



**UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL**

Distr:  
GENERAL  
E/ESCWA/SED/1993/20  
23 January 1994  
ORIGINAL: ENGLISH

---

**ECONOMIC AND SOCIAL COMMISSION  
FOR WESTERN ASIA  
Sustainable Economic Development Division**

**THE LINK BETWEEN PRODUCTION POLICIES AND EXPORT ACTIVITY  
IN THE REGION\***

January 1994

---

\* This study was prepared by Professor Mohammed Hashim Awad-Khartoum University - on the request of the United Nations Economic and Social Commission for Western Asia. The Views expressed in the study are those of the consultant and do not necessarily reflect those of the United Nations.

\*\* This document has been Issued without formal editing.

**THE LINK BETWEEN EXPORTS AND PRODUCTION  
IN THE ESCWA REGION**

The study examine the link between production strategies and policies, on the one hand, and export expansion and diversification in the region, on the other. It also looks at the obstacles which weaken the link between production and exports and suggest means to strengthen this link. To that end the experience of Egypt, Jordan and the Syrian Arab Republic in this respect are examined.

---

**CONTENTS**

	<u>Page</u>
INTRODUCTION.....	-1-
I. IMPORT SUBSTITUTION VS. EXPORT EXPANSION.....	-2-
A. The Controversy In A New Setting.....	-2-
1. The Import Substitution Argument.....	-3-
2. The Case For Export Expansion.....	-4-
B. GATT and Protectionism.....	-6-
1. Contradictions and Violations.....	-6-
2. Developing Countries and GATT.....	-8-
C. The East Asian Model.....	-9-
II. CASE STUDIES.....	-12-
A. Egypt.....	-12-
1. The Era of Import-Substituting Industrialization.....	-12-
2. A decade of Indecision.....	-14-
3. The Growing Free Market Lobby.....	-15-
4. Export Expansion: Preliminary Results.....	-18-
5. Export Expansion: High and Low Expectations.....	-20-
6. Conclusion.....	-22-
B. Syrian Arab Republic.....	-22-
1. Planned Import Substitution.....	-23-
2. Shift to Export Expansion.....	-25-
3. Economic Pluralism Activated.....	-27-
C. The Hashemite Kingdom of Jordan.....	-28-
1. Shrinking Territory Vs Exploding Population.....	-28-
2. Service Exporting Economy.....	-29-
3. Interventionism with Monetary Liberalism..	-30-

**CONTENTS (Cont'd)**

	<u>Page</u>
4. Combining Import Restriction with Export Expansion.....	-32-
5. Inward or Outward Strategies.....	-33-
IV. OVERVIEW AND CONCLUSIONS.....	-35-
A. Egypt, Syria and Jordan, similarities and Contrasts.....	-35-
B. Impediments to Export Expansion.....	-37-
C. Balancing Import Substitution and Export Expansion.....	-39-
D. Promoting of Export Expanding Investment.....	-42-
STATISTICAL TABLES.....	-45-
REFERENCES.....	-61-

**LIST OF TABLES**

<b><u>Table</u></b>		<b><u>Page</u></b>
1.	Egypt: Gross domestic product at factor cost during the second FYP, 1986/1987-1991/1992 (public and private sector).....	-46-
2.	Egypt: Targeted gross domestic product at factor cost during the third FYP, 1992/1993-1996/1997.....	-47-
3.	Egypt: Investment expenditures in the third FYP, 1992/1993-1996-1997 by economic sector....	-48-
4.	Egypt: Estimated total job opportunities offered during the third FYP, 1992/1993-1996/1997 classified into new replacement opportunities and the average annual growth rate of the total.....	-49-
5.	Egypt: Estimates of balance of payments in the third FYP, 1996/1997 and the first year plan 1992/1993.....	-50-
6.	Syrian Arab Republic: Gross domestic at Market prices by sectors 1963, 1970-1991.....	-51-
7.	Syrian Arab Republic: Structure of gross domestic product at market prices by sectors, 1963, 1970-1991.....	-52-
8.	Syrian Arab Republic: Land USE by Mohafazat 1991 (Thousand Ha).....	-53-
9.	Syrian Arab Republic: Population, Manpower and labour force by sex 1987-1991 (000).....	-54-
10.	Syrian Arab Republic: Indicators of foreign trade, 1973-1991.....	-55-
11.	Syrian Arab Republic: Commercial exchange by economic categories classification for public and private sectors, 1991.....	-56-
12.	Jordan: A statistical economic profile.....	-57-
13.	Jordan: Labour force and unemployment.....	-58-
14.	Jordan: Imports which can be made locally.....	-58-
15.	Jordan: Self-sufficiency in foodstuffs.....	-59-

**LIST OF TEXT TABLES (CONT'D)**

<b><u>Table</u></b>		<b><u>Page</u></b>
16.	Jordan: Five year plan projections: GDP by sector (1986-1990).....	-59-
17.	Jordan: Balance of payments (1980-1990): current account.....	-60-

## INTRODUCTION

This study probes the link between production strategies and policies, on the one hand, and export expansion and diversification in ESCWA countries, on the other. Both the theoretical and the practical aspects of this link are examined. First, we explore economic theory and world economic trends bearing on the question of whether and how import substitution or export expansion strategies and policies, or a combination of both, should be pursued by any particular country. Egypt, Jordan and the Syrian Arab Republic are taken as case studies. The economic systems and economic policies associated with each strategy are analyzed, and the positive and negative aspects of these strategies on the development of the countries applying them are highlighted. Comparisons will also be made with some of the East Asian countries which are looked upon as models or examples of highly successful strategies for export-led growth.

The study also looks at the obstacles which weaken the link between production and exports. These include the absence of long-term strategies for coordinating production and trade, as well as the lack of appropriate laws and institutions, and of access to export markets, adequate capital, and advanced technology. The final section gives an overview of the issues discussed and the conclusions reached. It also contains suggestions as to how the link between production and exports may be strengthened by such measures as coordinating strategies, creation of a healthy investment climate, encouragement of private enterprise, and adaptation to the emerging regional and global realities.

## I. IMPORT SUBSTITUTION Vs. EXPORT EXPANSION

### A. The Controversy in a New Setting

The current wave of protectionism has revived the import expansion or import substitution controversy of the 1960s, albeit in a very different context. International trade in the 1960s was much freer than today, though it never approximated the neo-classical ideal of a perfectly competitive market in which free exchange allocates productive resources in accordance with comparative costs, thereby maximizing the returns of every participant. However, many of the misconceptions and confusions that shrouded the debate of the 1960s have re-surfaced in the current one. Here, we shall attempt to clarify some of the crucial concepts used in the controversy, including the terms export expansion and import substitution.

Export expansion seems to be widely seen as a sign of successful specialization in areas where the exporter has a cost advantage. In fact, it could often result from subsidies in the form of wage restraint, dumping or overvalued currency. Subsidies of this kind have the same negative effect on international trade as production behind high tariffs and non-tariff barriers of goods that can be imported more cheaply.

Greater misconceptions surround the notion of import substitution. There is, first of all, the belief that it relates only to imported goods, and that it is particularly in manufactures produced by developing countries. In fact, it covers also the substitution of factors, like foreign labour by local ones or machines, or replacement of natural fibers with synthetic ones as is now happening on a big scale in many industrial countries. The term import substitution is also often applied to local processing of previously exported raw materials, particularly when this leads to the production of import substitutes. It can also be said that partially processed exports represent partial import substitution, if only to the extent that they reduce the value of imports of the final products. However, more often, local processing merely enhances the value of exported primary products, which render it an export-expanding activity for as long as it increases the value of previously unprocessed exports.

Thus, import substitution should be evaluated on the basis of its overall (direct and indirect) impact on world exports and international welfare, and not purely on its direct effects. This entails weighing the direct negative effects of import substitution on imports against its direct effects on the value of substitute exports, as well as their indirect expansion of



imports of capital and other imports needed for import substituting activities. Also, import substitution should be seen as embracing not only final goods but also inputs and factors of production, whether the substitution is practiced by developing or developed countries.

### 1. The Import substitution Argument

The above observations relate to the pure economics of choice between export expanding and import substituting activities. There are, however, political and strategic considerations that affect this choice that are no less important than the economic ones. Nevertheless, the choice is first and foremost an economic one, with other factors playing a mere modifying role. Economists have produced a number of arguments favouring either export expanding or import substituting activities. The advocates of export expansion relied heavily on the neoclassical theory of international trade, which predicated that world production and welfare would be maximized if countries specialized in the production and exportation of the goods in which they have a comparative advantage. However, for this to happen trade has to be truly free so that three conditions are met, namely: (a) unhampered factor mobility, (b) pricing of goods at their marginal cost, and (c) equal price ratios for all commodities in every country. Obviously, these are conditions which could have hardly obtained at any time, especially nowadays. Even if these conditions are attainable, economists from as early as the 1840s have found justifications for protecting high cost producers. In 1841 Franz List presented the infant industry argument as a rationale for import substituting industries with a good prospect of growing and realizing economies which enable them to dispense with protection. This argument, which was presented in the heyday of free trade in the 19th century, was presented as justification for protecting nascent German industries of the day in the face of competition from the better established British ones. The British neoclassical economist, J.S Mill, endorsed the argument as justification for short-term protection which should be lifted once economies of scale have lowered production costs. The infant industry, he observed, exposed the static nature of the neoclassical theory of international trade, which ignored the dynamic nature of costs fashioned by the gradual development of industrial skills and expansion of productive capacity, both of which shift the country's production possibility curve outward.

