protectionism of the rich countries. Protectionism is wrong, and European protection is doubly wrong: but we can't

expect the established sellers to step graciously out and to leave their hard-earned market share to newcomers.

The presence of entrepreneurs is difficult to evaluate. Many South Mediterranean countries have organized their economies in a way which produces technicians and administrators, often very good ones, rather than entrepreneurs and risk-takers. The isolation of their economies and the absence of European companies in their territory is also part of the problem.

### 3. The case for cooperation

The role of international cooperation in the development of the South Shore of the Mediterranean has been seen from many points of view: the macroeconomic, the political, and the industrial.

The first is presented in the results of the Interdependence Study (included among the documents you have received). To sum it up: a "Reciprocal Development Policy" based on investments in the poorer Arab Countries, financed and assisted by European and Gulf Countries would stimulate GDP growth in Europe and in the Arab World.

The political argument was presented by the

Chairman of ENI at the Aspen meeting in Istanbul. The present economic difficulties of the South Mediterranean are seriously adding to political instability. The richer countries (i.e. Europe and the oil-rich Arabs) have a strong interest in preventing it through more effective aid. In both cases the advantages of cooperation for both European and Gulf countries in terms of enlarged markets for capital and consumers goods, political stability, and relaxed population pressure from nearby states are demonstrably important.

The third point of view, related to the industrial sector, is no less important. International cooperation is the only practical way to overcome the structural limitations of the South Mediterranean Countries. As entrepreneurial and managerial capacities, technology and know-how, and access to international markets and to financial institutions are generally in the hands of companies from the developed countries, their participation in industrial projects in developing countries should be the key to success. A joint venture approach would maintain its advantages even if the first of the primary conditions i.e. capital, were available, as is clearly shown by the successful industrial development of Saudi Arabia. The Saudis had abundant capital to invest in

industry, and also raw materials and energy. However, they followed a joint venture approach, because they correctly thought that they could not improvise either the entrepreneurs or the market share. Clearly, this required the ability to cooperate as equals with the companies of the Western world. For this point of view companies completely controlled by foreigners are obviously a political risk and a bone of contention rather than a vehicle for cooperation. The need to reduce such a risk and to divide the initial capital among various partners makes it advisable to organize cooperation in the form of a Joint Venture between a local company, State-owned or private, and some foreign ones, for example, one European and one from the oil-rich Arab countries.

#### 4. The Financing of Joint Ventures

The financing of such a Joint Venture might very well be arranged in the usual way, i.e. through project financing, a system in which the capital provided by the partners represents only a percentage of the investment, while the remainder is obtained through medium- and long-term credits. Let us assume a three-cornered Joint Venture and an investment of 100 million US dollars. The financing might be arranged as follows:

- the capital stock - or equity - of the Joint Venture need not be more than 30% of the investment, i.e. 30 million dollars. If the three partners had equal shares, each of them would have to provide about 10 million dollars of capital. In order to let the local partner have the larger share, which is tantamount to a majority if the other two agree, the contribution may be worked out at 9.5 million dollars for each of the foreign companies and at 11 million dollars for the local one.
- The investment not covered by equity, amounting to 70 million dollars, would be financed through debts contracted by the joint venture. About 50% of the total investment (in our example, 50 million dollars) might be provided through "supplier's credit" arranged by the engineering company chosen to design and build the plant. This by the way, ensures that the capital goods used to build the plant come predominantly from the countries providing the equity. The remaining 20 million dollars might come from a loan at a fixed or variable rate.

Such an arrangement needs, of course, some conditions, the first being that the expected profit of the project must be large enough to

remunerate the equity and to cover the financial costs. The equity is of course the main collateral for the financing institutions, although they would certainly ask the European and Arab partners for guarantees to improve their cover, and to "shift the risk" into the country of one of the foreign partners.

The second condition is that the local partner should be able to finance his share of the equity. As we have seen, this may not be the case. If it proved difficult to provide even the reduced amount of equity given in our example, then the local share could be donated by richer countries, possibly those of the foreign partners.

This financial mechanism would make it possible to implement quite large-scale projects, and to maximize the development effect of aid. The ratio between the 11 million dollars of equity which would be donated and the overall investment of 100 million gives a financial "leverage" of 1 to 9. For every dollar granted, 9 dollars would be invested.

A third condition may be requested by the lending institutions: i.e. that the project generate a flow of exports and therefore an inflow of hard currency, over which the banks claim some kind of

privilege, in order to reduce the risk related to the local currency. This makes it easier to finance export projects rather than one exclusively based on the internal market.

