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ECONOMIC SURVEY IN 1965 FOR THE SIX COUNTRIES OF THE NORTH AFRICAN SUB-REGION.

T66-14
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T66-14

ALGERIA

Agriculture

Cereal production 1/ for 1965 is estimated at 17.2 million quintals (Hard wheat: 10; soft wheat: 3.2; barley: 3.8 and oats: 0.2). Although this is higher than production in 1964 (14.7 million quintals) or than that of 1961 (9.5 million quintals) it is still lower than the 1962 figure (23.6 million) and the figure for 1963 (23.1 million). It would appear that the reduction of areas under cultivation and the slackening of output per hectare due to bad weather conditions are responsible for the drop in production (areas under cultivation: 3.1 million hectares in 1964 and 2.8 million in 1965; output: 7.54 quintals per hectare in 1964 and 5.27 in 1965). Out of 17 million quintals ten will be consumed and seven exported. 2/

Citrus production 3/ also dropped in 1965 as compared with 1964 (415,000 tons in 1965 as against 464,000 in 1964). Weather conditions explain the lowering of output from 106 quintals per hectare in 1964, to 91 quintals per hectare in 1965. Citrus exports are estimated at 140 million Algerian dinars 4/ or US$ 28 million.

Wine production 5/ in 1965, however, rose by comparison with 1964,

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1/ This represents, in value, an average of 20% of animal and vegetable agrictural production.
2/ Or 8% to 10% of the value of exports in 1963.
3/ This represents 5% of animal and vegetable production (in value) and 4% of exports in 1963 (in value).
4/ 1 Algerian dinar (DA) = 1 NF or 0.20 $ US.
5/ This represents an average of 40% of animal and vegetable agricultural production (in value) and 16% of exports for 1963(in value).

that is to say 13 million hectolitres as against 9.6 million. Stocks at the end of March 1965 only amounted to 627,000 hectolitres as against 2.5 million at the end of March 1964. The bad market for wines in 1964 was due to the fact that France suspended imports of Algerian wines in August and September of that year. Exports of Algerian wines to France amounted to 6.71 hectolitres in 1965, although France agreed, under a wine agreement in 1963, to import 8.26 million hectolitres. However, even these 6.71 hectolitres of Algerian wines exported to France were not all consumed, a considerable portion having been stored. Before independence France imported on an average 14 million hectolitres of Algerian wine to blend with 55 million hectolitres of French wines. The drop in French imports is due to the extension of vineyards growing superior wine in France itself, partly as a result of the return to France of several thousands of French winegrowers previously settled in Algeria. Moreover Algeria has more wine available for export than before independence owing to the departure of a million Europeans who consumed most of the wine sold in Algeria itself.

Algerian agriculture presents several other problems of equal importance. Algerian leaders are emphasising the need to reorganize the self-managed sector ("secteur autogéré") 1/ and to raise its

1/ According to "Renseignements statistiques agricoles de 1964" published by the Ministry of Agriculture and Agrarian Reform, the self-managed sector covers 2.2 million hectares and the private sector 10.8 million hectares.

productivity by making available competent staff for management and accounting, arranging for a rational and fast-working marketing systems and by providing credit and working capital which the sector cannot obtain from private banks. They also stress the need for modernization of the traditional sector, soil conservation and restoration, development of livestock and the extension of irrigated land.[1/] Apart from this, restriction of the vast private estates has been considered and studied.

Industry

Oil production, which advanced by 11% in 1964, remained stationary in 1965 (that is to say 26.4 million tons in 1965 as against 26.3 million in 1964).[2/] Drilling continued to decline: -30% in 1964 and -19% in 1965. This slowing-down of activity is due to the saturation of the of the two existing pipelines. A third pipeline belonging to the Algerian State was completed at the end of 1965, linking Hassi Messaoud with Arzew. Its initial capacity is 10 million tons and this figure

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1/ In 1964 there were 273,620 irrigated hectares, of which 160,310 belonged to the private sector and 113,310 to the self-managed sector. According to a 1962 survey, the number of sites suitable for hill-side dams ("barrages collinaires") amounts to roughly one thousand and would allow for irrigation of 80,000 to 100,000 hectares. In 1964 a Soviet mission chose sites for 28 such dams to irrigate 8,500 hectares. At present there are 11 dams of this nature in Algeria.

In 1965 the dam at Chaffia near Annaba (ex-Bone) was completed. It cost 80 million DA, and it will supply water for the local steel complex. It will also irrigate 21,000 hectares.

2/ Production since 1960 is as follows (in millions of tons):

1960	1961	1962	1963	1964	1965
8.6	15.7	20.5	23.6	26.3	26.4

can be raised to 22 million tons a year. Thus oil production is likely to reach 40 million tons in 1966 and 50 million in 1967.

Petroleum royalties in 1964 are estimated at 300 million dinars. they should amount to much the same in 1965 since production did not vary between 1964 and 1965 and the Franco-Algerian oil agreement signed on 23 July 1965 and modifying previous legislation will only be operative as from 1 January 1966. 1/

This agreement has five chapters entitled:-

(1) Co-operative association

(2) Natural gas

(3) Taxation

(4) Training of Algerian oil technicians

(5) French aid for the industrialization of Algeria.

The promised economic aid amounts to 2000 million NF for a period of five years. One half is "tied" to the purchase of French equipment; four fifths of the other half represents a 20-year loan with interest at 3% and one fourth is a gift. The July agreement provides for the creation of a Franco-Algerian organization for industrial co-operation(OCI). This will take the place of the "Organisme Saharien" (OS); it will study and supervise the carrying out of Algerian industrial projects to be

1/ This agreement does not replace the Evian agreements signed in July 1962 and expiring in July 1965.

financed by means of this aid. It also provides for an "Institut des Hydrocarbures pour la Formation" (Training), which is the second of its kind, the first having been set up with Russian aid for operation at Rocher Noir near Algiers.

Under the oil agreement the "Association Co-operative" (ASCOOP) will consist of two partners: SOPEFAL representing the French government and grouping together the French firms operating in Algeria, and SONATRACH representing the Algerian government. The French partner undertakes to advance 60% of the expenses devolving on the Algerian partner.[1/] As regards future profits, these are to be shared equally between the two partners, which is equivalent, according to some experts, to a 75-25 basis comparable to the terms obtained in the Middle East with the aid of OPEP. The system of calculating royalties has been completely amended. The "Fonds de Reconstitution de Gisements", allowing oil companies to carry forward the payment of tax up to 27.5% of gross takings, has been abolished; amortization rates have been reduced and aligned with those applied in the Middle East, and the share of the profits taken by the Algerian government will be increased from 50% to 53% over the years 1965-67, to 54% in 1968 and to 55% after that date.[2/] Finally it was

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1/ "Le Monde" of 24/25.4.66

2/ The price of Algerian oil has, on theother hand, been fixed under that of oil products in the Middle East or Libya (14 $ US per ton in Algeria, and 18 $ US in Libya, for instance).

decided that companies operating in Algeria shall make over the natural gas to the Algerian government at cost price.

Mining production advanced on the whole in 1965, as the following table shows. 1960, one of the best years before independence, is given by way of comparison.

Mining production a/

In millions of tons	1960	1964	1965 b/
Iron	3,438	2,745	3,131
Zinc (calamine)	-	5	7
Blende(concentrated zinc)	65	59	56
Concentrated lead	15	14	14
Concentrated copper	-	4	4
Iron pyrites	39	61	57
Concentrated antimony	2	-	-
Phosphates	563	73	86
Coal	-	46	45
Smectite	102	54	60
Kieselguhr	22	20	16
Pulverised barytes	38	31	43

a/ Round figures

b/ Provisional figures

Source: APS - Bulletin Economique No 63 of 1.3.66 p.9

The drop in phosphate production is due to exhaustion of the deposits at Al Kouif. The start-up of production in the Djebel Onk deposit in 1965 will make possible an output of 900,000 tons. In January 1965 the Government gave owners of 78 mines closed since independence a period of two months in which to recommence mining activity on pain of nationalization. In May it announced that it had nationalized 69 mines producing iron, zinc and copper and intended to re-open them. Similarly the Algerian State has bought back from France the latter's shares in the Annaba steel complex. Building work has recommenced at the complex, which means that it will be able to start production in 1966. This will be one of the poles of development on which to base the industrialization of the country. Another concerns the petrochemical industry. The State has also taken over for itself a substantial metal construction firm at Oran, which was accused of dismantling its equipment and transferring it illegally. The Compagnie Générale d'Electricite, which found itself unable to pay its taxes, was also nationalized in 1965. 1/

The textile sector will become of some importance when the Mirabeau plant, the two in the Oran area and the plant at Constantine

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1/ Similarly a chain of department stores (BAPAL) and three wholesale chemists were nationalized in 1965.

are completed. These plants will cost about 200 million DA and are being erected with the aid of the UAR, Jugoslavia and France. Construction of a shoe factory began in 1965. Finally, discussions were held in July with a view to constructing a jute factory.

As regards the food industry, we may mention a new sugar-mill built by France at a cost of 52 million DA and a fruit-juice plant erected with the help of Jugoslavia.

It should also be noted that output of electricity and gas have remained stationary: 1,121 million KwH and 3,957 t.u. in 1965 as against 1,123 million KwH and 3,930 t.u. in 1964.

Foreign Trade

The deficit in the trade balance, which had fallen from -3,618 million DA in 1960 to -435 million in 1963 must have entirely disappeared in 1964 since the balance of trade with France, the main partner of Algeria, amounted to +567 million DA in that year. The overall balance for 1964 and 1965 is not available. All we know is that during the first eight months of 1965 there was a surplus in Franco-Algerian foreign trade: + 298 million DA as against +476 million for the corresponding period in 1964.

Algerian exports and imports

Algerian exports and imports

Millions of dinars	Overall trade			Franco-Algerian trade		
	1960	1961	1963	1964 (12 mths)	1964 (8 mths)	1965 (8 mths)
Imports (FOB)	6,371	5,168	3,900	2,445	1,581	1,548
Exports (CIF)	2,753	3,332	3,465	3,012	2,057	1,846
Balance	-3,618	-1,836	-435	+567	+476	+298

Source: Bulletin Mensuel de Statistique Générale No.2,3,4 and 7 1965 and No.1 for 1966 - Algiers.
Bulletin Economique APS: 15.2.66

In 1965, as in 1964, exports of petroleum made up for the drop in exports of wine, Imports at the same time went on falling as compared with the pre-1962 period due to the twofold effect of the exodus of Europeans previously living in the country and the production of import substitution industries in Algeria itself (e.g. automobiles, refined petroleum, textiles etc.) The drop in the Franco-Algerian trade surplus in Algeria's favour in 1965 as compared with 1964 was due to the fall in wine exports.

The information available does not tell us whether the drop in the proportion of Franco-Algerian trade within Algerian overall trade

figures, which began in 1962, has continued to make itself felt or whether it stopped in 1964 and 1965.

Share of Franco-Algerian trade

(in %)

	1960	1961	1963
Imports from France	84	82	75
Imports from the Franc Zone	55	5	4
Exports to France	81	79	74
Exports to the Franc Zone	4.5	3	2

Source: Bulletin Économique d'Algérie Presse Service of 15.2.66.

But if trade agreements signed in 1965 are complied with, it is likely that Franco-Algerian trade will represent less than three quarters of Algeria's overall trade. A trade agreement was signed with Czechoslovakia for the purchase of seven radio transmitters, one with China for the sale of excavating equipment, one with Spain for an exchange of cereals, vegetables and scrap from Algeria in return for Spanish fertilisers, chemicals and textiles, another with Russia which provided for the doubling of trade between the two countries in 1965 etc.