In the 1960s, structuralists and positive economist, like Prebisch, Singer and Lipsey dwelt on the practical shortcomings of the neoclassical theory of international trade, whose underlying assumptions are seldom fulfilled in reality. This is illustrated by widespread imperfections in commodity and factor markets despite strenuous efforts by GATT to liberalize world trade. Prebisch (1959) highlighted the secular movement of terms of trade against primary producers and in favour of manufactures.

He related this to the high income elasticity of demand for manufactured goods and the low one for primary products, which lead to greater expansion in demand for the former than for the latter as incomes rise. Singer (1955) maintained that industrial countries benefited from the low wages prevailing in countries exporting primary products, whereas effective trade unionism in the developed countries neutralized the cost-reducing effects of technological development in the industrial countries, rendering unfair the distribution of gains from international division of labour. Hence, the call by Prebisch and Singer for protected import-substituting industrialization in the Third World.

The champions of free trade and export expanding production like Clark (1952), Aubrey (1955), and Haberler (1957), countered by claiming that the movement of terms of trade was cyclical rather than secular against primary producers. They also argued that import substituting industries added very little to the welfare of host countries since they mostly constituted isolated enclaves in these poor countries, and generated new demand for imports of inputs, causing the multiplier effects of their industrial investments to benefit their trading partners. This nullifies efforts to use industrialization to escape economic dependency on imported manufactures, by creating dependency on imported machinery and/or intermediate goods.

## **2. The Case for Export Expansion**

The theoretical controversy over export expanding and import substituting production has not been, any may, never be, resolved. But it was, in reality; for, as Anne Kruger observed (1978), most developing countries in the 1970s witnessed a marked shift away from strategies of import substitution of the 1950s and 1960s, and an adoption of strategies emphasizing export promotion. The successes of newly industrialized countries which pursued export expanding policies, like Brazil, Korea and Taiwan, Kruger claimed reversed the bias to a point where it may be said that foreign markets were encouraged at the expense of home markets. This is illustrated by the markedly different performance of East Asian and Latin American countries during the periods 1963-1973, 1973-1980, and 1980-1989. During all three periods the growth rates of East Asia's GDP and export volume exceeded those of Latin America and the Third World as a whole, with export growth outpacing that of GDP. During the period 1963-1973, when Latin American countries actively pursued import substituting strategies, their GDP growth equalled the average for the Third World, (6.5 per cent), but fell short of East Asia's (8.1 per cent), while their export growth was negative (-0.4 per cent) compared to a rate of 10.6 per cent for Latin America. During the next period, 1973-1980, when the average of the growth rates of Third World GDP and exports dropped below those of the previous period, export expansion in East Asia (9.4 per cent) continued to exceed GDP growth (6.6 per cent), but in Latin America the switch to export promotion turned its export

growth rate positive (2.2 per cent), but less than its GDP growth (3.0 per cent). In the period 1980-1989, export expansion in Latin America (3.4 per cent) outpaced GDP growth (1.8 per cent); but the two rates remained well below those of East Asia (9.6 per cent and 7.9 per cent, respectively) which had adopted much earlier export expanding policies.

Latin America's switch from import substitution to export expansion was promoted by the apparent failure of the former strategy to realize the high expectations it had generated. In a survey of "Import Substitution and Industrialization in Latin America: Experiences and Interpretations", W. Baer (1972) listed the failures of that strategy. Latin America's import substituting industries, he argued, generally suffered from high production costs; that was because they were confined to small domestic markets that denied them the opportunity of attaining scale economies. High costs were also the result of limited skills, but mainly because the protection the industries enjoyed left them no incentive to improve productivity. Nor did that strategy, Baer maintained, create jobs because the established industries were encouraged by overvalued currencies to use capital -rather than labour- intensive techniques. Currency overvaluation also impaired the competitiveness of exports from Latin American countries in world markets, which further closed their economies. This led to further neglect of exports, which remained without significant diversification or quality upgrading. The same problems befell agriculture and mining, which suffered from price controls that favoured the industrialists against the primary producers. Nor did import substitution, according to Baer, achieve the central objective of ending dependency on the industrialized countries' markets for disposing of primary products and acquiring manufactures; for a new dependency was created by the growing need for imported machinery and inputs for import substituting industries.

With mounting evidence that there is a lower limit to the import coefficient (import/GDP ratio) for most economies, there seems to be a limit to import substitution, which many Latin American countries approached, curbing their capacity to save foreign exchange, while their neglect of exports reduced their ability to earn it. The resulting shortage of foreign exchange limited their capacity to import the inputs needed for their industries. Worse still, Baer contends, insistence on attaining 'economic independence' or autarky by forced industrialization delays synchronization of the country's productive and demand profiles, i.e., its production structure and its factor endowment. The resulting disparity is illustrated by the marked tendency in import substituting industries to concentrate on the production of luxuries rather than mass consumption goods, and to resist efforts to make a switch to the latter. This is what Baer called the 'structural lock' dilemma.

After conducting "The Import-Substitution Strategy of

Economic Development: A survey" (1970), H.J. Bruton concluded his empirical study by stating that "the most pervasive impact of IS policies has been that it distorts the economy, and these distortions do not, except in rare instances, correct themselves. Indeed, economies become increasingly distorted as the IS process continues". He adds that "conventional IS policies not only reduce total output below the level that it might have otherwise reached, but it also reduces growth rates, principally through its effect on productivity growth and the flexibility of the economy".

## **B. GATT And Protectionism**

### **1. Contradictions and Violations**

The General Agreement on Trade and Tariffs (GATT) came into effect at the beginning of 1948 as a multilateral treaty committing signatories to promote growth and full employment by liberalizing trade. Unfortunately, the developed countries which, under the leadership of the United States, launched the Agreement proved to be the chief impediment to trade liberalization. It was, in fact, the reluctance of the major trading countries to eliminate tariff and non-tariff barriers to trade, and to extend all signatories the most favoured-nation (MFN) treatment accorded under bilaterally negotiated agreements, that lie at the root of GATT's troubles. These countries were responsible for the abandonment of the scheme for establishing an International Trade Organization and its replacement by an agreement which merely established a code of trade conduct and a monitoring body without an effective enforcement machinery. Also, the major trading countries introduced clauses and exemptions that flouted the Agreement's three basic principles, namely: the automatic extension of the maximum bilaterally negotiated concessions to all GATT members under the MFN principle; the prohibition of non-tariff restrictions and the gradual reduction of tariff barriers; and, the principle of reciprocity in making concessions among signatories.

The 45 years that lapsed since the ratification of the Agreement saw the conclusion of eight rounds of multilateral trade negotiations (MTNs) which have substantially reduced tariffs. But very little was done to curb other trade barriers, which have multiplied and proliferated to the extent that protectionism has become the order of the day.

The violation of GATT principles by the leading trading nations took numerous forms. The MFN principle was circumvented by the creation of free or preferential trade blocks within which trade barriers disappeared or decreased, but whose tariff cuts are not extended to non-members. The principle of 'non-tariff barriers, only tariffs' was infringed by the legitimization

during the Tokyo Round (1973-1979) of codes signed by groups of members to curb mounting non-tariff barriers, and the code signatories were freed from their obligation under the MFN clause to extend the agreed cuts to non-participants. The 'tariff only' principle was itself weakened by the inclusion in the original Agreement of an article (XI: 2(c)) which permitted the imposition of quantitative restrictions on agricultural products. This article, and the so-called injury or disruptive import clause enabled the industrial countries to control imports of temperate zone products and subsidize exports.

The principle of reciprocity was from the start made inapplicable to developing countries: it was argued that they had to protect their balance of payments as well as their infant industries through either import restrictions or export subsidies. But in some sense reciprocity was observed by the acquiescence of the developing countries in the restrictions that industrialized countries imposed upon imports of tropical and temperate agricultural products, and on manufactures like textiles and clothing. In fact, until the 1970s the developing countries were marginal participants in GATT's MTNs. They began to be active during the Tokyo Round which consolidated earlier gains with respect to protecting nascent industries, although they had to accept the 'graduation principle' which related the receipt and reciprocation of concessions to development levels.

But dissensions among the developing countries appeared since the 1960s. They surfaced when the United Nations Conference on Trade and Development (UNCTAD) demanded in 1964 that the Generalized System of Preferences (GSP) by which the EEC granted its ACP associates preferential tariff concessions denied to other GATT members should cover all developing countries. But the GSP remained and spread by 1976 when adopted by all nations. The Tokyo Round legitimized it by its 'enabling clause', which exempted the GSP from the MFN principle. But under the Uruguay Round, the EEC spearheaded a drive for globalizing its GSP, thereby drawing resentment from its associates. The issues of GSP globalization divided the developing countries into two camps: GSP beneficiaries who resist globalization, and non-beneficiaries who demand it.