Escrow accounts have been in many instances negotiated; they are in fact an extra guarantee, which might be avoided if the shareholders' guarantee is comprehensive enough.

The financial scheme described here would reduce the problem of how to finance the investment to manageable proportions; the real problem would then come into the fore, i.e. identifying feasible and profitable projects. This problem is by no means simple. Many projects have been studied for years, without even proving their profitability, so that a sort of pessimism is now prevailing as regards the possibility of finding any reasonable project in any of the countries that need them. In fact, the problem is that the expertise and the capabilities which we have quoted as essential for industrial development have to be mobilized from the very start, that is, utilized fully in the phase in which the project is studied and its feasibility proven. What is needed is the capacity to obtain and process information about present and future demand; the optimal technical and economical parameters of the project; and the opportunities



offered by the international and domestic capital market. All this information is needed for a project, which must obtain the necessary capital while minimizing the risk for the financier and the shareholder. In short, what is needed is the managerial ability to define and implement projects in an environment in which the production factors have to be obtained by offering sufficient remuneration for them and the markets for goods can only be opened up and kept by the high competitiveness.

In short, such an effort can be made with some hope of success on two conditions: that the work is done by a group which combines at least two of the future partners, i.e. the European and the Gulf Arab; and that companies of these two areas put in the identification, promotion and evaluation phases of projects the same energy and ability they would employ to implement them.

In practice, only a common body created by these two would have the strength to succeed where individually they have failed.

##### 5. A possible practical indication

It is beyond the scope of this paper to try to identify projects, a job that has to be done as the

first step of cooperation.

Nevertheless, some rough calculation may be made, related to an industry, petrochemicals, which has already had a strong development in the Arab world. The conditions that were sufficient to make the Saudi petrochemical industry develop made it competitive with the European one. Such competition was measured some time ago, when oil was at 25 dollars per barrel, in Table A:

TABLE A.

Index of costs of chemical production in the Middle East  
(on the hypothesis of a crude oil price of 25 \$/b)  
Western European costs equal 100

	<u>FOB Middle East</u>	<u>CIF West Europe</u>
Ethylene	52	70
Linear Low Density		
Polythene	72	95

Source: Marcello Colitti, Opening Speech at the 2nd PETCHEMPLAST '85, Second Gulf Petrochemicals, Chemicals, Plastics and Processing Industries Exhibition and Convention, Al-Khobar, Saudi Arabia, 3-7 November 1985.

A somewhat more recent calculation, related to a petrochemical investment in a South European

country, under similar conditions, gives results which are clearly better, both FOB North Africa, because of the reduction of oil prices, and CIF Europe, because of the shorter transport necessary.

TABLE B.

Index of costs of chemical production in the Middle East  
(on the hypothesis of a crude oil price of 18-20 \$/b)

Western European costs equal 100

	<u>FOB Middle East</u>	<u>CIF West Europe</u>
Ethylene	70	75
Linear Low Density		
Polythene	60	64

There is therefore a prime basic case of competitiveness of production which has to be seriously examined. It may very well be the first task of the new Euro-Arab Joint Venture for the promotion of investment projects.



At the Third Conference on Mediterranean World's Crossroads

Aspen Institute Italia

Barcelona, 22-23 June 1987

"Comments for discussion on the opportunities for cooperation

in industry" (Marcello Colitti)

by Ali A. Attiga

Ladies and Gentlemen,

1. As usual Dr. Colitti has done an excellent job of identifying the crucial and essential elements of the subject of his paper.

He made a strong case for promoting the development and growth of certain types of industries (hydrocarbon based) on the Southern shores of Mediterranean and he proposes a tri-partite joint ventures as a suitable means with which to achieve his objectives.

The three parties involved in such joint ventures are the local partners on the Southern shores, the Arab Gulf states, and the Europeans from the Northern shores.

2. As regards the necessary and sufficient requirements for industrial development in general he identifies them as primary and secondary conditions and points out that while some of the secondary conditions (raw materials and energy) exist on the Southern shores of the Mediterranean there is a general shortfall of the primary conditions (capital entrepreneurs and markets).

On the other hand these conditions as well as some of the secondary conditions (technology) are available on the Northern shores. Such complementarity of conditions as well as the long term mutual interests of the three shores of the Mediterranean provide the mean justification for the joint ventures advocated by Dr. Colitti.