As regards imports and exports for 1965 by groups of commodities, figures are only available for Franco-Algerian trade. Nearly 85% of Algerian exports to France consist of oil and wine. Chemicals exported to France consist essentially of petroleum derivatives. Algerian imports from France amount to one fifth foodstuffs, one fifth capital goods, two fifths manufactured goods and one fifth miscellaneous imports.

France's trade with Algeria

In millions of NF	From Jan. to Sept.		From Jan. to Sept.	
Imports from Algeria(CIF)	1964	1965	1964	1965
Foodstuffs	168	161	7%	8%
Wines and spirits	738	524	33%	26%
Petroleum	1,156	1,212	51%	59%
Chemicals	90	71	3%	3%
Total including other commodities	2,266	2,053	100	100
Exports to Algeria(FOB)				
Foodstuffs	336	377	19%	21%
Chemicals, textiles, rubber,paper etc.	736	688	42%	39%
Vehicles	92	116	5%	7%
Iron, steel, electrical and mechanical equipment	427	447	24%	25%
Total including other commodities	1,746	1,756	100	100

Source: The Economist Intelligence Unit - Quarterly Review, Feb. 1966

The Budget

Ordinary and extraordinary budget revenue for 1965 1/ is estimated at 3,789 million DA as against 4,820 million estimated for 1964. Actual revenue for 1964 were, according to some calculations, 15% below the sums estimated. The estimates for ordinary receipts in 1965 (direct taxation, customs duties etc.) are about the same as those for 1964 (2,560 million DA in 1965 and 2,632 million in 1964). Estimates for extra-ordinary receipts in 1965 are, on the other hand, far below those for 1964 (1,238 million DA in 1965 and 2,198 million in 1964).

Thus estimates for overall budget expenditure, both recurrent and equipment budgets, for 1965 are lower than 1964 (4,413 million DA 2/ as against 4,830 million). Estimates of expenditure for the recurrent and equipment budgets vary in opposite directions in relation to each other. Current expenditures are on the increase by nearly 25% from one year to another, going from 2,632 million DA to 3,047 million, while equipment expenses are down by about 50%. They dropped from 2,632 million DA in 1964 to 1,366 million in 1965.

1/ The 1965 budget was examined and voted by the National Assembly on 6,7 and 8 April 1965. For the first three months of 1965 the Government was authorized to have recourse to the procedure known as "douzième provisoire". (This means that the current budget is divided into portions amounting to one twelfth of the previous one and applied to the outstanding months).

2/ Thus the budget, unlike those of 1963 and 1964 was not voted in balanced fashion. It is not clear whether the 1965 budget deadlock was made up by State borrowing or by an advance from the Central Bank or by both at once.

The increase in the estimates for current expenditures[1/] is due to the rise in credits opened under the heading of public debt and public action (mainly international).

Breakdown on credits voted
(in millions of DA)

	1964	1965
Section I: Public debt	57.6	184.9
Section II: Public authorities	13.3	6.5
Section III: Ways and Means	1,956.5	1,947.8
Section : Public action	602.5	911.6
Section V: Public expenditure on allocation of resources	2.3	1.9
Total	2,632.2	3,052.7

Source: Maghreb No. 9, p.39

In 1965, as in 1964, the three ministries which benefit most were that of FLN Veterans (Anciens Moujahidines): 24%, Education:16% and Defence: 16%.

1/ It should be borne in mind that the Algerian government is henceforward adopting the "gestion" system which incorporates credits opened in 1964 and consumed in 1965 in the 1965 budget, and not the "exercise" system, by which expenditure incurred in 1965 on credits opened in 1964 are incorporated in the 1964 budget.

As regards the fall in estimates for equipment expenditure by comparison with 1964, this is due to the fact that the permits for equipment expenditure for 1963 and 1964, which exceeded 2000 million DA each year, were only implemented up to 42% in 1963 and 70% in 1964. Credits consumed in 1964 were 1,020 million DA as against 2,200 million in the authorized programme. According to sectors, the rate of implementation in 1964 seems to have amounted to 40% for agriculture, 25% for industry, 80% for the social and cultural sector, 90% for infrastructure and 65% for hydraulic works.

The equipment budgets for 1964 and 1965

(in millions of DA)

SECTORS.	1964 Authorised in the programme			1965 Credit payments	
	Millions of DA	%	Rate of implementation	Millions of DA	%
Agriculture	381	18	40%	249	18%
Industry	310	15	25%	254	19
State participation and equipment (National companies)	120	6	...	60	4
Education and training	407	19	80%	249	18
Economic infrastructure	336	16	90%	234	17
Social services, Tourism	278	13	...	171	13
Administrative and local services	260	13	...	149	11
Total	2,022	100	70%	1,366	100

Source: Maghreb No.9 p.41

Receipts specially allocated to the equipment budget for 1965 come from two main sources: oil royalties and French aid. Out of a total of 967 million DA of receipts allocated royalties account for 270 million and French aid 400 million. The remaining 297 million comes from 1964 French aid carried forward (190 million) and 1964 oil royalties also carried forward (67 million). Apart from this Algeria obtained a loan amounting to £10 million from Kuwait.

LIBYA

Petroleum

Exports of crude oil, which had almost doubled between 1963 and 1964 (from 21.5 to 41 million tons), increased by 41% between 1964 and 1965, reaching the figure of 57.7 million tons. This slowing down of exports can be connected with the reduction in drilling. 412 wells were drilled between 1963 and 1964, of which 227 were productive, and 275 wells between 1964 and November 1965, of which 149 were productive.[1/] This phenomenon might be related to the fact that the oil companies are awaiting the grant of new concessions. the latter were expected to cover about 650,000 square kilometres, of which 500,000 are old concessions reverting to the State and 150,000 square kilometres will be allotted for the first time.

The grant of concessions was held up pending the promulgation of a new petroleum law dated 20 November 1965. In order to qualify for the new concessions, companies had to submit to the new law, which is modelled on current legislation in the Middle East and which enables the Government to calculate royalties on the basis of posted prices and not the realized prices.[2/] According to the new law royalties, come to 12.5% of the posted prices, to be deducted before any income tax and the 50% of the profits which go to the State. In the

1/ In 1963 there were 45 drilling-rigs in Libya, 48 in 1964 and the same amount at the beginning of 1965.

2/ Posted prices are higher than realized ones.

same way taxable income is henceforth calculated on the basis of exports worked out according to posted prices. "Independent" companies, which since 1961, have been allowed substantial abatement, will have to pay the same royalties as the cartels. According to some estimates the application of the new law will bring the government £L 50 million extra, or a total of £L 135 million, during the fiscal year 1965/66.

On 15 December 1965 most of the oil companies ratified the new law. Subsequently, on 20 February 1966 a list was published of companies which had obtained concessions. Nineteen companies, of which thirteen are operating in Libya for the first time, were granted concessions covering 250,000 square kilometres.1/

The network of pipelines has been expanding rapidly since 1964. ESSO completed the construction of its second pumping station on the Zelten-Brega line, bringing its capacity up to 605,000 barrels a day. OASIS widened its Sidra network by linking up some lines and by creating additional pumping stations. The overall capacity of this system reached 650,000 barrels a day at the end of 1965. MOBIL/GELSENBERG has started laying its Amal-Ras Lanuf pipeline covering 281 km., and also two 500,000 barrel storage-tanks at Amal. The capacity of this pipeline is 100,000 barrels a day and can be raised to 500,000 barrels. It is due to for completion in the middle of 1966. In 1965 a line linking Hofra with Ras Lanuf (150,000 barrels a day) was completed for the account of MOBIL. Two other companies, Pan-American and Phillips, obtained government sanction to expand their pipeline system.

1/ One of the features of the new allocation of concessions is the exclusion of the biggest oil-producing company in Libya.

During the first ten months of 1965 the income of the oil companies was about the same as in 1964, i.e. 41% of their expenditure.[1/] However, as the following table shows, the proportion of expenditure in Libya (including payments to the State) was higher in 1965 than in 1964. At the same time expenditure abroad dropped between 1964 and 1965. The revised basis for calculation of royalties accounts for increased expenditure within the country.

Income and expenditure of oil companies

	1964		1965[a/]	
	In millions of L£	%	In millions of L£	%
Revenue from oil exports	226	100	230	100
Total expenditure of companies	160	71	163	71
(breakdown)				
Abroad:	75	33	63	27
In Libya:[b/]	85	38	100	44
Net income of companies	66	29	67	29

a/ Up to October 1965

b/ Including royalties paid to government.

Source: Bank of Libya, Monthly Economic Bulletin, December 1965.

1/ It must be remembered, however, that 1964 is the first year since 1957 in which the income of oil-companies exceeded their expenditure.

	1957	1958	1959	1960	1961	1962	1963	1964	1965
Income from petroleum exports	-	-	-	-	4	55	119	226	230
Outlays	12	25	33	61	71	104	122	160	163
Net outlays or income	-12	-25	-33	-61	-67	-49	-3	+66	+67

In November 1965 the two oil companies ENI and ESSO signed an agreement for delivery by the latter of three thousand million cubic metres of gas per year over a period of twenty years starting in 1968. This gas will be liquefied by ESSO at Marsa Brega in Libya, transported by methane-carrier and re-gasified by ESSO near Genoa, prior to entering the ENI feeder. The Spanish company "Catalana de Gas y Electricidad" has also signed an agreement with ESSO for the purchase of 600 million cubic metres of gas per year.

Foreign Trade

If we compare the trade balance for the first nine months of 1965 with that of the corresponding period in 1964, we shall find that there is a credit balance of L£127 million (exports = 208 and imports = 81) as against L£75 million in 1964 (exports = 155 and imports = 80). But the most important factor is the balance of the current account covering net transactions in the petroleum sector in favour of Libya, or the amount of Libyan pounds bought by the oil companies to meet their expenses in the country, including royalties, or again the amount corresponding to petroleum export revenue which is repatriated. These various elements are only available for 1964.

Libyan exports and imports for 1964

(in million of L£)

Exports of crude oil	217	Imports by oil companies	28
Re-exportation by oil companies	2	Other imports	76
Other exports	2		
Other re-exports	1		
	222		104

The commodity balance shows a surplus of 118 million pounds, but the repatriated export receipts by the oil companies come to L£ 96 million and the net balance of their transactions is 78.3. Thus the trade balance (goods and services) is barely balanced.

Libyan balance of payments, 1964 (in millions of L£)

Current transactions	
1 - Petroleum transactions (net)	+ 78.3
2 - Other sectors (net balance)	- 77.6
	+ 0.7
Capital account	
1 - Monetary sectors a/	- 17.8
2 - Non-monetary sectors b/	+ 19.5
Balance of capital account:	+ 1.7
Errors and omissions	- 2.4

a/ Increase in the exchange reserves of the Bank of Libya.

b/ Essentially direct investments by oil companies. It appears that the fixed capital of the companies increased by 37.5 million in 1964 as against 20.1 in 1963.

Source: Bank of Libya, Ninth Annual Report, p.40.

The breakdown of imports by end use groups shows that 62% of imported goods are for equipments and 38% for consumption, i.e. about US$ 75 per head ($47 non-durable consumer goods and $28 durable).

Breakdown of imports (1964)

	In millions of L£	%
1 - Durable equipment goods	35.2	34
2 - Non-durable equipment goods	29.1	28
3 - Durable consumer goods	10.8	10
4 - Non-durable consumer goods	29.3	28
	104.3	100

Source: Bank of Libya, Ninth Report, p.34.