The increased involvement of developing countries in MINS during the Uruguay Round does not seem to have strengthened their bargaining power even when divisions among the industrial countries reached a new climax over issues like agriculture and services. In fact, divisions also sharpened among the developing countries over old as well as new issues. The majority supported the industrial countries in introducing the issues of trade in services, the infringement of intellectual property rights by the newly industrialized countries (NICs) and trade-related investment conditionality. A Group of Ten (Argentina, Brazil, Cuba, Nicaragua, Peru, Yugoslavia, India, Nigeria, Tanzania and Egypt) opposed raising all these and other new themes. Another

group that emerged was the Cairns Group of Latin American exporters of agricultural products which supported the United States free trade stand, which came late and was largely restricted to products which it exports. The Cairns Group consists of large agricultural producers among developing countries (like Argentina and Brazil) which will benefit from the liberalization of agricultural trade, whereas this will hurt the small producers of sub-Saharan Africa and some Middle Eastern countries.

## **2. Developing Countries and GATT**

However, a number of issues and considerations could have united the developing countries in dealing with the industrial countries. For they are all victims of exclusion from the free trade areas and economic communities which are widely seen as rich men's clubs: with or without GSPs applied to developing associates, the restriction of tariff cuts to their own members is a clear infringement of the MFN principle. Instead of splitting over the issue of maintaining GSP restricted or allowing its globalization, the developing countries could have united in demanding at least a gradual globalization of tariff cuts accorded to each other by members of economic blocs as required by the MFN rule, and the removal of internal tariffs on their exports to these blocs.

Also, the developing countries could unite over the issues of reducing tariffs on agricultural exports (like rice, sugar, wool, cotton, meat and dairy products) to the industrial countries. Non-tariff barriers on their manufactured exports (like the Multi-Fiber Arrangement (MFA) and its sequel and voluntary export restraints (VERs). Besides, the developing countries could have, as a group, traded support for one or the other camps of industrialized countries over issues of little relevance to them like services, for concessions over ones of importance to them. But, unfortunately, they mostly allowed factional interests to govern their moves instead of the pursuit of more basic benefits to all. Hence, their continued marginal participation and contribution in shaping the rules governing world trade.

Middle Eastern countries, whether in West Asia or North Africa, are among the least active participants in MTNs, in contrast to Latin American and Far Eastern countries. Yet, countries of the Middle East are among the worst hit victims of the current wave of protectionism. Both their agricultural and industrial exports suffer from high tariff and non-tariff barriers in the markets erected by the developed countries to protect their high cost products. This applies particularly to exporters of cotton, fruits and textiles. Liberalization of trade in such products can benefit substantially the low-cost Middle Eastern producers at the expense of the producers of the

developed countries and many high-cost producers in the Third World. The closeness of the Middle East to Europe is an advantage which is dissipated by the preferential tariff edge enjoyed by competitors among both EEC members and associates. The region will benefit substantially even if liberalization was confined to the globalization of the EEC's System of Generalized Preferences and voluntary export restraint agreements which favour NICs.

under the present world trade regime the countries of Western Asia and North Africa are placed well behind the relatively privileged groups of NICs in East Asia, and the semi-industrialized countries of South Asia and Latin America. The present situation militates against the aspirations of Middle Eastern countries to shift from import substitution production, which GATT rules now condone under the infant industry and balance of payments protection argument, to export expansion which is impeded by discriminatory tariff and non-tariff barriers. The shift is made harder the greater the level of processing which their exports undergo.

Mid-December 1993 witnessed the conclusion of the Uruguay Round after long and protracted negotiations. Since new rounds are started after gaps of four to six years and take longer to conclude, the developing countries will have to undertake their export expansion programmes under hard conditions, be they exporters of agricultural or industrial products. With services already looming large on GATT's agenda, service exporters like Jordan may soon confront new restrictions imposed by the industrial nations through the body that has so far served well their interests. ESCWA members should plan their export drives with full awareness of the present and future hinderances facing the products they wish to sell in world markets.

### **C. The East Asian Model**

The remarkable growth rates achieved by the so-called "East Asian Tigers" since 1965 have warranted describing their experience as an economic miracle. Following the example of Japan which emerged at the end of ten years of reconstruction (1955-1965) as a world economic power, Korea, Taiwan, Singapore and Hong Kong, followed by Indonesia, Malaysia and Thailand, began in about 1965 a generation of unpreceneted export-led and industry-based growth, which made these 'newly industrialized countries' (NICs) serious competitors to the leading industrial countries of the developed world. Their average GDP growth rate of 5 per cent during the period 1965-1992 was twice that of either the OECD countries or the other developing countries. Equally notable was their export performance which raised their share of world exports of manufactures from 9 per cent in 1965 to 21 per cent in 1990.

This East Asian Miracle has raised as much controversy as the admiration it aroused. For economists are still in disagreement over the secret of the Tigers' economic successes: both the free market and the interventionist schools see in the achievements of these NICs proof of their respective contentions. The advocates of market-friendly development relate the success of these countries to their stable legal framework, sound macroeconomic management, full exposure to domestic and international competition, undistorted prices, low inflation rates, and fairly stable and positive interest rates. Interventionists ascribe the same successes to well protected and subsidized industrially-based import substitution which paved the way for the big export thrust that followed: interest-rate controls, tax incentives, and tariff and non-tariff protection played an important role in building East Asian industry.

The champions of free trade, represented by the World Bank which published in 1993 an exhaustive 390-page study under the title "The East Asian Miracle", insist that the miracle occurred despite state intervention, or that state intervention in East Asia was selective and supportive of free market forces. They point out that protection and subsidies were apportioned among industries according to export performance, that firms had to compete in both domestic and foreign markets, and that interest rates, though controlled, remained positive. This school further claims that in today's increasingly integrated global markets and growing GATT-led rejection of protectionist measures, it will be much harder for other developing countries to try to emulate the EAST Asian Miracle by controlling interest rates or subsidizing exports with impunity.

However, the two schools agree that much of the success of the Tigers as exporters of manufactures is due to some common features of the economies of these countries despite differences in their resources and policies. One is that they all invested heavily in human and physical capital. They spend about 2.3 per cent of GNP on education, with the focus on basic and secondary education, which is vital for forming a skilled work force. Also, their rates of domestic saving and investment (36 and 35 per cent, respectively, in 1991) are 50 per cent higher than the world averages. Besides, they generally have a competent and fairly uncorrupted civil service whose high professional standards were maintained, thanks to generous pay that compares well with the best in the private sector. Furthermore, these countries remained open on transfers of foreign technology either through transnational corporations or emigrating and returning workers. It is these social and economic traditions, rather than market-friendly or interventionist policies, that most observers regard as the main factors that have fashioned the East Asian Miracle.

The reluctance of economists of either school to concede anything of substance to the other has prevented the two sides

---



from perceiving the simple fact the different strategies followed by the miracle-workers of East Asia simply proved that both strategies can produce good results, if they are applied well in the right economic circumstances. This is well illustrated by the successes scored by both Korea which followed strongly interventionist policies and Hong Kong whose free-market policies were amongst the most liberal in the world. Others, like Thailand and Indonesia, followed a middle path.

One important but hardly mentioned dimension of the success story of East Asia is foreign direct investment, which has been pouring into the region while the others had to borrow heavily to develop their economies. Until 1990, American transnationals invested \$46 billion with the aim of taking advantage of low Asian wages in manufacturing goods. Thus, the United States exported to these Asian countries capital and technology, as well as jobs, and gave them unlimited access to its market while turning a blind eye on their protectionist policies. In this way, many of the East Asian Tigers seemed to some observers a little more than outposts or extensions of the United States economy. Hence, the remarkable upsurge in their industries and their exports, particularly to America which imported from them more than from Europe, but exported less, allowing them to run huge trade surpluses for nearly two decades.

However, the United States' mounting economic problems and growing Japanese competitive influence in the region are forcing it to abdicate her leading economic role in East Asia. In 1991, United States exports, capital flow, and foreign aid to the region were \$60 billion, \$4.4 billion and \$1.4 billion, respectively, compared to Japan's \$107 billion, \$8.7 billion and \$4.3 billion. The replacement of United States influence by Japanese one was partly facilitated by the United States which had forced Japan to open up its markets and revalue the Yen. This forced Japanese companies to shift their activities to nearby East Asian countries, which became big exporters to the opening up Japanese market. This helped these countries to maintain their export drive in the face of rising restrictions by the United States on their sales in the American market. It is to the extent to which East Asian countries were uniquely positioned to benefit from American aid, afterwards, Japanese direct investments and market access that their success in becoming big exporters of manufactures may not be easily emulated by developing countries in other regions.

## II. CASE STUDIES

### A. Egypt

#### 1. The Era of Import-Substituting Industrialization

Egypt has for centuries maintained a tradition of closely keeping up with new world trends especially in matters of politics or economics. It was in keeping with this tradition that it embarked in the 1930s on what was by Middle Eastern standards of the time and ambitious programme of industrialization along modern lines, led by the enlightened promoters of the National Bank of Egypt, which established the industrial complex of AI Mahallah Al Kubra, with its modern textile and sugar factories. Between 1938 and 1952 industrial production rose by an estimated 138 per cent, embracing food, clothing, and cement industries. By contrast, Egyptian agriculture remained largely unmodernized under the control of the conservative and absent feudalists. With cotton dominating this sector as the chief cash crop, the orientation of agriculture was essentially towards foreign markets. By contrast, Egypt's nascent industries were intended formoset to substitute imports in the local market.