Last year Prof. Reviglio, Chairman of ENI and Coordinator of this Conference, made an even stronger and more comprehensive case for a long term policy of reciprocal development for the Mediterranean region using some of the big savings made by the countries on the Northern shores from the ~~decrease~~<sup>drastic</sup> fall in oil prices which at the same time represented equally big revenue losses for the countries on the Southern shores.

3. In general I agree with the main arguments of both Dr. Colitti and Prof. Reviglio, and I wish to compliment them for their wisdom and foresight. However, it is rather disappointing that such wide and far reaching approach to Mediterranean development has not so far gained sufficient attention, let alone acceptance within the European Community group.

Perhaps all we can do in this Conference is to point out this fact.

4. Having said this I will now move to some points of clarifications and may be even disagreements with some of the explicit or implied policy recommendations made by Dr. Colitti.:

- a) While I agree that certain well selected joint ventures can be successfull I must emphasize that this has to be an integral part of an overall reciprocal development involving not only investment, but also free trade

and transfer of technology within a long term development policy designed to accelerate economic growth and social development in the less developed parts of the Mediterranean region. Since the bulk of the demographic, economical and social problems of the region are and will continue to be on its Southern shores, it should be made clear that the success of any joint venture or any other form of cooperation between the two shores of the region should be measured by the extent to which it contributes to the solution of these problems. Joint ventures in isolation of this overall approach should not be expected to make a lasting contribution to the long term interests of the parties concerned. In fact the opposite may often be the case.

- b) I do not agree with Dr. Colitti's overall emphasis on industrial development versus agricultural development for the Southern part of the Mediterranean. Both are important and any cooperative policy for the region should seek to achieve a proper balance between the two sectors and European agricultural policies should be adjusted to promote agrarian reforms and development on the other shores of the region.

c) Another point made by Dr. Colitti concerns the need for economical feasibility and competitiveness.

It is a valid point but it should be clarified that such criteria should be measured against free access to the overall markets of the region and within an overall economic policy of promoting development in the less advanced parts of our region. I hardly need to remind you that the newly established chemical industries of the Arab Gulf States which Dr. Colitti regards as efficient and competitive have all met with increasing trade barriers and protectionism in the European and other markets. If this policy continues I can assure you that the joint ventures proposed by Dr. Colitti will hardly succeed regardless of the quantity of capital or the quality of entrepreneurship provided. Thus, if such joint ventures are not efficient they will fail before reaching the international markets, and if they are efficient and competitive they will fail because of lack of free access to markets due to protectionism.

d) While I agree with Dr. Colitti that the identification of feasible and viable projects is a major task I do not accept the pessimism mentioned regarding possibility of finding feasible projects in the countries that need them. Again such projects cannot be found in isolation from an overall commitment to the



development of the Southern shores of our region. But if such policy is attained and with the proper institutional arrangements, then project and sector feasibility studies may be more readily carried out and their results would have a better chance of acceptance than is the case at present. Such studies would then to be made to serve a given regional development policy. Dr. Colitti proposes the establishment of a new Euro-Arab Joint venture for the promotion of investment projects through feasibility studies and other means. Basically I think there will be a need for such an institution if and only if it is backed by concessional financing and investment policy designed to serve the development needs of the region. Consultancy and feasibility studies without subsequent financing will not find many clients.

As Dr. Reviglio said countries of the Northern Shores of the Mediterranean should consider using some of the large savings made from the drastic fall in oil prices to initiate a regional investment program, including the proposed Euro-Arab joint venture for investment promotion. They surely have all the necessary means to initiate such an ambitious and far sighted scheme. It is also clearly in their long term interest to do that.

The question is: Will they do it?

I hope the discussion will focus on the possible answers to this basic question.

At the same time countries of the Southern shores should put their differences aside and begin a long term regional program of economic cooperation and integration among themselves.

If they do that they will certainly have a better chance of interacting with the Northern shores in an overall reciprocal development scheme in which joint projects would be an integral part. Indeed cooperation between the Northern and Southern shores of the Mediterranean and Cooperation between the countries of the Southern shores are not unrelated. In fact one should reinforce the other.

Mr. Chairman, Ladies and Gentlemen,

I hope it is quite clear to all of us that the future of the countries of the Mediterranean regions, North and South, is bound to be interrelated in good and bad times.

It is only a question of whether the interaction is carried out within an orderly and planned scheme or is left to cruelty of chance and the rush of unpleasant events. Let us hope that this Conference will help to push us and others towards more positive action and less repetitive debates on the pros and cons of regional <sup>cooperation</sup> ~~competition~~ between countries of the three shores of the Mediterranean Sea.

Thank you.