The geographical pattern of Libya's foreign trade has undergone little change between 1964 and 1965. West Germany is by far the biggest importer of Libyan oil, followed by Italy and next France. The latter country was only Libya's fifth most important customer in 1964. Italy is still the first supplier country, followed by the U.S.A. and next the U.K.

Libyan Exports (in millions of L£)

	1964		1965	
W. Germany	Jan.-Dec.	22.5	Jan.-Oct.	30.3
U.K.	Jan.-Dec.	14.8	Jan.-Nov.	17.6
France	Jan.-Sept.	3.2	Jan.-Oct.	7.8
Italy	Jan.-Nov.	5.9	Jan.-Aug.	6.4
Holland	Jan.-Nov.	4.6	Jan.-Sept.	5.2
U.S.A.	Jan.-Oct.	2.1	Jan.-July	2.2
Belgium	Jan.-Sept.	1.4	Jan.-Sept.	2.4

Source: The Economist Intelligence Unit - Quarterly Economic Review, March 1965 and December 1965.

Libyan Imports (in millions of L£)

	1964		1965	
Italy	Jan.-Nov.	5.4	Jan.-Aug.	7.2
U.S.A.	Jan.-Oct.	5.0	Jan.-July	5.2
U.K.	Jan.-Dec.	4.1	Jan.-Nov.	4.9
W. Germany	Jan.-Dec.	2.5	Jan.-Oct.	2.5
France	Jan.-Sept.	1.3	Jan.-Oct.	2.2

Source: See previous Table

The Budget

Oil revenues and royalties, as well as customs duties, accounted in 1965, as in 1964, for almost the whole of budget receipts. For the 1965/66 fiscal year (from 1 April to 31 March) revenue from oil was estimated at L£ 124 million, of which 70% was to be earmarked for the equipment budget. Customs duties were to bring in 15 million which was to be earmarked for the current budget. A royal Decree of 22 July 1965 sets expenditure on equipment for 1965/66 at L£ 86.8 million as against 54.2 million in 1964/65 and 36.4 million proposed in the Plan for 1965/66. Most of this was to be spent on Communications (22 million), Public Works (17 million), Agriculture (9.4 million) etc.

Several projects are being examined and will be financed by the Government or with government aid. They consist of a coast road with dual carriage-way from the Tunisian to the Egyptian frontier (2,500 km.), which will cost some tens of millions of pounds[1/] and the building of thousands of prefabricated houses.

The Council of Ministers has approved a project for the setting up of five factories making pre-fabricated houses with a capacity of thirty a day. Plans have also been made for a cement-works (120,000 tons) near Homs, a rolling-mill processing scrap into steel bars, the enlargement of Tripoli harbour (cost US$20 million) and the improvement and planting of fruit-trees over 15,000 hectares in the Jebel Akhdar by the National Agricultural Settlement Authority, etc.

1/ Bidding for the contract was closed in March 1966 and the road will be completed in 1968.

The ordinary budget for 1956/66 amounts to L£ 79 million as against 53.4 million in 1964/65. Education will receive credits amounting to 18 million (11 million last year). Next comes the Ministry of the Interior with 14 million (as against 8 million in 1964/65). The Ministry of Defence comes third with 8 million as against 7 million in 1964/65.

Owing to the volume of its expenditure (L£ 124 million in 1965/66) the State is the chief economic agent. Almost all this expenditure passes from the petroleum sector to the other sectors through government channels. The private sector, for its part, relies on commercial banks.

Money and Banking

Whereas banking credits extended over three months or more increased by about 22% between September 1964 and September 1965 (from L£ 27.7 to L£ 33.7) the breakdown has not shown any remarkable changes. Commerce is still the economic activity which takes from 2/5 to 1/3 of the credits. In fact half of total credits were granted to commerce and building. Next come purchase of vehicles (15%) and manufacturing industries (8%). Credits for the liberal professions amount to double those of agriculture.

Credits granted by banks over three months and more

	1964		1965	
	Millions of L£	%	Millions of L£	%
Commerce	11.5	41.4	11.1	32.8
Building	3.5	12.5	5.6	16.8
Transport and vehicles	3.8	13.8	5.0	15.0
Manufacturing industries	2.2	7.8	2.8	8.2
Liberal professions	0.7	2.6	1.4	4.3
Agriculture	1.0	3.6	0.7	1.9
Hotels, restaurants, etc.	0.4	1.6	0.5	1.5
Miscellaneous	4.6	16.7	6.6	19.5
Total:	27.7	100	33.7	100

Source: Bank of Libya, Monthly Economic Bulletin, Dec. 1965

The increase in October 1965 up to L£ 10 million towards the capital of the Organization for Industrial Development (a government body now known as the Libyan Industrial and Real Estate Bank), the extension of its activities and especially the authority it has to lend at rates of interest between 1 and 4% for housing and industrial development - all this will help to establish new industrial enterprises. Nevertheless, it is to be feared that the development of these enterprises depends more on a spirit of initiative in the direction of industry than on facilities for obtaining capital.

In the same way we may note that in October 1965 the 25-year-old agricultural co-operative (Consorzio Agrario della Tripolitania) amalgamated with the Agricultural Bank (intended to grant loans to farmers at a low rate of interest and to finance the purchase of agricultural materials, fertilizers, etc.). This might help agricultural development. The amount of loans granted by the National Agricultural Bank is still, however, slight (barely L£ 450,000 between 1963 and 1964 and 750,000 from December 1964 to October 1965). The rapid rise in prices of fresh fruit and vegetables (48%) between January 1964 and January 1965 in the city of Tripoli[1/] will no doubt encourage farmers to develop the growing of market-garden produce and fruit in the neighbourhood of towns.

The Libyanization of branches of foreign banks[2/] which obliges the latter to make over 51% of their capital to Libyans should be completed in 1965. Two banks underwent this process in 1964: the Sahara Bank (formerly Banco di Sicilia) and the Société Africaine de Banque (formerly Société de Banque). The British Bank of the Middle East becomes the Bank of North Africa and the Bank Misr has also been Libyanized. Nevertheless it remains to find a means by which this Libyanization will be able to transform the present credit structure, give more benefit to the industrial and agricultural sectors and also fight against the inflation created by bank credits.

1/ Bank of Libya, Ninth Report.

2/ By a law passed in 1964.

Banks continue to lend the greater part of the deposits they receive. In November 1965 loans amounted to L£ 28.1 million as against 23.3 million in December 1964, that is to say an increase of 20%. Deposits rose from 26.6 million in 1964 to 38.2 million in November 1965, i.e. an increase of 44%. The ratio of assets to deposits went from 89% (end of 1964) to 74% (November 1965). The liquid assets remained at the same level during this period, i.e. 22%.

The currency in circulation rose from L£ 25.9 million in December 1964 to 34.3 million in November 1965, i.e. an increase of 32.4% in eleven months. The demand deposits increased during the same period from 37 million to 61 million, i.e. a growth of 64%. Nevertheless, despite the rapid expansion of means of payment and credits, it would appear that prices have not followed suit. The cost of living index (based on 100 in January 1964) went from 107 to 111.3 between January and September 1965. It would appear that the low rate of customs duty on imports is one of the main reasons why prices have only increased to a moderate extent.

MOROCCO

Agriculture

The cereal crop in 1964/65 (June-July) was about the same as that of 1963/64 (28.9 million quintals). It was four million quintals behind the 1963/64 crop and seven million quintals behind the cereal requirements of the country.

Cereal production
(in thousands of quintals)

Year	Wheat hard and soft	Barley	Maize	Oats	Sorghum	Alpia	Millet	Rye	Rice	Total
1964/65	13,144	11,894	2,721	182	392	279	87	45	180	28,924
1963/64	11,958	11,684	3,197	193	639	187	55	11	207	28,131

Owing to bad weather conditions Morocco had a cereal deficit in 1965, as in 1964, which it had to fill by imports. Over the first eleven months of 1965 about two million tons of hard and soft wheat were imported from the USA, including wheat flour. 1/

Citrus-fruit production in 1964/65 was also lower than that of 1963/64, i.e. 430,000 tons as against 473,000 tons. Nevertheless citrus exports did not fall (307 million DH 2/ in 1964/65 and 304 million DH in 1963/64).

1/ Bulletin d'Information de la BMCE - Feb.1966 p.6.

2/ One dirham (DH) is approximately equal to one New Franc or $US 0.20

Citrus production
(in thousands of tons)

	Oranges	Total citrus	Exports in thousands of tons	Exports in millions of DH.
1963/64	544	630	473	304
1964/65	443	530	430	307

On the other hand the wine harvest increased in 1964/65 by about 7% compared with that of 1963/64 (the 1963/64 vintage produced 2.5 million hectolitres). The problem of wine exports has become more acute owing to a succession of three sub-normal vintages in 1963, 1964 and 1965 and the regular drop in consumption following the departure of Europeans. Finally, the other crops (sunflower, ground-nuts, flax, castor-oil plant, cotton, tobacco, sugar-beet etc) showed a definite increase.

Industry

During the first ten months of 1965 production in the field of electricity, petroleum, mining and cement increased but little compared with the first ten months of 1964, as the following table shows:

Mining production in 1964 and 1965

Product.	Unit	1964 (10 months)	1965 (10months)
Electricity	Millions KwH	995	1,050
Petroleum	1000 tons	101	85
Anthracite	" "	335	342
Iron ore	" "	730	787
Metallurgical manganese	" "	224	265
Lead	" "	87	94
Zinc	" "	65	84
Copper	tons	5,162	5,142
Cobalt	tons	12,676	12,979
Phosphates	1000 tons	8,532	8,217
Refined petroleum products a/	1000 m^3	781	855
Cement	1000 tons	695	666

Source: Service General des Statistiques du Maroc - Bulletin Mensuel de Statistiques - Oct.1965

a/ Gasoline, gas-oil and fuel-oil

The fall in cement production can be explained by the fall in consumption. In 1965 it decreased by -6%, falling from 804,000 tons in 1964 to 755,000 tons in 1965. In Casablanca, foremost city in Morocco, applications for building permits dropped from 2,629 in 1964 to 2,464 in 1965, which represents an overall value of 76 million DH in 1965 as against 100 million DH in 1964. 1/

1/ "La Vie Economique" of 18.3.66

Sales of electric power by the Office National d'Electricité (ONE) in 1965 amounted to 1,159 million KwH as against 1,100 million KwH in 1964, or an average increase of 5.4%. 1/ Consumption of electricity by mining enterprises rose by more than the average, i.e. 9.2%.

Petroleum production only covers a tenth of consumption. A Polish team has been engaged by the BRPM 2/ to examine the possibilities of the sub-soil in the Riff.

Enrichment of processing of Moroccan minerals made further advances in 1965. Near Taroudant in Southern Morocco a plant has been opened for processing copper ore, thanks to Czechoslovak co-operation. Its daily capacity is five tons. In mid-June the Safi chemical complex was inaugurated, the biggest chemical complex in the world outside the USA. The complex is owned by the State of Morocco and cost more than $ US 40 million (plus $ US 10 million for work on the infrastructure). It was built by the following companies: Krebs(France), and Lurgi(W.Germany) with the assistance of Blaw-Knox(Pittsburgh) as consultants. There are two production lines with a capacity of 200,000 tons of TSP and 150,000 tons of DAP. The plant can process pyrrhotine cinders and extract, by the system which has been adopted, either 3000 tons of copper or pellets with 66% iron content which can be processed into sponge-iron and then into steel from an electric furnace. The addition of other units is being considered to produce ammonia, tripolyphosphate, enriched phosphoric acid, bitumen and naphtha, either as raw materials for the complex or for the improvement of its by-products.