It was during Nasser's socialist and nationalist regime that Egyptian industry had its biggest boost. The regime sought to revolutionize Egypt both socially and economically: socially mainly by an agrarian reform movement and nationalizations that redistributed wealth from the landlords and borgouis classes to the peasants and workers; the economic revolution was carried out mainly by an industrialization programme which aimed at "manufacturing everything from the needle to the rocket". These changes were to be implemented under the leadership of the public sector and within the framework of a centrally-planned economy. The main focus of industrialization was to satisfy local demand, but also to enhance exports by processing raw materials before exporting them abroad.

The socialist line of the July 23rd, 1952 Revolution was shaped no less by the reactions of local and foreign capitalist circles than by the radicalism of the Free Officers who staged it. Those officers were basically nationalists of middle and lower class origins who wished to free their country from foreign domination, backwardness and inequalities. They had first conservative economic advisors, led by Dr. Abdel Galil Al Imri, a former World Bank official, who sought to reform the economy by a deflationary austerity programme, which converted the budget and balance of payments deficits into surpluses by severe spending and import cuts which hurt mostly the poor whom the Revolution had come to assist. Al Imri's attempts to revive the

economy by inducing domestic and foreign investments by generous tax concessions and incentives were unsuccessful. But it was the withdrawal in 1956 of the \$70 million Anglo-American loan, backed by World Bank credits of \$200 million, for the construction of the Aswan High Dam that brought about Egypt's renunciation of economic liberalism. This became more definite after the Suez crisis which led to an economic boycott by the West. Egypt turned to the communist bloc which offered it what the west denied it- finance, arms and markets. The stage became set for the socialization of the economy.

First, the professed aim was, in Nasser's words, to set up "a socialist democratic, cooperative system...(in which) the role of national capitalism is essential to strengthen and expand our economy and to achieve our country's economic independence". In fact, the share of the public sector in GDP did not exceed 18 per cent until 1959. Many of the foreign firms that ceased to exist after Suez were Egyptianized (sold to Egyptian private firms) and not nationalized. The first Five-Year Plan launched in 1958 assigned the private sector a big role. But then came the second jolt to the left given to Nasser by the collapse in 1961 of the three-year old Egyptian-Syrian Union, which he saw as the work of "capitalism, feudalism, opportunism (which) joined forces with imperialism to wipe out the gains of the masses and to strike at the socialist revolution". The Egyptian business class was made to pay the price by a series of decrees which dispossessed 600 of the wealthier families, followed by all the banks and insurance companies, as well as 600 industrial and trading establishments. Later, partly nationalized companies were fully nationalized. The last sectors to be nationalized were mining, quarrying and contracting. Not unnaturally, private investors who in 1961 contributed 17.3 per cent of total investment reduced their share in 1964 to only 6.3 per cent.

All these developments produced a classical type of planned and state -led economic growth spearheaded by import-substituting industrialization. The World Bank statistics for the 1960s reflect the results of this strategy. The most significant changes were the slight drop in the share of agriculture in GDP from 30 per cent in 1960 to 29 per cent in 1970, the rise of industry's share during the same period from 24 per cent to 28 per cent, and the drop in that of services from 46 per cent to 42 per cent. The 1960s also witnessed a drop in export and import growth compared with the 1950s; export growth which averaged 11.1 per cent in the 1950s turned negative to the tune of 0.9 per cent. These changes were well in line with a policy of import substitution which sacrifices export growth to win a greater drop in imports. The industrial orientation of this policy which manifested itself in the increase of the share of industry at the expense of both agriculture and services, was also reflected in the structure of exports which showed an increase in the share of manufactures from 10 per cent to 27 per cent.

## 2. A Decade of Indecision

In September 1970 Nasser died and was succeeded by Anwar Sadat who lost no time in reversing earlier policies. In the economic field, Sadat's infitah (opening-up) policy led to the deregulation of the fields of banking, insurance and foreign trade monopolized by the state, partial freeing of trade, and offering an array of incentives to private investment. Surprisingly, these efforts attracted very little Western aid, in the absence of which the budget and Balance of payments deficits widened and living costs spiralled causing much unrest. But rescue, albeit of a temporary nature, came after Sadat led Egypt in the Arab's most successful encounter with Israel during the Ramadan-October War of 1973. The war sparked off the oil boom which brought the OPEC countries vast wealth. But the \$1.0 billion aid pledged on an annual basis to Egypt, plus Arab investments in its industrial and service sectors, could not ease the economic hardships of Egypt which claimed to have spent \$13 billion in waging the October War. Unrest returned and the United States promised aid if Sadat made peace with Israel which he did. But his 1977 visit to Jerusalem and the conclusion of the Camp David Accords in 1978 earned Sadat limited concessional aid which could hardly make up for lost Arab aid. An, International Monetary Fund (IMF) stand-by credit of \$720 million to be drawn over 3 years was made conditional upon stiff austerity and liberalization measures and was blocked in the second year after the government stalled when its reforms sparked off more popular agitation.

President Hosni Mubarak faced the difficult task of maintaining the peace process with a hawkish Israeli leadership as well as the liberalization of the Egyptian economy so as to secure the continuity of Western aid. He also strove to restore links with the Arab countries which had ostracized Egypt for making peace with Israel. He was successful in this difficult task mainly because of the improvement in his relations with Iraq and the Gulf states following the outbreak of the Iranian-Iraqi war in 1980. Egypt's regional and international standing was further enhanced by its stance during the Gulf crisis and its contribution to the peace process in the Middle East.

These political developments form the background against which Egypt's economic policies evolved. For, in the case of a country with a high ratio of human resources to natural resources, it is essential to have access to external resources that it lacks and outlets for what it has in excess. This may involve movement of both physical and human resources through trade, aid or migration. In the case of Egypt, there is the highly important factor of having to maintain a regional standing by both diplomatic and military means. Rivalry with Israel and some other countries in the region has been decisive in dictating Egypt's association with the Eastern bloc first, and with the

Western camp later. Association with the East entailed the adoption of socialism, central planning, and, import substituting industrialization. Switching to the West meant following market-friendly policies aiming at limiting state interference in the economy, giving free reign to market forces and private initiatives, and greater integration with the world economy. Such course involved grave risks that its advocates always minimized, but of which the Egyptian leadership has been much aware.

The main worry of liberalizing regimes are escalating living costs, worsening income distribution, and instability in the labour, commodity and money markets. These economic ills often trigger off political crises and destabilize governments. Many rulers in different parts of the Third World which opted to liberalize their economies did not only confront such crises, but also found themselves forced to liberalize their political systems as well. Hence, the reluctance of most governments to embark upon liberalization programs, except slowly and after securing sufficient assistance in mitigating the hardships which the process generates.

President Sadat was made fully aware of these risks by the Cairo riots of 1977 which were triggered off by the withdrawal of bread subsidies in compliance with the IMF reform recipe. But, this incidence apart, in his eventful era, economic issues tended to be shelved more than resolved, as was the case with the questions of central planning, privatization, and export expansion. Only during Mubark's presidency that these issues were seriously tackled.

### **3. The Growing Free Market Lobby**

The 1980s and the early 1990s saw the gradual liberalization of the Egyptian economy, and the accompanying export drive. The caution with which the Egyptian authorities acted drew repeated criticisms from both the IMF and the local business circles inside and outside the country. Contacts with the IMF in 1981 and 1983 came to nothing because of the insistence of the Fund on prompt spending cuts, higher taxes, subsidy reductions, interest rate increases, and the unification of the exchange rates. Egypt did cut spending and some subsidies, and increased taxes, but stalled on the other reforms causing the IMF to withhold the \$700-800 million promised to it.

However, after five years during which Egypt had regained much of its regional standing and international ties, the United States (according to the Economist of 24/9/1988) "pressed the Fund to attaching only loose conditionality to a \$320 million lending agreement for Egypt". One of the reforms demanded by the Fund in 1988 was the unification of the exchange rates, which

Egypt did in steps that ended in October 1991.

But until very recently, the Fund and the business world were criticizing Egypt for "extremely cautious moves towards the sale of state-pawned companies... (even when) the government has realized many of the macroeconomic reforms sought by the IMF, including removal of subsidies and devaluation of the currency" (The Middle East, December 1992). In fact, Egypt was not stalling, but merely making certain that the privatized firms will be sold at their real worth, to the right buyers, be expanded, and their labour force preserved. Besides, by the middle of June 1993, the first batch of 86 public companies had been privatized. The total number of state enterprises was 340, 249 of which were profitable. They were grouped under 17 holding companies with a paid up capital of LE6.4 billion and assets worth LE8.0 billion, which in 1992 realized profits totalling LE700 million.

As an issue, privatization of state-owned enterprises has recently dominated the debate on economic liberalization in Egypt. The related issue of export expansion rather than import substitution was debated largely among experts: the concern of other participants in the debate seemed to be with the identity of the producer (state or private sector) rather than with what is produced and for whom (the local consumer or the foreign one). The conditions set for disposing of state enterprises commit the buyers to modernize the purchased firms, respect the rights of its employees, and charge only reasonable prices. The terms do not include the exportation of any specified amount of production, or even a commitment to export within a specified period. In fact, it is widely felt that many of the potential bidders (who include international firms like Merrill Lynch, Morgan Stanley, Barclays, Citibank and Chase International Bank as well as the National Bank of Kuwait, and Misr-Iran Bank) are more interested in capturing the sizeable Egyptian market than remoulding Egypt in the image of the Eastern Asian Tigers.

One of the few forums which debated extensively (albeit from one viewpoint only) the issue of import substitution vs. export expansion, as part of its overall advocacy of liberalization, was the Arab Monetary Fund. The Fund organized jointly with the Arab Fund for Economic and Social Development, the IMF and the World Bank a symposium on the subject of Arab Foreign and Intra- Trade. The meeting was coordinated by Dr. Said El-Najjar, a former World Bank official and an ardent supporter of free trade; the bulk of the participants were of the same inclination. The summary of the proceedings which was prepared by the coordinator highlighted the following conclusions:

(a) Trade policies have become a basic component of economic reforms because of their bearing on growth, competitiveness in world markets, and the balance of payments at

a time of growing globalism, protectionism and regionalism.

(b) The 1980s witnessed a general deterioration of developing economies which revived the thesis propagated in the 1950s and 1960s by economists like Prebisch, Singer and Myrdal, that claimed that international division of labour which confined the poor countries to primary production leaving industry to the developed countries favored the latter whose terms of trade improved steadily. Hence the call for industrialization by protected import substitution in the developing countries.

(c) Import-substituting industrialization succeeded in establishing some viable industries in the Third World. But most industries were overprotected against foreign competition. For this reason they remained inefficient and chronically dependent on protection, and unable to export in world markets. This was confirmed by the studies of Belassa, Little and Scitovsky.

(d) By contrast, developing countries which embarked upon export-oriented industrialization achieved high rates of industrialization, exportation and overall growth. But to say this is not to preclude the possibility of development by import substituting activities, so long as they are not rendered inefficient by excessive protection. Nor does it dismiss combining export expansion with import substitution on nondiscriminatory basis.

(e) Protectionism policies in the industrial countries do not seriously hinder export expanding industrialization in developing countries. This is partly because industrial exports from the developing countries account for no more than 2-3 percent of consumption in the former, and can be easily trebled without affecting the industries of the developed countries. Also, the expansion of exports from the developing countries will enhance their capacity to absorb more of the exports of the industrial world.

(f) A greater integration of the developing countries in the world economy will not impede integration among themselves, for the two are not incompatible. Also, their exposure to foreign competition will not necessarily destroy the industries of the developing countries. Only a new division of labour may emerge in which different producers specialize in manufacturing part of the final product in whose production they competed. This is increasingly happening at the level of the developed world.

(g) Egypt was until the restructuring of its tariff system in 1986 a good example of how tariff and non-tariff protectionism rose progressively with the degree of processing which the

imported good underwent. This led to unusually high protection with the effective rate significantly exceeding the nominal rate.

#### 4. Export Expansion: Preliminary Results

A paper presented to the Symposium jointly by Ahmed Al Darsh and Hanaa Kheir Al Din examined Egypt's Foreign Trade Policies since the 1930s. It focussed on the impact of the tariff, non-tariff and exchange regimes on Egypt's exports and imports, with special emphasis on the period 1961-1991. This was the period during which Egypt embarked upon import-substituting industrialization within the framework of a planned socialist economy. The paper examines also the gradual liberalization of the economy through measures taken in 1974, 1980, 1986 and 1991.

The writers explain how tariffs, non-tariff barriers, and the exchange rate were used in a discriminatory manner to favor high-cost industries particularly state-owned ones, and to penalize export-oriented production in general, but especially in the private sector. But since 1974, this discriminatory policy was gradually revoked starting by allowing the private sector to import goods previously governed by bilateral trade pacts and other ones which have been hitherto monopolized by the public sector. Besides, private firms were granted under the Investment Act (Law 43) of 1974 tax cuts, reductions in tariffs on imported inputs, and credit on concessional terms. But the effect of these incentives on exportation was insignificant for it was still more profitable to sell in the heavily protected market than to export.

The authors regard the 1986 reforms as the most comprehensive and radical measures aiming at liberalizing the economy and, most significantly, alleviate, if not eliminate, discrimination between the public and the private sectors and between import-substituting and export-expanding activities. The reforms covered tariff and non-tariff restrictions, export incentives, and the exchange rate system. The disbanding of Import Rationalization Committees heralded the end of administrative control by licensing. Also tariff brackets were reduced from 43 to 10 and their range fixed between 5 percent and 160 percent, with all additional taxes and duties on imports abolished. The progressivity of tariffs with the degree of processing was reduced, and reversed in the case of imported parts for assembling industries in proportion to the value added domestically. Regarding the exchange rate of the Egyptian pound, tariffs were to be computed as from June 1986 on the basis of a rate of LE2.6 per US\$, which was the (newly devalued) free market rate. This was coupled with a 30 percent reduction in the tariff rates, and in their range to 0.7-120 percent so as to mitigate the cost-raising effects of the Egyptian Pound devaluation. In May 1991, following the conclusion of a stand-by Agreement with the IMF, the range was narrowed to 5 - 100 percent. Regarding



non-tariff restrictions, 1991 saw the lifting of ban on most of the 571 commodities listed, leaving only 105. From 1990 the number of goods deprived in 1988 and 1989 of the facility of opening letters of credit, and the ones eligible for this facility on making a 35 percent down payment, were reduced in number and required to make a down payment of only 20 percent.

On the export side, the authors noted that they were encumbered by a variety of explicit and implicit taxes, bans, quotas and prior-approval requirements. For instance, cotton procurement prices were fixed at 40-50 percent of export prices, the balance being a defacto tax on production. Some 20 commodities were banned to exporters, including raw hides and metal scrap, and also subsidized foods and forage that were liable for smuggling outside the country. The list of goods under quota restrictions were reduced from 17 to 4 (raw wool, raw hides, cotton scarto, and unsold newspapers). Custom drawbacks on raw materials used in producing exports were replaced by temporary exemptions for such materials pending exportation. Back-to-back deals which were confined to public corporations were made open to private firms. Also, the 1991 reforms included ending the Central Bank regulations requiring the private exporters (but not public export companies) to sell after one year to the Bank any foreign exchange they earn at the official rate; they could buy it back afterwards at the higher free market rate. The unification of the two rates in October 1991 ended the discrimination.

Apart from explaining how the reforms of 1986 and 1991 sought to treat exports and imports fairly indiscriminately, the writers sought to compute the nominal and effective rates of tariff protection for Egyptian industries in 1980 and in 1986. They estimated that the effective rates were 215.4 percent and 176.3 percent, respectively; the nominal rate in 1986 was 47.6 percent. This showed how the reforms of 1986 have reduced protection, though less in real terms than nominally. The authors also made estimates for the products covered by non-tariff protection before and after reforms. They calculated that after the reforms coverage fell from 72.8 percent to 54.5 percent. Before the reforms the coverage rate was higher for the private sector (78.3 percent) than for the public sector, but afterwards the rates were almost the same (54.3 percent and 54.5 percent, respectively). They also calculated the ratios of exports and imports to the GDP of Egypt, Turkey and Korea, observing that at 5.1 percent, Egypt's export-GDP ratio was much below Turkey's (10.9 percent) and Korea's (30.9 percent), but its import-GDP ratio of 27.7 percent exceeded that of Turkey's (17.5 percent and Korea's (23.4 percent). They concluded that the reforms of 1986 and 1991 might have improved the competitiveness of Egypt's exports in the world markets, but have, by and large, failed to eliminate the innate discrimination to which they were subject. They also observed that the unification of the official and free market exchange rates eroded most of the advantages enjoyed by the public sector over the private one, and that

devaluations have generally given a strong boost to exports of cotton and rice, as well as textiles. They also stated that the balance of payments improved little because of a rise in non-traditional exports, but mainly to the continuing fall in the growth rate of imports despite an overall reduction of import restrictions. However, they were careful not to make any predictions as to what effect the reforms may have on exports and imports in the future.

##### **5. Export Expansion: High and Low Expectations**

In a more recent (October 1993) seminar organized by the New Herald Society and the Association of Egyptian Banks on "Towards and Egyptian Export-Oriented Economy, Free of Unemployment", Dr. El Najjar reiterated the main findings of the United Arab Emirates' symposium in strong terms. He attacked what he described as "archaic concepts which are relics of the days of absoluted rule (in the 1960s) but still dominate decision-making, impede economic liberalization, and wreck the chances of building an export-oriented economy; one of them is the concept of self-sufficiency, which is identified with indepenence, while being an exporting country hardly impairs national sovereignty. It is, in fact, a concept that contradicts export expansion and so is the idea of exporting only the surplus remaining after meeting domestic demand, another isolationist notion. Equally damaging is the requirement that an export must embody a certain percentage of local components".