1/ "La Vie Economique" of 23.2.66

2/ Bureau de Recherches et de Participations Minieres. (Mining Research and Investment office).

In December the Import-Export Bank announced that it would grant the Office Cherifien des Phosphates (OCP) a loan of $ US 24 million for the purchase of American equipment enabling the OCP to raise phosphate production from 10 million tons a year to 17 million in 1970. The financing of this work by the OCP meant that the latter contributed 60 million dirhams to the State in 1965 as against 100 million in 1964.

Studies also continued in 1965 with a view to processing the iron ore of the Riff by a steel complex at Nador. Finally, we may mention the fact that the project for the setting up of a free industrial zone in Tangier was examined in 1965 and has now been adopted.

Foreign Trade

The deficit in the commodity balance fell from -327 million DH in 1963 to -148 million in 1964 and from -78 million during the first ten months of 1964 to -20 million during the corresponding period in 1965.

Balance of foreign trade in 1963, 1964 and 1965
(in million of DH)

	1963 (12 months)	1964 (12 months)	1964 (10 months)	1965 (ten months)
Imports	2,271	2,335	1,863	1,799
Exports	1,944	2,187	1,785	1,779
Balance	-327	-148	-78	-20

Source: Bulletin Mensuel de Statistique - Oct.1965

The reduction of the trade deficit was achieved by restricting imports. At the end of 1964 imports were actually suspended. At the beginning of 1965 they were resumed but on a quota system. At the end of 1965 quotas for trade with some countries (mainly France) were abolished but customs duties were increased.

The drop in imports during the first ten months of 1965 as compared with the first ten months of 1964 was due to the contraction of the imports of manufactured goods. Imports of manufactured goods for equipment dropped by about 12% and imports of finished goods for consumption by about 33%. Imports of foodstuffs, however, rose about 29%.

Imports in 1963, 1964 and 1965

(in millions of DH)

End use groups	1963 (12mnths)	1964 (12 mnths)	1964 (10mnths)	1965 (10mnths)
Food, beverages, tobacco	465	636	427	549
Power, lubricants	80	137	115	82
Crude products	266	262	218	265
Manufactured goods including:	1,425	1,278	1,083	894
Semi-finished	457	454	377	354
Finished products for equipment	370	344	294	259
Finished products for consumption	598	480	413	279
Industrial gold	7	14	14	4
Postal packets	28	7	6	5
Total imports	2,271	2,333	1,863	1,799

Source: Bulletin Mensuel de Statistique - Oct.1966

T66-14

The fall in imports of textiles from 114 million DH in 1964 (10 months) to 43 million in 1965 (10 months), as also the reduction in imports of drugs (from 60 to 43 million) and touring cars (28 to 16 million) explains the drop in imports of manufactured goods for consumption. This reduction was achieved either by an increase in customs duties (100% for textiles) or by stopping imports (in the case of pharmaceutical products).

As regards the rise in imports of foodstuffs, this can be explained in its entirety by the increase in imports of sugar, which rose from 167 millions in 1964 (10 months) to 297 million DH in 1965 (10 months). At the beginning of 1965 Morocco signed a trade agreement with Cuba for the import of 565,000 tons of sugar [1/] in 1965 and 1966 on a price basis of 3.5 cents per English pound.[2/]

There was no great change in the direction of trade in 1965. Moroccan foreign trade in the first ten months of 1965 showed a surplus as regards the principal partners, except with the USA (owing to imports of foodstuffs) and Cuba (sugar).

1/ Morocco consumes 340,000 tons of sugar per year. Consumption of sugar per head is one of the highest in the world. Local production is 20,000 tons (the Beth sugar plant). With the Tadla plant in operation production comes to 50,000 tons.

2/ Some people consider this price excessive, while others think that is to Morocco's advantage. In this connection see Maroc-Informations of 14 and 15 Nov.1965.

Main export and import countries in 1964 and 1965

(in millions of DH)

	1964 (12 months)			1965 (10 months)		
	Export	Import	Difference	Export	Import	Difference
France	931	915	+ 162	796	701	+ 95
W. Germany	221	132	+ 89	138	90	+ 48
Spain	88	28	+ 60	106	21	+ 85
UK	103	69	+ 34	88	44	+ 44
Belgium & Luxemburg	81	49	+ 32	66	30	+ 36
Netherlands	76	53	+ 23	56	44	+ 12
USSR	27	54	- 27	50	28	+ 22
Maghreb	39	61	- 22	48	28	+ 20
China	62	60	+ 2	47	41	+ 6
Italy	76	64	+ 12	41	51	- 10
Cuba	56	243	-187	34	158	-124
USA	27	211	-184	23	242	-219
Arab countries	13	21	- 8	6	9	- 3

Source: Bulletin mensuel de la Statistique - Oct.1965

Franco-Moroccan trade represents about 40% of Morocco's foreign trade. In July 1965 France and Morocco signed an agreement by which Morocco will abolish licences for 30% to 35% of French goods. France, on her part, will abolish import licences for Moroccan goods entering France duty-free, except for vegetables, fruit, wine and fish. Incidentally, discussions with the EEC continued in 1965 without any result. In July an agreement was signed with Poland for exchange of Moroccan minerals against equipment for sugar-mills, plants for production of soda, chlorine and textiles, and for the mining industry.

A feature of the year 1965 was the attribution in July of "exports of citrus, fruit in general and fresh vegetables, handicraft products, products of the fish industry and canned fruit and vegetables including juice" 1/ to a State organization named "Office de Commercialisation et d'Exportation." 2/

One of the main reasons for nationalizing the export of these commodities was to prevent exporters of Moroccan goods from continuing to keep their receipts from exports abroad. It is estimated that these measures affect about a hundred foreign export companies with a turnover of 140 million $ US and will bring in some 35 million $ US to the State. Counting exports of phosphates, the State controls about 60% of exports from Morocco.

1/ Bulletin Mensuel d'Informations de la BMCE, July 1965

2/ This organization was in existence before independence and was named "Office Cherifien de Controle et d'Exportation."

The OCE's system is a flexible one. For exports of canned fish and fruit it amounts to a form of co-operation between the OCE and existing organizations. The cannery association (UCIC) will become a branch of the OCE and the citrus-fruit association (ASPAM) will have close links with the Technical Committee of the OCE. The latter will be concerned with exports and financing. Other operations, such as sorting and packaging still come under the private sector. With the aid of the banks the OCE has organized a system of advances to growers on the basis of a guaranteed price. Over the first nine months of 1965 the OCE controlled the export of 1.1 million tons valued at 838 million DH as against 1.2 million tons, values at 819 million DH, over the first nine months of 1964.

Balance of Payments

The year 1965 ended with an increase in exchange reserves of 231 million DH as compared with a decrease of 312 million DH in 1964.

Balance of Payments

(in millions of DH)

	1963	1964	1965
Balance of current account	-158	143	164
Private	-373	17	125
public	215	126	39
Balance of capital account	-59	-455	67
private	-276	-745	-425
public	217	290	492
Variation in exchange reserves	-217	-312	+231

This reversal of the situation is due to a combination of several favourable factors. The trade deficit was reduced and receipts from tourism increased (322 million DH in 1965 as against 306 million in 1964), which represents a surplus of 125 million DH in current private account in 1965 as against 17 million in 1964. The balance of the transfer of private capital dropped from 745 million in 1964 to 425 million in 1965, while public aid increased from 290 million DH in 1964 to 492 million in 1965. Aid received in 1965 came mainly from two countries, the USA and France.

Aid received by Morocco
(in millions of DH)

	1964	1965
Franc Zone	265	233
Other currency areas	112	370
Amortization	-87	-101
Net balance	290	492

Only the balance of current public account dropped between 1964 and 1965 following a decrease in foreign expenditure in Morocco and the increase of Moroccan expenditure abroad (diplomacy, inter - national organizations, pensions etc.)

The Monetary Situation

Money supply increased by about 9% between 31.12.64 and 31.12.65. In terms of percentage deposits in banks and in postal cheque accounts showed the highest increase.

Money Supply as on 31 December
(in millions of DH)

	1964	1965
Currency	1,279	1,386
Demand Deposits held by:	2,524	2,744
Banks	(2,025)	(2,324)
Postal a/c's	(214)	(244)
Treasury	(285)	(176)
Total	3,803	4,130

This multiplication of money supply was not followed by an acceleration of economic activity. Credits to the economy increased less than 2%. The Treasury, however, was able to ease the burden of its debts and the State was able to increase its exchange reserves.

Counterpart of Money Supply as on 31 December
(in millions of DH)

	1964	1965
Foreign assets	382	611
Claims on Treasury	1,614	1,543
Credits to the economy (Claims on the Private Sector)	1,943	1,978
Treasury deposits in banks	-116	-55
Adjustments	-20	+53
Total	3,803	4,130

By index (based on 100 in 1960) exchange reserves stand at 48 for 1965, Claims on Treasury at 373 and credits to the economy (Claims on the Private Sector) at 159.

The Budget

1965 was the first year in which budgetary expenditure declined. After increasing by 10% a year on the average from 1959 to 1964, it fell more than 4% between 1964 and 1965, that is to say from 3,444 million DH in 1964 to 3,006 million in 1965. Receipts were stationary and the deficit fell from 788 million DH in 1964 to 384 million in 1965. It will be "financed by Treasury resources". 1/

1/ Finance Law (First Article, II)

The 1964 and 1965 Budgets

	Resources		Expenditures	
	1964	1965	1964	1965
A- Operations of a final nature				
1 - General Budget	2,266	2,296	3,019	2,517
Recurrent Budget			2,191	2,098
Equipment Budget			819	419
2 - Public Corporation with separate budgets	192	277	192	227
Production			151	174
Investment			41	53
Total A	2,458	2,573	3,202	2,744
B- Operations of a temporary nature	198	149	242	262
Total A + B	2,656	2,722	3,444	3,006
C - Deficit	788	384		

Source: Maghreb No.9 of May-June 1965 p.43

The resources of the general budget were stagnant (2,266 million DH in 1964 and 2,296 million in 1965). However, direct taxation was relaxed (356 million DH in 1964 and 329 in 1965), while taxation on consumption was heavier (305 million in 1964 and 354 million in 1965, as also customs duty (453 million in 1964 and 469 million in 1965) and Taxations on Production and Services (210 million DH in 1964 and 230 in 1965).

On the expenditure side the equipment budget was reduced by almost half between 1964 and 1965, falling from 819 million DH to 419 million. Not all sectors were affected to the same extent by this reduction. Agricultural equipment dropped from 210 million to 131 million and infrastructure from 173 to 107 million, but industry dropped from

193 to 66 million. Consequently initial estimates for Gross Fixed Capital Formation in 1965 show this aggregate to be below its 1964 level, i.e. 1,370 million DH in 1965 as against 1,420 million in 1964. It is to be noted also that GFCF for 1965 was lower than that forecast in the 1965-67 Three Year Plan, i.e. an average of 2000 million DH per year.

The Plan

The new Moroccan Development Plan (1965-67) is rather a three-year budget for "equipment in the public sector".[1/] It was adopted by the National Assembly during the summer of 1965. The aim is to increase Gross Domestic Production by 3.7% per annum,[2/] household consumption by 3.1%, consumption by the administration 4.3% and the GFCF by 16.3%, while the trade deficit should go from 590 million DH in 1964 to 1,380 million in 1968.

The sectors to the development of which priority has been given are agriculture, tourism and training. Investments over the three year period will amount to 6,200 million DH, that is to say more than 2,000 million per annum, of which 710 million, or one third, is to come from external sources.

1/ Royaume du Maroc: Plan Triennal 1965-67

2/ According to provisional documents the GDP increased from 11,030 million DH to 11,680 million between 1964 and 1965 at current prices. In constant prices it increased by 2% between 1964 and 1965.

Foreign aid, promised or obtained, in 1965 came from five main sources (in descending order): USA, France, international organisations (IBRD, AID, IMF), Kuwait and West Germany. The latter constructed the Tadla sugar plant, while lending 80 million DM for the Safi complex and 20 million DM for other projects. Kuwait granted a loan in April of 10 million sterling. In June BEPI [1/] and the ONMT [2/], on the one hand, and the Spanish National Institute of Industry, on the other hand, signed an agreement for the constitution of consultant companies ("sociétés d'études") in connection with projects for the construction of a plant at Nador intended to spin and weave cotton and rayon fabrics, also an esparto pulp factory at Guercif.

The IBRD lent $US 27.5 million for agricultural projects, such as the development of the Sidi Slimane area. The IBRD and the FAO continued to study projects for the development of the Sebou basin and the western region in the Riff. The BNDE [3/] obtained a loan of $ US 1,000,000 for the construction of two textile factories. AID granted Morocco a loan for the reconversion of the US military base at Nouaceur and the IMF granted a stand-by credit of $ US 45 million to be used within twelve months.

1/ Bureau d'Etudes et de Participation Industrielles

2/ Office National Marocain du Tourisme

3/ Banque Nationale pour le Développement Economique

French loans to Morocco in 1965 amounted to 220 million NF at a low rate of interest, and french credits amounted to 130 million NF. A loan of 50 million NF was granted by the Banque de France to the Banque du Maroc.

United States aid to Morocco bewteen July 1964 and June 1965 amounted to $ US 47.3 million and consisted mainly of food surpluses.

U.A.R.

Agriculture

The cotton crop[1/] in 1965/66 (season running from 1 September to 30 August) appears to be in some respects one of the best that the UAR has ever experienced. Nevertheless, at the beginning of the season it was feared that the damage caused by diseases of the leaf in July might prejudice the crop. From 1 September 1965 to 7 November 1965 more than 8.85 million cantars[2/] were delivered to government collecting stations by producers working on a guaranteed price. Almost the whole of this quantity was handed over for ginning. Cotton-growing areas in 1965-66 cover 300,000 feddans more than in 1964/65.[3/]

By way of comparison we may refer to the 1964/65 crop (the biggest since the 1952 revolution) which amounted to 10.1 million cantars, 6.8 million of which were exported, 3.1 consumed locally and 1.2 stored. We may also refer to the 1953/54 crop (the poorest since the revolution), which amounted to 6.4 million cantars of which 1.4 were consumed locally.

The succession of good cotton crops in 1964/65 and 1965/66 enabled the UAR to increase considerably its receipts from cotton exports, that is to say £ E 184 million in the first seven months of 1965 as against 151 million for the same period in 1964.

1/ Cotton represents 30%-40% of agricultural production by value and 70% of exports by value.

2/ 1 cantar = 50 kg.

3/ 1 feddan = 0.4 hectare.

Industry

One of the sectors advancing the most rapidly is the petroleum industry. Substantial deposits were in fact discovered at the beginning of 1965 on the 6,500 sq.km. concession granted to Pan-American [1/] in the Gulf of Suez. Reserves in this new field, which is named MORGAN, are estimated at 85 million tons, or more than all previous proved reserves, amounting to 70 million tons. A joint company was formed between Pan-American and the General Petroleum Organization (a government body) with the name of GUPCO (Gulf Petroleum Co.) with a view to working the MORGAN field. Production, which will start in 1966, will be in the region of 50,000 barrels a day, which is to be doubled in a few years. According to some estimates production might reach some 10 million tons a year. At the beginning of 1965 drilling began in the north of theDelta on one of the concessions held by IEOC (International Egyptian Oil Co), [2/] a subsidiary of ENI. The Phillips company is prospecting actively in the western desert.

Domestic consumption is around 5 million tons but the UAR is obliged to import lighter crude and export its own which is sulphurous and heavy. In the year beginning 1 July 1965 the UAR will import three million tons, of which 700,000 tons will come from Russia and the rest will be supplied by SHELL, ESSO and CALTEX.

1/ Subsidiary of Standard Oil Co. (Indiana)

2/ IEOC and GPO own equal shares in COPE (Compagnie Orientale des Petroles) which produces three quarters of Egyptian petroleum. Total Egyptian production: 7 million tons in 1964.

The production of the three UAR refineries exceeds six million tons and allows for the export of two million tons of refined products (gasoline and fuel). A plant for the production of coke from petroleum, treating 1,7 million tons a year of heavy crude from Belayem, was completed in 1965. It will produce coke, lubricants, high-octane gasoline etc.

The other sector which has shown rapid growth is production of electric power.[1/] A power-station costing £E 27 million was completed in 1965. It feeds the industries round Cairo. With a power of 385 million W, it is considered the most powerful in Africa and the Middle East. Russia has begun delivery of equipment for the HT line (500,000 volts) linking the Aswan Dam with Cairo.[2/] Under the Russo-Egyptian agreement signed in August 1965 the UAR will receive 30,000 tons of electric cable, 6000 pylons and 750,000 insulators. The Aswan-Cairo line will be extended to Alexandria (220,000 volts) and there will be another extension to Suez (132,000 volts). Finally the Qattara Depression project has been declared to be viable. A hydro-electric plant will be installed on the canal bringing water from the Mediterranean to the Depression and will produce four billion KwH of cheap electricity. This plant will moreover make it possible to correct the seasonal fluctuations of the High Dam production and day-to-day fluctuation of consumption.

1/ Between 1963 and 1964 it rose from 4.2 billion KwH to 5,4 billion, that is to say an increase of 30%. See "Annuaire Statistique de la RAU 1952-1964-Avril 1965.

2/ The High Dam will start to supply electric power from 1967 onwards.

Although data on the growth of industrial production between 1964 and 1965 are not available, the increase in production of power shows that the industrial sector has continued to develop. Apart from this, several conferences, attended by ministers and Egyptian leaders, were held to study the methods, achievements and weaknesses of production.

Foreign trade

During the first six months of 1965 the trade balance was almost even, whereas it showed a deficit for the corresponding period in 1964.[1/]

UAR imports and exports
(in millions of £E)

	1964 (first 6 months)	1965 (first 6 months)
Exports	139	170
Imports	186	174
Balance	-47	-4

This reversal of the situation was achieved thanks to the expansion of exports and the restriction of imports. A committee presided over by the Prime Minister and comprising almost all the ministers meets each month to earmark receipts from visible and invisible exports. Imports by private people are abolished and the allocation of foreign currency gives

1/ During the seventh month of 1965 Imports amounted to £E 31 million and exports to 14 million. (during the same month in 1964 imports were £E 34 million as against 12 million for exports).

priority to import of essential consumer goods, raw materials, fuel and equipment.

Receipts from the Suez Canal during the first nine months of 1965 reached £E 64 million (as against 58 million during the same period in 1964) and the receipts from tourism expected in 1965 will be about £E 57 million as against actual receipts in 1964 of 37.5 million.[1/] The increase in invisible receipts will make it possible to cover part of the balance of trade deficit which is bound to appear at the end of 1965.

. In the 1964/65 season cotton exports were in the ratio of 63% to Socialist countries as against 53% for 1963/64 and 64% for 1962/63. Exports of cotton to the Socialist countries regained and exceeded 1962/63 levels, except for China which imported nearly 890,000 cantars in 1959/60. As regards other countries, only Japan and West Germany increased their purchases of Egyptian cotton, between 1963/64 and 1964/65.

1/ During the first nine months of 1965 about 418,000 tourists visited Egypt as against 378,000 in the first nine months of 1964.

Exports of Egyptian Cotton (in thousands of Cantars)

	1962/63.	1963/64	1964/65
USSR	1744	1307	1968
Czechoslovakia	701	614	733
Japan	296	401	496
China	487	306	472
India	522	508	470
W. Germany	252	416	431
Jugoslavia	210	177	276
Italy	275	347	274
Poland	209	220	257
Rumania	224	184	257
E.Germany	186	165	196
UK	130	234	137
Hungary	139	114	137
Other countries	686	841	739
Total	6061	5835	6843

Source: National Bank of Egypt - Economic Bulletin 1965, Vol.4 Table 5/2 b.

Egyptian imports during the first six months of 1965 dropped by comparison with the first six months of 1964 and they still come from the same countries in the same ratio, except however those from the USA, which only amounted to 25% of the total in 1965, as against 34% in 1964, owing to the suspension of American aid for the fiscal year 1964/1965.[1/] Imports from France were almost quadrupled. It may be expected that the volume of Franco-Egyptian trade will go on expanding. The Nile Company for the Export of Crops signed an agreement with a group of French companies to sell the latter 100,000 tons of vegetables and other agricultural products over the next five years. France, on her side, has just granted the UAR a loan of 30 million dollars repayable in 10 years. The loan will be used to develop the working of the iron ore deposits near Aswan and to extend Egyptian airlines. Other trade agreements were signed with several countries (Poland, E.Germany, Jugoslavia, Albania, Guinea, Tanzania, Lebanon and Bulgaria). Most of these agreements are for several years (often five - corresponding to the period of the new industrialization Plan for 1965-1970), envisage the rapid expansion of trade relations in both directions, carry a promise of aid to finance the projects of the 1965-70 Plan and, in particular, show that some partners of the UAR will exchange their capital goods for products manufactured by the latter. For example Bulgaria will sell the UAR electrical equipment, tractors and a textile plant, while buying refrigerators, washing-machines, sewing-machines, fertilisers, chemicals, footwear etc.

1/ This aid was restored for the last six months of the 1965/66 fiscal year. The amount will be $ 55 million or about a third of the average annual aid granted during the period 1962/65.

Egyptian Imports in 1964 and 1965

	In 1964 (6 months)		In 1965 (6 months)	
	Millions of $ US	%	Millions of $ US	%
USA (a)	21.3	34	13.1	25
W.Germany (b)	9.6	12	8.1	11
UK (d)	4.6	8	6.0	9
Italy (c)	3.2	5	5.5	7
France (b)	1.0	2	3.7	5
India	2.6	4	3.7	6
Russia	3.4	5	3.4	5
Czechoslovakia	2.4	3	3.1	5
Switzerland	1.8	3	1.6	2
China	1.5	2	1.6	2
E.Germany	1.1	2	1.5	2
Total including miscellaneous countries	71.4	100	66.4	100

Source: The Economist Intelligence Unit - Quarterly Economic Review - December 1965.

(a) From Jan. to July.
(b) From Jan. to Sept.
(c) From Jan. to Aug.
(d) From Jan. to Nov.

The decision taken at the end of 1965 to make Port Said a free zone will attract capital and will help to cover the deficit in the trade balance. At the end of November 1965 several countries and firms expressed the desire to rent space in this free zone. We may mention American firms (National Cash Register, I.B.M., Ford) and Italian (Fiat, Firestone). Australia and New Zealand are interested in freezing chambers for meat, butter and fish.

Finally, the decision of the Council for Arab Economic Unity 1/ taken at its Cairo meeting in October 1965, by which for the second time tariffs are to be lowered by 20% on certain industrial products, as from 1 January 1965, will help the UAR to step up trade with its neighbours.