Dr. El Najjar made comparisons between Egypt's GDP and exports, and those of far less populated countries that pursued export-led growth, and realized greater GDP and export volumes, including Singapore, Hong Kong, Israel and Chile. He blamed Egypt's low volumes of GDP and exports on its retained import substituting policies, which have to be renounced if it is to raise its growth rate from 5 percent to about 8 percent and create 400 thousand jobs annually for new arrivals in the labour market.

Dr. El- Najjar insists that he does not advocate giving up import-substituting activities altogether, but merely calls for balancing them with export-expanding ones. This, he suggests, can only be achieved by curbing inflation, rationalizing tariff and non-tariff protection, adopting a realistic exchange rate, encouraging private enterprise, and spreading basic education and literacy.

Dissenters with the speaker raised political issues, arguing that decision-makers in Egypt were bureaucrats not policy makers, and that it was futile to seek economic reform without political reform. Others simply argued that to succeed as an exporter one has to succeed first as a producer.

Defending the government policies, the chairman of the economic committee of the ruling National Party claimed that Egypt's economic and political reforms were a success. Critics, he said, must remember that from 1971 to 1981 there were no reform programs and that Egypt's economy had been damaged by four wars with Israel.

However, cautious optimism premeates the new (Third) Five-Year Plan (1992/93-1996/97), published in July 1992 but not officially adopted. the document states that under this Plan, foreign economic relations will

differ from what prevailed in the past. Due to national and international economic policies, the Plan is targeting major improvement regarding the balance of payments to contribute more positively to the development of the Egyptian economy, especially after liberating the foreign exchange rate... which makes it possible to reevaluate the Egyptian pound to its real value helping increase exports.

To continue the positive results realized in the past years in controlling the increase in imports and the balance of payments and deficit, the Third Plan is targeting considerable expansion of exports.

The Plan also aims at increasing the rate of import substitution by increasing output of domestic products which conform to the requirements of economic efficiency.

The Plan envisages an average increase in imports of 3.0 percent, compared to an export growth rate of 7.3 percent. This will raise the export coverage of imports during the Plan period from 42.5 percent to 53.4 percent, and cut the trade deficit from LE23.5 billion to LE22.9 billion. It is on an increase in the invisible surplus from LE12.9 billion to LE17.9 billion that hopes are pinned for improving the current account in the balance of payments by raising the overall surplus from LE2.3 billion to LE3.3 billion. These are, clearly, quite modest anticipations. But they must be seen against the disappointing performance of the foreign trade sector during the 1980s despite repeated reforms intended to expand exports and contain imports. During that period, the Third Plan document reports, imports rose steadily from LE6.6 billion to LE 40.2 billion (or 6.1 times), whereas exports first dropped from LE4.0 billion in 1981/82 to LE3.1 billion in 1986/87, and then rose to LE16.7 billion in 1991/92 (i.e., 4.2 times in a decade); hence the increase in the

trade deficit from LE2.6 billion to LE23.5 billion (9 times).

## **6. Conclusion**

From the above survey of Egypt's economic policies in general, and trade policies in particular, it is clear that socialist policies of the 1960s which favored the public sector and import-substituting activities have been slowly replaced since the mid-1970s by liberal ones that encourage private enterprise and export-expanding activities. But neither the earlier policies opposed export expansion, nor the latter renounced import substitution in principle. Both regarded the two strategies as compatible and, indeed, complimentary to each other as means of accelerating growth and improving the country's balance of payments.

Economic liberalization which began in Egypt in 1974 is now two decades old. Discrimination against exports has been nearly eradicated, at least since 1986; but so far this has not boosted exports, and the Third Plan's forecasts are not very optimistic. But imports grew rapidly after the reduction of controls; and industrial growth, which rose from 5.4 percent in the 1960s to 9.5 percent in the 1970's, slowed down to only 4.2 percent in the 1980's, which witnessed a big reduction in the protection of domestic industries. All this seems to confirm the notions that exports are less responsive to liberalization than imports, particularly when foreign markets are protected, and that protected industries do not fare well in a competitive domestic market.

### **B. Syrian Arab Republic**

The policies of the Syrian Arab Republic since 1970 have sought to interact with external developments in the light of its socialist philosophy and pursuit of national and Arab unity, progress and independent decision-making. On the economic front, this means striking a balance between the state and the private sector, regions, civilian and military spending, world blocs, trading partners, present and future needs, import substitution and export expansion, and primary and secondary exports. This has been achieved in recent years largely by encouraging private enterprise without curtailing the public sector; by shifting emphasis back from industry and services to agriculture; by implementing projects like Al-Khabor irrigation scheme to make the north-eastern province of Hassakeh get some of the economic development enjoyed by the Western Damascus-homs-Aleppo axis; by reducing military spending in favour of civilian one; by diverting foreign trade from former Communist trade-agreement partners to free-trade countries in the developed and the developing world, and by paying more attention to the immediate problems of unemployment and shortages in basic needs.

Regarding the choice between import substitution and export expansion, the shift from the former to the latter has been gradual and subtle, but quite marked. Closely linked to it was the restructuring of both exports and imports in a manner that favoured processed goods on the export side, and equipment on the import side. The process by which this was achieved is discussed in some detail below.

### 1. Planned Import Substitution

The drive for establishing import-substituting industries began in Syria's first years of independence as a reaction to the French colonial policy of discouraging the growth of domestic industry, particularly ones that fully process domestic raw materials that can be exported for final processing. A good example was the silk yarn industry which was set up in the 1850s so as to feed the silk factories of Lyon. When Japanese competition forced French silk out of the market, Syria had to close its yarn factories and cut down mulberry trees, replacing them with citrus ones. During the French Mandate (1920-1946), French policy, as indicated by the 1920 Huvelin Report to the Marseille Chamber of Commerce, was to deny Syrian industrial products protection, which the report regarded as necessary for the growth of local crafts into modern industries, for fear of hampering free access to the Syrian market by European exporters. The French also blocked attempts by Syrian intellectuals and businessmen to promote industrial companies and industrial banking.

Supply shortages during World War II and its immediate aftermath allowed Syrian industries to emerge to cater for unmet local demand. The wealth accumulated during the war by the indigenous middle class, and the foreign exchange (mainly Sterling and French Francs) accruing to the country in war time trade surpluses, enabled Syrian food and textile industries to appear and grow, particularly after the country gained independence in April 1946. The trend towards import substitution was strengthened by the enactment in 1952 of an industrial law that bestowed upon domestic industries, among a variety of concessions and facilities, tariff and non-tariff protection.

Unity with Egypt in 1958 and the accession of Ba'ath socialists to power in 1963 gave the drive for import substituting an ideological dimension; the replacement of foreign goods by locally-produced ones was portrayed as a pre-condition of attaining economic independence from neo-colonialism, which sought to replace political imperialism by economic domination. Import substitution was an integral part of socialist thought that advocated public enterprise, comprehensive central planning, self-sufficiency, industrialization, provision of basic needs, equitable income distribution, price controls, bilateral trading,

and neutralism between east and west. In fact, these policies were combined in a manner that made them subservient to the goal of ending economic dependency through planned and subsidized import-substituting industrialization, led by the public sector and focusing on meeting the basic needs of ordinary citizens. When western support could not be enlisted for such programmes, the necessary assistance was readily forthcoming from the Eastern bloc, which provided the required capital goods on loan or barter basis.

Though rarely stated explicitly in the country's Five-Year Plans covering the period 1961-1985, the notion of import substitution found expression in statements like: 'the realization of self sufficiency in the main food and clothing items, and of increasing proportions of other goods'; local production of all agricultural inputs and subsequently, those of other sectors; 'the processing inside the country of local raw materials for both domestic consumption and exportation'. These quotations from the objectives of the Fourth Five-Year plan (1976-1980) contained the strongest expression of commitment to import substitution found in any of the country's development plans. Significantly, the statements emphasize the pursuit of self-sufficiency in all goods, starting with the main food and clothing items, both via the processing of domestic raw material for internal and external use. This precludes import substitution by assembling imported parts, a principle emphasized by the call for the production of inputs of production units (whether primary, intermediate or capital goods) locally.

However,, with the Fifth Five-Year plan (1980-1985), there has been a marked shift from the Fourth Plan's bias for import substituting projects which leaves for exportation what is left after domestic demand is met. The Fifth Plan clearly treats production for exportation on equal footing with that destined to satisfy domestic demand, with priority given to activities which feasibility studies prove to be more rewarding; its objectives include the "processing of raw materials locally if this proves to be economically feasible, whether for meeting the (local) needs of final consumption or increasing exports, and the curtailment of industries that use imported primary or intermediate products". Another goal of that Plan was the "restructuring of production and the distribution of resources between exportation and domestic use in a manner that meets the basic needs of citizens and enhances the country's export capacity". The Sixth (unpublished) Plan (1986-1990), while advocating both import substitution and export expanding production on the basis of comparative advantage, shows marked bias for the latter. This is inferred from the fact that while it calls for the processing locally of primary products and industrial inputs, it aims at the "production of goods that meet international specifications with the purpose of exportation, and the consumption of surplus locally". This is clearly the reverse of the dictum of giving priority to domestic over foreign demand.