The Budget

The 1965/66 estimates show that the overall deficit will drop from £E 248 million to 225 million (-10%) thanks to a very slight increase in expenditure (+ 1.5% between 1964/65 and 1965/66 as against + 10% between 1963/64 and 1964/65) accompanied by a faster rise in revenue (+ 4.7% between 1964/65 and 1965/66).

1/ This Council consists of the UAR, Syria, Jordan, Kuwait and Irak.

UAR Budget estimates

(in millions of £E)

	1963/64	1964/65	1965/66
Expenditure			
Services Sector:			
a) Current expenditure	478	539	610
b) Capital expenditure	62	71	39
Public Business sector:			
a) Current expenditure	191	203	250
b) Capital expenditure	349	371	306
Total	1080	1184	1205
Revenue			
From public services	501	568	626
From the public business sector	319	368	334
Total	820	936	980
Deficit	260	248	225

Source: The Economist Intelligence Unit-Quarterly Economic Review 1965 No.50, 51 and 52 and Annual Supplement 1965.

The rapid rise in current expenditure on the public business sector (+25%) is explained by the latter's taking over new production units. On the other hand the reduction of investments in this sector reflects the lowering of certain targets.

Receipts have risen thanks to the increase of income tax which should bring in nearly £E 98 million in 1965/66 as against 38 million in 1964/65. On 5 December 1965 it was announced that incomes of £E 5000 will pay income tax at 40% and incomes of £E 10,000 will be taxed at 95%. The price of cigarettes, spirits and other drinks, as well as durable consumer goods has risen by 25% for the latter.[1/] The price of textiles has risen 10% and duty on imported cars is now 270%.

The deficit of £E 215 million in the 1965/66 budget will be covered by the Treasury through recourse to non-inflationary measures[2/] (mobilization of social security and superannuation funds etc.) Employees in the public sector are invited to contribute half a day's work each month the payment for which will be capitalized. The object of these measures is - apart from the reduction of the budget deficit and that of the balance of payments - is to check the increase in consumption which has advanced further than was expected in the 1960-65 Plan.

1/ On the basis of 100 in 1958 the general cost of living index has risen from 101 (average for the first six months of 1964) to 116 (average for the first six months of 1965). The index for food products has gone from 109 to 136 (same base and same period), or an increase of 25%. At the same time it should be borne in mind that the cost of really essential goods has not greatly increased.

2/ Currency in circulation has risen from £E 358 million (monthly average in the second quarter of 1964) and to 412 million (monthly average in the second quarter of 1965), that is to say an increase of 15%.

The Plan.

According to this plan, based on a term of years which expired at the end of June 1965, private consumption was to increase by 25% in five years, or 4.9% per year (constant prices). In fact consumption rose by 49% in five years (current prices), or 8.3% per year, Collective consumption rose during the same period by 89.6%. In constant prices for 1959/60 wages and salaries rose by 59.9%, that is to say from £E 550 million to 879 million and the number of earners went from 6 million to 7.3million (as against the 7 million forecast in the Plan). This unforeseen increase in consumption, both private and public, resulted in a worsening of the trade balance deficit - which went from £E 36 million at the outset of the Plan to 136 million at its end - and in a drop of 5% in the GFCF actually effected as compared with that forecast.

Gross Fixed Capital Formation provided for during the 1960-65 Plan period and actually realised

	Investment provided for		Investment realised	
	In millions of £E	%	%	In million of £E
Agriculture	225.3	14	8	118.4
Irrigation	119.4	8	9	138.0
High Dam	47.3	3	6	98.6
Industry	349.2	28	27	403.9
Electricity	139.5	9	7	112.6
Transport and Communic	236.8	15	18	270.8
Suez Canal	35.0	2	2	23.4
Housing	174.6	11	11	161.5
Public utilities 1/	48.8	3	3	50.5
Services 2/	111.0	7	9	135.3
Total	1,576.9	100	100	1,513.0

1/ Drainage, water distribution etc.
2/ Education, health, Defence, Justice, tourism etc.
SOURCE: Le Progrès Egyptien of 26.11.65 - General Frame for the FYP 1960-65 p.24

We may also note that, according to this table, the GFCF was 17% for agriculture and irrigation (as against 22% forecast), 27% for industry (28% forecast) and 12% for electricity and the High Dam (as against 13% forecast). On the other hand transport and services received more investments than provided for (43% realised and 38% forecast).

Finally the national income went from 1285 to 1762 million £E (1959/60 prices), or an increase of 37% as against the 40% forecast. This small discrepancy can be accounted for by the bad cotton crop in 1961/62.

The difficulties encountered in some sectors are described as transitory by Egyptian leaders, or even of minor importance when compared with the achievements since 1952. They point out that "the lands irrigated thanks to the High Dam and other improvement projects allow for a one-third increase over areas irrigated before the Revolution, that a single industrial complex (that of Helwan) is at present an industrial potential producing as much as all industries in existence before 1952 and that a single power-station, the High Dam, will supply more power than was produced before 1952."[1/]

As for the new Egyptian Plan (1965-70) it starts from the beginning of July 1965. It is intended that the national income should increase by 7% per year between 1965 and 1970 and reach the double of its 1960 level. It is also intended that the amount of investments in 1965-70 period will be £E 3000 million or double what was invested during the previous five

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1/ Le Progrès Egyptien of 26.11.65

years (1960-65). This Plan is part of a long-term action based on nine foundations enumerated by the President of the UAR. 1/ The economic foundations are six in mumber and are as follows:-

1) The main asset of Egyptian people is, and always will be, their labour.

2) But a too rapid growth of the population and of consumption endangers what the Nation has achieved. This growth must be strictly controlled and fixed by planning.

3) Until desalination of water becomes viable and permits increasing areas to be irrigated, agricultural productivity must be stepped up in the meantime.

4) The real solution for the future of the UAR is industry and especially heavy industry.

5) It is then that the country must reach a world level of quality allowing for the export of the labour and the skill of the Egyptian worker.

6) Loans granted to the UAR must be wholly invested and not consumed.

1/ See the same article quoted above.

THE SUDAN

Agriculture

The cotton crop[1] in 1964/65 is estimated at 685,000 bales[2]. This is 45% higher than in 1963/64 and 30% below the record crop in 1961/62. Stocks continue to pile up since exports for 1964/65 still lagged behind production. As on 15 November 1965 some 402,000 bales were unexported, of which 55,000 came from the 1963/65 crop. Exports for 1965 were well below those of 1964 and 1963. Between 1 January and 5 November 1965 they amounted to about 472,000 bales as against 557,000 for the corresponding period in 1964 and 816,000 in 1963. Receipts from cotton exports in 1965 (from 1 January to 5 November) amounted to £ S 26.4 million (as opposed to 29.7 million for the same period in 1964 and 39.6 million in 1963).

The drop in receipts from cotton exports was reflected by a fall in exchange reserves, restriction of government imports, an attempt to find barters agreements, followed by several signatures (see below) and the despatch to the Sudan, at the Government's request, of an IBRD mission to "study the basis, aims and methods" of the Gezira Managil irrigation scheme, which produces and markets most of the Sudanese cotton. In the same way the Sudan's efforts to co-ordinate its cotton marketing policy with that of the UAR are intended to arrest the drop in cotton exports. A Sudanese delegation visited Cairo in July 1965 in order to discuss the possibility of such co-ordination and since then several representatives of both countries have met. At the end of September

.../

1/ In terms of value cotton represents one third of agricultural production and three quarters of overall exports.

2/ The gross weight of a bale is 500 lbs. or 245 kilograms. Net weight is 420 lbs. or 206 kilograms. We are speaking here of gross weight.

1965 a Sudanese delegation, headed by the Minister of Commerce & Industry, went to Cairo to discuss economic co-operation with the UAR as well as co-ordination of cotton export policies in both countries.

The direction of cotton exports has in fact varied from year to year. In 1964 India was the main buyer of Sudanese cotton. In 1965 China came first, followed by the UAR and then India.

Exports of Sudanese cotton

(in thousand of bales)

Country	1964 (1 Jan. to 4 Dec.)	1965 (1 Jan. to 3 Dec.)
CHINA	42	76
WEST GERMANY	92	66
INDIA	97	60
USSR	21	56
ITALY	61	46
JAPAN	60	20
TOTAL (including other countries)	582	514

Source: The Economist Intelligence Unit - Quarterly Economic Review - December 1965.

Several industrial projects went ahead in 1965 and some were actually completed in that year, for instance one sugar-mill, two canneries at Karima and Wau, one cement-works producing 100,000 tons of cement and one cotton textile factory at Khartoum (35,000 spindles and 700 looms). In July the Sudan obtained from the Kuwait Fund for the Economic Development of Arab Countries a loan of £ 1.7 million to cover a portion of the cost of financing the sugar-mill and sugar-cane plantation at Khashm el Girba. The IBRD sent a mission[1/] to the Sudan to study present and future demand and supply for hydro-electric power in relation to the Roseires Dam, since some technicians think that its capacity exceeds the future demand of the country.

Foreign Trade

During the first six months of 1965 exports exceeded imports by £ S 0.3 million, whereas during the same period in 1964 there was a deficit of £ 16.6 million. This reversal of the situation came about thanks to a reduction of 38% in imports from one quarter to another.

Sudanese exports and imports

(in millions of £ S)

	1964 (six months)	1965 (six months)
Imports	56.4	35.1
Exports	39.8	35.4
Balance	- 16.6	+0.3

1/ Apart from the two missions mentioned above two other IBRD missions visited the Sudan in 1965 to study a mechanised cereal cultivation project at Gedaref and in the Jebel Nuba, also the educational development programme.

In order to reduce the deficit in the commodity balance (due to a succession of poor cotton crops and a bad market) the Sudan has reduced its imports from quarter to quarter.

The pattern of Sudanese imports and exports
(monthly average in million of £ S)

	1964			1965		
	1st. quarter	2nd.	3rd.	4th.	1st. quarter	2nd.
Export (FOB)	6.37	6.89	4.65	4.84	5.38	6.48
Import (CIF)	9.52	9.26	6.18	6.12	5.62	6.06

Sudanese exchange reserves have followed the movement. After dropping from $ US 123 million at the end of the third quarter of 1963 to 62 million at the end of the first quarter of 1965, they began to rise at the end of the second and third quarters of 1965, reaching $ US 74 and 77 million respectively. In June 1965 the Sudan was given the right to draw $ US 11.25 million to make up for "the temporary reduction of export receipts"[1/].

These difficulties arising from the trade deficit drove the Sudan to seek barter agreements. Thus an agreement of this nature was signed with India in October 1965. Under this agreement the Sudan will export cotton to India and will import tea, jute, cotton textiles and light equipment. Trade is balanced in both directions and should amount to £ S 16 million, or an increase of 30% in trade between the two countries.

1/ The Sudan paid over to the IMF a contribution of $ US 45 million and contracted loans from IMF amounting on 30/11/65 to US 30.4 million, of which $ 6.2 million has already been repaid.

International Financial Statistics - January 1966 p. 5

Another barter agreement was signed with the USSR. According to this arrangement the Sudan will exchange cotton for Russian sugar to the amount of £ S 2 million. A third barter agreement was signed with the UAR on 30 January 1965. The Sudan will export cattle, camels, hides, maize, dry beans, spices and arabic gum. It will import cotton textiles, sugar, metal furniture, footwear and pharmaceutical products. Trade in both directions should amount to £ S 10 million. This agreement was renewed in September 1965. Henceforth it will involve trade to the amount of £ S 25 million in both directions. The UAR is to import more cattle, maize, cereals and hides from the Sudan, and the latter will import from the UAR manufactured goods, cotton yarn and textiles, footwear, books, cement, tyres, rice and fruit.