The pursuit of import-substituting policies led to the decline of the ratio of imports and exports to GDP from 30 per cent and 16 per cent in 1975 to 11 per cent and 5 per cent in 1985, respectively. The balance of trade, which was persistently in deficit throughout this period, showed a marked increase in the share of industrial (mining and manufacturing) products on the export side, and of industrial inputs and capital goods on the side of imports; by 1987, the former had risen to 40 per cent and the latter to 84 per cent.

## **2. Shift to Export Expansion**

Strengthening this tendency to encourage export expanding investment was the desire to repatriate the savings of Syrians living abroad and to attract foreign investment. These could only be assured by carefully enacted safeguards enabling such investors to remit abroad their imported capital and bona fide profits. The Syrian government gave the necessary guarantees but still required investors to make remittances out of their foreign exchange earnings. This is tantamount to restricting private foreign investment to export-oriented activities capable of earning hard currencies.

Many of the other measures that were taken recently by the Syrian authorities to attract foreign direct investment by Syrian emigrants, Arabs and others sought to create a favourable investment climate. Reiterating World Bank arguments in favour of foreign direct investment vis-a-vis foreign lending, Dr. Mohammed Al-Imadi, Minister of Economy and External Trade told participants in the Fifth Conference of Arab Businessmen and Investors meeting in Damascus in March 1993 that Syria preferred foreign direct investment to borrowing because it brings in its wake technical know how, managerial skills, and market access, without saddling the balance of payments with the burden of repaying loans and paying interest thereon". He stressed the importance of political stability, constitutional safeguards for private ownership and enterprise, free commodity and money markets, a realistic exchange rate, and rational fiscal and monetary policies in creating a healthy climate for investment. He said that most of these factors have already been met, emphasizing the upward adjustment of produce prices and the devaluation of the Syrian Lira. He also referred to Syria's ratification of Arab League treaties facilitating capital movement, guaranteeing inter-Arab investments, and setting up numerous joint ventures owned by Syria and one or more Arab partners. He also said that Syria would soon set up a stock market and an investment bank. Dr. Imadi added that the new incentives attracted 725 new projects, costing SL90 billion and employing 55 thousand persons, and helping the economy to attain an average growth rate in real GDP of 9.35 per cent during the period 1990-1992.

The gradual shift from an import substitution strategy to an export expansion one manifested itself from the middle of the 1980s in the changing structures of both the GDP and foreign trade. While growing at only 2.6 per cent during the period 1980-1991, real GDP experienced increase in the shares of both agriculture and industry which raised the former from 21 per cent in 1985 to 28 per cent in 1990, and that of the latter from 15 per cent to 20 per cent during the same period. At the same time, exports as a percentage of the GDP began to recover rising during this period from 12 per cent to 18 per cent, while the ratio of imports to GDP continued to decline, falling from 22 per cent to 10 per cent between 1987 and 1990. As a result, the balance of payments was in surplus from 1989 to 1991 after decades of being in deficit. This was achieved largely through an increase in exportable raw materials (mainly fuels and unprocessed industrial inputs) to 60 per cent of exports in 1990, while the share of finished exports fell to only 24 per cent. On the import side, the share of consumer goods rose from 19 per cent to 29 per cent.

The increase in the ratio of exports to GDP is to be expected when an export expanding policy is pursued; but the fall in the import-GDP ratio needs explanation. The increase in exports could have been at the expense of local consumption by both households and industry. However, official statistics suggest that private consumption did not decline as a percentage of GDP; on the contrary, it rose from 67 per cent in 1985 to 83 per cent in 1990. These statistics also give a clue to the paradox of fast rising consumption and exportation despite slow GDP growth: the increase in the volume of exports during the period 1985-1990 was only 82 per cent, while their value rose by 635 per cent, due to rising international prices of Syrian Arab Republic exports (particularly oil). During the same period, the volume of imports fell by 52 per cent while their value rose by no more than 73 per cent. Hence, the improvement that occurred in the balance of payments was mainly the product of improved terms of trade. This is confirmed by the World Bank, which estimates that Syrian Arab Republic terms of trade improved in 1991 to 182 (on the basis of 1987=100).

Several challenges are facing the Syrian Arab Republic in implementing its envisaged export drive. First, there is the marked ineptitude of the public sector which is the major exporter of Syrian products; in 1991 it exported 67 per cent of exports worth SL38.5 billion, and was envisaged to export 69 per cent of planned exports of SL63.0 billion in 1991. This sector has been encumbered by bureaucratic traditionalism emanating from the monopolistic position bestowed upon it by the state in numerous fields, as well as by the underpricing of its products and the foreign exchange which it acquires. As for the private sector which is to bear the main responsibility for making new investments and creating additional jobs, it still has to prove its ability to shift from the services sector to the commodity one, and to make the much needed break-through in free world



markets for Syrian exports that have traditionally been marketed under bilateral agreements.

The various sectors face their new challenges without the assurances of a published economic plan giving clear indications as to what the state intends to do and expects others to perform. The current Sixth Plan has never been officially issued, and it is not certain that a seventh one for the years 1996-2000 will ever be drawn up. The private and mixed sectors are also concerned that the public sector is already syphoning up most of the limited resources of banks, particularly the Industrial Bank, and the country's foreign exchange. At the same time, the stock market, which can provide an alternative source of finance, is still merely a proposal.

### **3. Economic Pluralism Activated**

The Syrian Arab Republic is currently undergoing a process of far-reaching, but graduated and controlled, liberalization. Officials stress that this process represents a shift in emphasis and not in policy. They regard it as a new stage in the implementation of the doctrine of economic pluralism enunciated by president Assad in 1971. This doctrine envisaged a tripartite partnership in development involving the public, private and mixed sectors. With the state sector firmly entrenched and, seemingly, overburdened, time was seen ripe since the early 1970s to involve the other sectors in activities of low strategic nature. Tourism was selected as a starting field for private participation in development. A High Council for Tourism was established in 1972 to promote tourism and exemptions from taxes and duties on imported requirements were granted. Initially, response from private investors was weak, and the state was compelled to establish a number of first class hotels whose management it entrusted to transnational firms. Also, it set up joint ventures with some private entrepreneurs, which encouraged the private sector to enter this field on an increasing scale.

In 1986, law No. 10 allowed the setting up of public companies in which the state held no more than 25 per cent of the shares. These companies were granted generous income tax exemptions, and became the first non-governmental bodies to be allowed to retain as much as 70 per cent of the foreign exchange earned in foreign accounts inside the country. In May 1991 the various acts governing investment in different sectors were unified in law No. 10, which granted export production special incentives. Industrial firms were made to pay no more than 32 per cent of their incomes in taxes, whereas non-industrial companies had to pay 42 per cent. Besides, all firms which earned the country foreign exchange through exportation were to pay no more than 35 per cent income tax, instead of the 45 per cent previously fixed by law. Retained foreign exchange by the earning firm was raised to 75 per cent of the earned sums. This

was well in line with the new policy of encouraging export-oriented investment.

### **C. The Hashemite Kingdom of Jordan**

#### **1. Shrinking Territory VS Exploding Population**

A small area and limited resources, a significant part of which were lost in the Arab-Israeli war of 1967, have imposed upon Jordan some of the most unique patterns of production and world relations. The incorporation in 1950 of the West Bank increased the area of Jordan from 89,000 KM<sup>2</sup> to 94,500 KM<sup>2</sup>; but the relatively small annexed area provided Jordan with some of its richest agricultural lands and tourist attractions. The loss of this territory in 1967 did not only deprive Jordan of these resources, but also brought it a large number of Palestinian refugees, who came to form about one-third of the population. Of the remaining East Bank, 91 per cent are dry lands receiving less than 200mm of precipitation annually, and another semi-dry region covering 7 per cent, leaving only 2 per cent as wet land enjoying a rainfall of 500mm or more. Thus, cultivation is virtually confined to the north-western part of the country. Phosphate and Potash are the only minerals of note.

After its limited natural resources were further denuded by the loss of the West Bank, Jordan had to utilize its excess manpower and good relations with most Arab and western countries to enhance the living standards of its inhabitants.

Dependence to this extent on the outside world makes Jordan quite vulnerable to external economic and political changes, and narrows considerably its policy choices. Some may even see Jordan as the epitome of economic dependency, or as an artificial economy surviving by exporting labour and receiving assistance. As such, they see all choices of strategy, such as between import substituting and export expanding activities, as externally imposed. Holders of this view argue that even in political matters, which allow more scope for manoeuvring, Jordan is a decision-taker rather than maker; it gains a loses least when it sit on the fence, as in the 1973 war, and loses heavily when it has to take sides, as it did in the war of 1967 and the gulf crisis of 1990.

A more charitable (and realistic) thesis concurs that external factors have a great influence on the Jordanian decision-making process, but sees in Jordan's policies consistencies in decision-making that are unattainable when the policy-maker is actually a policy-taker from as diverse sources of influence as Jordan is said to be. We hope that the following analysis of Jordan's trade policies substantiates this thesis.