In 1965 the Sudan was also granted substantial economic aid by several countries. Kuwait will contribute up to £ S 5 million, or 60% of the capital, towards a development bank to be opened in Khartoum. U.S. aid granted up to the end of June 1965 amounted to $ US 81.4 million. Czechoslowakia gave the Sudan a loan of $ 10 million with interest at 3% repayable in 8 years. This loan is intended for the purchase of Czech medical equipment. The UAR will finance the setting up of a steamship service between Shellal, near the Aswan Dam, and Halfa in the Sudan. It will also finance the construction of quays at Halfa and a canal for river traffic which will link the lake upstream from the High Dam with the Sudanese railway network. These projects, as well as ancillary works, will cost the UAR some 5 million pounds, or the equivalent of its debt to the Sudan, following the 1959 Nile Waters Agreement. Finally India has lent the Sudan £ S 4 million for the purchase of Indian machinery and equipment, while Sweden lent £ S 2 million (at 2% interest with a five-year moratorium, repayable in 15 years) for water supply to rural areas. Other countries, such as the UK, the USSR, Yugoslavia and West Germany granted aid to the Sudan in 1965.

The Budget

Normally the recurrent Sudanese budget shows a surplus and the latter helps to finance the development budget. The surplus of the recurrent budget in 1963/64 was about £ S 9 million. It was the same in 1964/65 if the same principle were adopted.

Budget estimates

(in millions of £ S)

YEARS	RECEIPTS	EXPENDITURE	SURPLUS
1963/64	67.3	58.2	9.1
1964/65	73.6	57.0	16.6

Source: Bank of Sudan Report for 1964 p. 46

1964/65 receipts were around 63 million if we exclude profits accruing from the sugar monopoly (which in 1963/64 went to the Provincial Councils). Revenue in 1964/65 has really diminished as compared with 1963/64 (63 million as against 67.3 million), as a result of the fall in production and cotton exports. Again expenditure in 1964/65 was 53 million if we exclude subsidies to Provincial Councils, which subsidies did not exist in 1963/64. The 1964/65 surplus is therefore 10 million, or about the same as in 1963/64.

Reduction in expenditure (from 58.1 million to 53 million) will mainly affect expenditure on development, which dropped from 39 million in 1963/64 to 25.4 million in 1964/65. This reduction is the result of the completion of the whole or almost the whole of some major projects such as the Guneid sugar-mill and the Khashm el Girba Dam, or even "by posponing the commencement of new projects whenever this could be done without upsetting the Development Plan" 1/.

1/ Bank of Sudan Report for 1964 p. 49

TUNISIA

Agriculture

The 1965 cereal crop was bigger than that of 1964 - that is to say 7.4 million quintals as against 4.8 million quintals - but it remained below the 1963 level of 9.2 million. The increase in the quantity harvested between 1964 and 1965 appears to be due not only to higher rainfall but to a "considerable improvement in output."[1/] The three main cereal crops have shown a definite increase, as follows: Hard wheat = 4 million quintals in 1965 (as against 2.8 in 1964): Soft wheat: 1.1 million in 1965 (as against 0.7 in 1964) and barley: 2.3 million in 1965 as against 1.3 million in 1964.

Wine production for 1965 is estimated at 1.8 million hectolitres, that is to say more or less the same as in 1963 and 1964. However, the main problem is marketing. France, having suspended her imports of Tunisian wines, has again opened up a quota for 325,000 hectolitres of wine and "mistelles" (unfermented grape-juice blended with alcohol) in favour of Tunisia, amounting to about a sixth of the crop. A few years before almost the whole of Tunisian production was exported to France.

The production of olive-oil for the 1965/66 season is estimated at 55,000 tons or 60,000 tons as against 95,500 tons in 1964/65. Exports are estimated at 50,000 tons in 1965/66 as against 54,000 tons in 1964/65.[2/] Domestic consumption (around 40-45 thousand tons) will be satisfied up to a half by drawing on 1964/65 stocks and, for the other half by importing soya-bean oil (20,000 tons).

1/ BCT Conjoncture. Bulletin Nº of 10 September 1965, p.1.

2/ Tunisian production of olive-oil in 1965/66 represents 5% of world production.

As on 2 February 1966 exports of citrus-fruit for the 1965/66 season amount to 16,100 tons as against 22,600 tons for the corresponding period in 1964/65, which would suggest a poorer crop.

Exports of esparto-grass, as on 31 January 1966, amount to 107,000 tons as against 90,700 for the previous year. The cellulose plant processed 32,000 tons as against 26,900 tons in 1964 and the quantity of pulp produced shows an increase of 41% (10,600 tons in 1964 as against 14,900 tons in 1965).

When we consider that nationalization of land held by foreigners dates from May 1964, we may suppose, bearing in mind the extent of the 1965 crop, that recovery of this land was not accompanied by any disorganization of the agricultural sector.

Industry

Production of electric power increased by 8% between 1963 and 1964. It increased again by 11% between November 1964 and November 1965, that is to say from 301 million Kwh to 331 million Kwh. It would appear that the start-up of the Menzel Bourguiba iron and steel complex has accounted for this accelerated increase in production of electricity.

Production of phosphates, hyperphosphates and superphosphates has advanced (11%, 11% and 78% respectively during the first eleven months of 1965)[1/] but exports have advanced by 4%, 5% and 100% respectively owing to the fact that international demand is much keener for superphosphates than for hyperphosphates and simple phosphates. Production of minerals (iron, lead and zinc) also advanced during the first eleven months of 1965 as compared with the first eleven months of

1/ Figures showing the volume are as follows:

	1964 (11 months)	1965 (11 months)
Phosphates	2,503,000 tons	2,778,000 tons
Hyperphosphates	102,600 tons	118,300 tons
Superphosphates	137,300 tons	244,600 tons

1964 (24%, 19% and 24% respectively).[1/] On the other hand iron ore exports only advanced 6% and zinc exports are down. But lead exports advanced by 30%.

It can be seen from these figures and also from those relating to phosphates and derivatives that exports do not always follow production. In order to reduce this gap more and more mineral ores are being processed and enriched prior to export.

Production of cement advanced little during the first eleven months of 1965 owing to a slowing-down of building projects. This slow-down is due either to a deliberate limitation of building licences or again to a deliberate tightening of bank credits. (Cement production: 415,000 tons for the first eleven months of 1965 as against 413,600 tons for the corresponding period in 1964. The value of licensed building amounted to 11.9 million dinars[2/] in 1965 and 11.4 million in 1964). One of the objects of these building restrictions has been to prevent the greater part of private savings from being immobilized in this way.

1/ Figures for volume are:

	1964 (11 months)	1965 (11 months)
Iron:	849,000 tons	1,051,200 tons
Lead:	18,720 tons	22,353 tons
Zinc:	5,460 tons	6,761 tons

2/ One Tunisian Dinar (DT) equals approximately 10 NF or US$2.

Foreign trade

The trade balance deficit went on increasing in 1965 (40.7 million dinars in 1963, 53.5 million in 1964 and 66.2 million in 1965). In 1965, as in 1964, the deficit situation was aggravated by a more rapid increase in imports over exports.

	In millions of Dinars		Percentage variation
	1964	1965	1965/1964
Imports:	110.8	129.1	16%
Exports:	57.3	62.9	10%
Deficit:	53.5	66.2	23.5%

Imports of capital goods rose from 30 million dinars to more than 41 million, i.e. an increase of 38%. Imports of semi-finished products increased by 20%. On the other hand imports of foodstuffs rose by 4% (+6.4 million dinars for cereals and vegetable oils) and imports of durable consumer goods (touring cars, refrigerators, etc.) dropped 2%.

As regards geographical distribution we may note a very considerable drop in trade with France as a result of retaliation and counter-measures on the part of the two countries.[1/] Exports to France dropped from 51.3% of total exports in 1964 to 29.5% in 1965, while imports from France fell from 44.1% in 1964 to 25.8% in 1965. Tunisia's second supplier country is the

1/ Denunciation of the Franco-Tunisian Trade Convention and abolition of privileges reciprocally agreed upon.

U.S.A. with 16% of total imports. There is an unfavourable trade balance with almost all nations except Algeria (+1 million dinars), Greece (+ 1.8 million) and Yugoslavia (+ 0.9 million). The trade deficit with the U.S.A. rose from 10.8 million dinars to 19.9 million between 1964 and 1965. Over the same periods the trade deficit with France went from 19.5 million dinars to 31.0 million.

Increased imports of American cereals and oils on the one hand and on the other hand the drop in exports of wine to France[1/] are responsible for those deficits representing 77% of the overall deficit.

Monetary questions

Monetary and quasi-money supply, which at the end of December 1964 were almost at the same level as at the end of December 1963 (198.5 million dinars and 193.3 respectively) reached nearly 212.8 million at the end of November 1965, i.e. an increase of more than 10%. But whereas currency in circulation and demand deposits dropped from 134.7 million dinars in December 1964 to 131 million in November 1965,[2/] quasi-money resources (fixed bank deposits, deposits in the National Savings Bank and fixed deposits of foreign origin) rose during the same period from 19.3 million dinars to 33.6 million, partly as a result of drawing on the I.M.F. under the second stand-by credit granted to Tunisia and partly due to the increase in fixed deposits in banks (from 13 to 19.4 million dinars). As regards non-money resources (on the one hand the B.C.T.'s own funds and those of the banks,

1/ During the first nine months of 1964 wine exports came to 7.3 million dinars of which 6.5 million went to France. During the same period in 1965, wine exports reached 1.3 million dinars only, of which 135.000 went to France. The Economist Intelligence Unit - Quarterly Economic Review, Feb., 1966, p.18.

2/ Currency in circulation varied as follows (in million of dinars). Dec. 1963 = 44.2; Dec. 1964 = 44.9; Nov. 1965 = 44.8. Demand deposits - Dec. 1963 = 88.7; Dec. 1964 = 89.5; Nov. 1965 = 87.3

and on the other hand State funds handed over to banks with a view to credit operations), these rose from 39.3 million dinars in December 1964 to 46.2 million in November 1965, mainly as a result of increased State funds handed over to banks (28 million dinars in December 1964 and 33.2 million in November 1965).

Although the amount of the Gross Domestic Production in 1965 is not yet known, it is highly probable that it increased less than money supply, which advanced by 10%.[1/] It would appear that not all monetary possibilities have been utilized, although we may note a better mobilization of deposits with various institutions. It is very likely also that the diminished volume of the money supply has been made up for by its more rapid circulation.

With regard to the counterpart of money supply, it may be noted that advances to the economy only increased by 8% between December 1964 and November 1965, as opposed to 23% between December 1963 and December 1964.[2/] This seems to confirm that not all available funds have been utilized. On the other hand, public sector debts increased by 14.4% (from 81 million dinars to 92.7 million between Dec. 1964 and Nov. 1965), as against 1% between December 1963 and December 1964. The share of the public sector in the economy must have increased once again in 1965.

1/ As for the cost of living index based on 100 in 1962, this rose from 107.0 in 1964 to 113.8 in 1965 (an average over the first eleven months), i.e. an increase of 6.8% as against 4.3% between 1963 and 1964.

2/ In November 1965 exchange reserves amounted to 12.9 million dinars as against 18.6 in November 1964.

The Budget

Provision for 1965 shows an increase in total expenditure (both current and equipment budgets) of around 5% as compared with 1964 (130.0 million dinars as against 123.8 million).[1]

Current expenditure for 1965 amounted to 69.5 million dinars as against 65.2 million in 1964. Repayment of the external and internal debt, both long-term and short-term, went from 2.1 million dinars in 1964 to 4.9 million in 1965. Expenditure on equipment seems to have dropped, on the other hand, from 39.9 million dinars in 1964 to 34.8 million in 1965. However, this would be made up for by an increase in equipment subsidies to State enterprises (7 million dinars in 1964 and 10.4 million in 1965).

Budgetary revenues expected in 1965 amount to 125.4 million dinars as against 117.4 million in 1964, i.e. an increase of 8 million dinars. Thus the overall budget deficit should have dropped from 6.8 million to 4.6 million dinars. Direct and indirect taxation should have brought in an extra 8 million dinars in 1965 (80 million in 1964 and 88 in 1965), petroleum royalties nearly 3 million more (2.4 in 1964 and 5.3 in 1965) and foreign aid an extra 8 million (12 million dinars in 1964 and 20 million in 1965). But it was expected that foreign donations would go from 6.2 million dinars in 1964 to 0.9 million in 1965 and domestic long-term borrowing from 5.2 million dinars to 0.6 million between 1964 and 1965.

1/ Secrétariat d'Etat au Plan et à l'Economie Nationale, Report on the Economic Budget for 1966. September 1965. Appendix II. Table 3.

The equipment budget for the years 1962-1964 (the period of the Three Year Plan) was made out for three years and not on a yearly basis under a law dated 31 May 1962 which exempted the Government from its annual vote on this budget. At the beginning of 1965 government investments were not established for the 1965-1968 period (period of the Four Year Plan) but merely fixed for an additional year by a simple extension of the law of 31 May, to 31 December 1965.[1/]

Planning

Two volumes of the 1965-68 Plan have been issued.[2/] The first deals with Aims and Structural Reform, Economic Balance in 1968 and Industry, the second with Agriculture and Fisheries. The third volume, which is being printed at the moment, will deal with "Promotion de l'Homme" and "Formation des Cadres" (improvement of human status and training of personnel).

The 1965-68 Plan differs from the 1962-64 "Pre-Plan" in that it lays more emphasis on development of the industrial sector than on infrastructure. Moreover, it includes a study of the financial balance for the 1965-68 period which is more detailed and better arranged. It also forecasts a lower rate of growth for Gross Capital Formation, Gross Domestic Production, and for exports, while it foresees a more rapid increase in imports and consumption.

1/ See Maghreb Nº9, May-June 1965, p.54.

2/ This was voted by Parliament at the end of May 1965.

Targets of the 1962/71 Ten Year Perspective, the 1962/64 Pre-Plan and the 1965-68 Four Year Plan

(Compound Annual Rates)

Plans	G.D.P.	Imports	Consumption	G.F.C.F.	Exports
1962-71	6.0	2.4	3.6	9.4	7.2
1962-64	5.9	6.1	1.5	14.3	14.1
1965-68	5.8	8.3	3.6	4.5	6.9

Source: Economic Survey for Africa, Part III, Chapter VIII, Targets and Achievements between 1960 and 1964. Tangier, December 1965.

Capital formation during the 1965-68 four-year period should reach 455 million dinars, i.e. 110 million a year on the average, of which 50 million must come from abroad during 1965, 50 million in 1966, 38 million in 1967 and 37 million in 1968, that is to say 38% of the total GFCF.[1/]

1/ Tunisian "Plan Quadriennal" (Four Year Plan) - Vol.1, p.151.

CONCLUSIONS

Difficulties

In 1965, as in 1964, export receipts continued to play a dominant role, directly or indirectly, in the economic development of the countries in the Sub-Region. These receipts were still coming for the most part from a few commodities the production of which is exposed to numerous hazards such as drought, disease or closing of foreign markets in the case of agricultural produce. There have been bottle-necks in the case of mining production (phosphates were more of less stationary in Morocco in 1965) and also in the case of petroleum (Algerian production was stationary in 1965 and production in Libya, which had doubled in 1964, only increased by 41% in 1965).

In 1965 there was a continued diversification of exports. In the UAR rice, manufactured products and, very soon, petroleum, will play an increasing part in exports. The export of citrus-fruit, early vegetables, fertilisers and processed raw materials (paper pulp, treated cork etc.) is going ahead in other countries in the area.

The geographical diversity of exports has mainly been due to dire necessity. At present Algeria is the only country which exports more than 50% of its products to a single country. Four countries out of five have turned half or three quarters of their trade in the direction of the EEC.

Imports were restricted in four countries out of six in 1965 following a drop in export receipts due to a succession of poor harvests three years running in some countries. Moreover imports increased at a rapid rate

during the last few years owing to the inflation of demand for foodstuffs and capital goods. Although there is a wider range of suppliers, the importance of some trade partners is still increasing, e.g. West Germany for petroleum, the USA for surplus food supplies, eastern European countries, Japan and India for cotton, Great Britain and the Common Market for equipment.

Reduction of imports is one of many measures intended to check a growing deficit in the trade balance. The governments of five countries in the Sub-Region have also adopted a policy of austerity. In four countries expenditure on equipment, as well as overall equipment, remained at the same level in 1965 as in 1964. Equipment programmes have mainly been financed by foreign aid in addition to surplus export receipts such as cotton, oil royalties, profits from State monopolies (e.g. phosphates) and recourse to the Treasury. Reliance on foreign aid for ever increasing sums has involved, in some countries of the Sub-Region, a greatly extended repayment of loans and interest incurred. In some other countries this situation has been further aggravated by increased expenditure in 1965 on sea and air transport paid to foreign companies which in many cases have more of less a monopoly for the carriage of imported or exported goods. Moreover capital continued to leave some countries in 1965. Apart from this, the need for foreign personnel, such as teachers and technicians, involved the transfer abroad of labour income in some countries of the Sub-Region.[1/] Finally, there are countries where

1/ A national of the Sub-Region working abroad transfers ten times less to his home-country than a foreigner working in the Sub-Region transfers to his. A Tunisian worker transfers, say, $ 160 a year whereas a foreign technician working in Tunisia transfers on an average of $2000 a year (figures for Morocco amount fo $270 and $2700 respectively) This was for 1964

Expenditure by some tens of thousands of nationals touring abroad amounts to a half or more of the receipts obtained from hundreds of thousands of foreign tourists.

The expansion of substitution industries (e.g. textiles, cement-works, sugar-mills, oil refineries, automobile assembly plants, domestic appliances, office furniture and equipment, radio and TV sets etc.) enabled countries to reduce even further their imports of manufactured consumer goods in 1965. The pause in investment activity in some countries also allowed the latter to check imports of capital goods in 1965. However, a succession of poor harvests, difficulties connected with the reconversion of the modern sector in wine-growing countries and the very slow improvement of productivity in the traditional cereal sector have brought about a further shortage of grain in the Sub-Region in 1965, and imports of foodstuffs were even higher in 1965 than in 1964. The fact that modern farms still only employ a small amount of labour and that the traditional agricultural sector still only brings in a small revenue has not helped to absorb, even to a slight extent, the number of un-employed and under-employed in 1965. In other countries of the Sub-Region the fact that potential in industry, agriculture and infrastructure has still been inadequately used has not improved the employment situation.

In some countries of the Sub-Region increased employment in industry, agriculture, building and mines in 1965 has augmented the mass of wages earned. This has resulted in increased consumption which has led in some cases to inflationary trends and a reduction of capital formation. The

fact that it is virtually impossible to cut down long-term productive expenditure (Education, health, administration etc.) prevented governments in 1965 from checking expenditure on social services.

Achievements

In 1965 countries in the Sub-Region began or completed the construction of several major plants, such as spinning and weaving factories, sugar-mills, oil refineries, cement-works, glass-works, miscellaneous assembly plants, power-stations etc.

Mineral or hydrocarbon deposits have been found and others have been put, or put back, into operation. Production of electric power has been advanced everywhere. In 1965 countries have continued to rationalize sectors such as transport, fisheries, tourism, commerce, insurance and banking. Middlemen have been eliminated, users and producers have been regrouped and the local interest has been given pride of place, thus enabling these sectors to be integrated with national economies.

An increased number of agricultural enterprises have been assisted in the task of regrouping and modernization in 1965. There has been increased association with a view to the marketing of agricultural production, purchase of fertilisers, equipment, utilization of services, export and import.

Statistical surveys and censuses concerned with population, agriculture, industry etc. were undertaken in 1965. These surveys have led to

a better knowledge of the economy in each country and have brought to light some bottlenecks and some possibilities of advancement.

Economic development plans due for fulfilment in 1965 were for the most part successfully achieved. They have been immediately followed by new plans (as in Tunisia, UAR and Morocco) which are, generally speaking, more substantial and better thought out than the previous plans. Other countries are actively pursuing development plan drafts, like Algeria, or are improving their own, like the Sudan. Some countries of the Sub-Region have made long-term projections which throw light on long-term development strategy.

Birth-control studies and experiments has commenced or has been continued and developed in half the countries of the Sub-Region in 1965, bearing in mind that the area is for the most part over-populated.

Provision of education, especially at primary level, has made further advances. Teaching programmes are constantly being improved and adapted. Educational cycles have been diversified (short, medium, long, general, agricultural, commercial, economic etc.) in order to bring education and professional training into line with the requirements of economic development. The Sub-Region has millions of pupils in primary schools, hundreds of thousands in secondary schools and tens of thousands of university students.

In 1965 trade increased between the two countries of the Nile Valley and western countries in the Sub-Region managed to co-ordinate their exports of esparto. They also reached agreement on the co-ordination of their production of glass and continued the study of co-ordination in the

field of production and marketing of other commodities.

Further advances can be made in the future

Progress in professional training will help towards a gradual decrease in the number of technical assistants and the transfer of their salaries. The constitution or the development of national airlines and shipping will reduce freight charges. The development of tourism, which in any case is growing fast, will bring in more hard currency. This means that the invisible balance, which shows a surplus in one sub-regional country, may achieve the same result in the others in the near future. Co-ordination of sea and air transport, as well as telecommunications, tourist policies and the exchange of labour and personnel (since some countries are deficient and others over-supplied in this respect) will help to cover more rapidly the deficit balance in invisibles.[1/]

All these measures will relax the tensions which have been noticeable in the external financing sector.

Measures towards an increase in internal means of financing might consist in a greater mobilization of money supply. In 1965 the money supply of some countries increased faster than credits to the economy. The intensification of labour investment and the selection of profitable schemes, which at least cover wages and other costs incurred, will make it possible for classic investments to be devoted solely to major agricultural, industrial and power projects, leaving minor enterprises to labour

1/ The production of substitution goods, the upgrading of exports etc., which is a constant feature in the Sub-Region, reduces the deficit in the balance of visibles.

on human investments.

An agreement on a better location of basic industrial units (iron and steel, capital goods etc.) will avoid a dispersal of effort and foreign currency. It will also mean that these units will pay their way and that governments will not be forced, as in 1965 and previous years, to subsidize State concerns which are losing money.

Co-ordination of fuel and power policies (especially in respect of hydrocarbons, which four out of six countries produce) will mean that power will be cheap, that the price of oil exports will not fail and that the riches of the sub-soil will not be squandered.

Studies aiming at better utilization of arable land in the Sub-Region would also make it possible to specialize in the field of agricultural, vegetable and animal production and to use the possibilities of each country to the best advantage. The multiplication of all kinds of crops, such as wine, cereals, oilseeds, cotton, sugar-beet, sugar-cane, flax etc. in all countries of the Sub-Region might well be reviewed in the light of specialization and co-ordination in the common interest.