## 2. A Service Exporting Economy

At 67 per cent, the share of services in Jordan's GDP in 1991 is the highest in the Middle East. Also, the share of agriculture is the lowest in the region, except for some Gulf states. But the shares of extractive and manufacturing industries (13 per cent each) are about the average. This indicates that Jordan's is essentially a service economy. One of the main factors behind the predominance of this sector in the Jordanian economy is its outward orientation. Tourism, which is predominantly foreign, contributed up to 13 per cent of GDP, about seven times the average for the region. Also, a good part of banking activity (performed by 17 banks, 6 specialized financing institutions, 11 nonbank financial houses, and 58 exchange bureaus) is intermediation between Jordanians and non-Jordanians. Financial institutions account for 15 per cent of GDP. The transport sector, which contributes together with communications 9 per cent of GDP, has a strong outward orientation; this applies in particular to shipping in which joint ventures with the Syrian Arab Republic and Egypt supplement the national shipping lines; and also to road transportation, in which Syrian and Iraqi-Jordanian companies participate. It may, thus, be said that the services sector, which is the biggest sector in the Jordanian economy, has a strong export orientation.

Even the agricultural sector, which contributes only 7 per cent of GDP and is unable to supply more than 42 per cent of the country's needs, exported in 1989 as much as one third of its production, contributing 9 per cent of the national exports. Jordan has exportable surpluses in eggs, dairy products, and vegetables. But it has low self-sufficiency rates in wheat (14 per cent), barley (18 per cent), meat (29 per cent) and milk (40 per cent); the self-sufficiency rates for legumes and fruits are 57 per cent and 55 per cent, respectively. Projections for 1975-1993 predict self-sufficiency in wheat rising to 22 per cent and in barley to 45 per cent. These statistics suggest that Jordan will be seeking food import substitution while expanding its food exports.

One feature of the balance of payments which Jordan shares with other countries in the region is combining a deficit in commodity (visible trading) with a lesser surplus in service (invisible trading), resulting in an overall deficit in the current account. However, the size of the deficit in visible transactions and the surplus in invisibles in relation to GDP in Jordan are exceptionally large compared to those of the non-oil Arab countries. The 1985-1990 averages for these countries (Jordan, Tunisia, Sudan, Syria, Lebanon, Egypt, Morocco, Mauritania, and Yemen) were -16.0 per cent and + 13.2 per cent; for Jordan (alone) they were -32.6 per cent and + 27.2 per cent. When the commodity deficit and services surplus are related to the average shares of commodities and services in the GDP for the same period, which are 41 per cent and 29 per cent, we conclude

that the export-orientation of the services sector is much greater than the import-orientation of the commodity sector. Since the service sector tends to grow faster than the commodity sector throughout the world, Jordan, which exhibits the same trend more than most countries, and also has a high export orientation in its service sector, must be seen as a leader in the field of service-led exportation. Service trading is seen as the would-be focus of world trade for both developed and developing countries in the not-so-distant future.

This characteristic of the Jordanian economy is also manifest in its manpower situation. The scale on which Jordan exports and imports labour is rather unique. At its peak before the Gulf crisis, the Jordanian labour force working abroad rose in 1985 to 339,300 or 68 per cent of a total force of 502,393. In 1989, the number of emigrants fell to 330,00, or 58 per cent of the labour force totalling 583,505. At the same time, foreigners working in Jordan (the first of whom arrived there in the mid-1970s) numbered 217 thousand in 1989, or 37 per cent of the labour force. In 1991, they reached 239,000 or 35 per cent of the labour force of 680,000 at a time when unemployment among Jordanians reached 19 per cent.

The bulk of the foreign manpower is employed in agriculture, where they constitute 55 per cent of the labour force, and in unskilled and manual jobs which are unattractive to Jordanians. This is an unusual case of a fairly open and competitive labour market, which most advanced countries are wary of trying.

### **3. Interventionism With Monetary Liberalism**

During the 1950s and 1960s most developing countries generally followed interventionist policies characterized by central planning, state enterprise and controls, and protected import-substituting industrialization. From the mid-1970s they started to liberalize their economies, encourage private enterprise, and promote export-oriented production. But Jordan followed the course of moving from state interventionism to liberalism, and from free trade to protectionism.

The 1950s saw Jordan disengage economically from Britain which drastically reduced its aid to Jordan. The United States stepped in offering aid and the World Bank provided development credit. Jordan abandoned the Sterling Area and lined the dinar to the dollar. The central monetary authority (the Jordanian Monetary Council) followed a very conservative policy insisting on a 100 per cent gold and foreign exchange cover for the currency. The state confined its activities to building the infrastructure and to providing the basic necessities. The private sector was allowed a wide scope, and it successfully undertook some of the most important projects including phosphate

processing, cement manufacturing, and oil refining.

Jordan's economic liberal policies which were implemented by ad hoc measures were placed under severe testing by a series of crisis beginning with the loss of the West Bank in the war of 1967, in which it lost 6 per cent territory, 54 per cent of population, 30 per cent of agricultural land, 40 per cent of farm production, 80 per cent of tourist income, and 20 per cent of its industrial output. The skirmishes with Israel which continued until the September events of 1970 led to the suspension of agricultural activity in the fertile valley of the Jordan river. Closure of the border with Syria and the continued blocking of Suez Canal hampered Jordan's exports, which stagnated while imports grew quite freely. The decline of remittances by Jordanians working abroad and of revenue from tourism, coupled with reduced foreign aid worsened the deficit in the balance of payments.

During these hard times, the management of the economy was largely in the hands of the monetary authorities, which continued their conservative policies. Monetary stringency, which reduced the growth of credit from 29 per cent per annum in the period 1952-1966 to 5 per cent in 1967-1972, cut fixed investment growth from 11 per cent to 5 per cent, causing GDP's real growth to fall from 6.9 per cent to 4.2 per cent. Slower growth was accompanied by inflationary pressures generated by the reduction of the gold and foreign exchange cover of the currency and the devaluation of the dinar in line with the dollar (to which it was lined) in 1971. Inflation rose from 2 per cent in the 1952-1966 period to 9 per cent in 1967-1971.

The war of October 1973 and the oil boom that followed raised the costs of locally produced as well as imported goods. Living costs rose by up to 20 per cent in 1974. The state was confronted by strong demands from its employees for wage increases. But it opted for subsidization of essential goods. The Ministry of supply was given monopoly of importing wheat, flour, sugar, rice, meat and olive oil, the whole sale and retail prices of which were fixed by the state. These fiscal and administrative measures succeeded to some extent in curbing imported inflation. But soon factor and commodity prices grew out of control when the oil boom gave a big boost to demand for labour in the oil countries and in the revived Jordanian market. Rising wages and increasing remittances by emigrants raised prices by 16 per cent annually during the years 1973-1980. The government became more interventionist, monopolizing and subsidizing goods which came to number about forty.

However, these measures which were intended to curb inflation had little effect, largely due to the passive monetary policy followed by the central bank. Under this policy interest rates remained unchanged, but turned increasingly negative with

rising inflation; at the same time credit was allowed to expand freely in response to growing demand and to increasing money supply emanating from a sharp rise in foreign reserves. The dinar, now lined to SDRs, rose against the falling dollar, which encouraged importation from countries with currencies linked to the dollar. This helped to ease commodity shortages and curb inflation, but aggravated the balance of payments deficit.

#### 4. Combining Import Restriction with Export Expansion

Jordan entered the 1980s with a booming economy and falling inflation. Its expansionary fiscal and monetary policies seemed to have paid dividend. Optimism ran high, and an ambitious plan was set for the years 1980-1985, which hoped to realize a GDP growth rate of 11.1 per cent annually. The main thrust was planned to be in the industrial sectors (mining, manufacturing, electricity and water, and construction), which were to grow annually by 18 per cent. Fixed investment was expected to reach 45 per cent of the GDP. Exports were to grow by 28 per cent annually; imports by 14 per cent. However, from the second year, the Plan began to falter under the weight of the world recession. The Gulf states, a major source of valuable foreign exchange flowing in aid and emigrants' remittances suffered from falling oil revenues. The Iranian-Iraq war also caused aid from the Gulf to dwindle. Jordan's exports to the Gulf were also hit by the shrinkage of the Iraq market and by mounting competition from Turkish exports to this region. Worst hit were the newly completed industries which produced phosphates, potash, chemicals and cement. The cost of their equipment and inputs had escalated considerably, while the world prices of their products dropped by 20-25 per cent. Attempts to open new markets in Asia and Africa had little success. Export growth in the period was 10 per cent against a planned rate of 28 per cent.

Under these difficult circumstances, state policy became increasingly interventionist. It began to restrict imports and subject them to higher tariffs whenever they competed with local products, like aluminum and glass manufactures. This was done largely in response to an emerging and vocal protectionist lobby. At the same time, the Government sought to expand exports by a variety of means. One method was to conclude bilateral agreements with Egypt, Syria, Tunisia, Yemen and others; even barter was tried with Iraq. Also, subsidies in kind (underpriced energy) were offered to export industries. Private investment in both import substituting and export expanding activities, by both Jordanians and foreigners, was encouraged by an array of tax and tariff incentives.

These policies kept GDP growing until 1988 at an annual rate of 4.2 per cent, with agriculture leading at the rate of 6 per cent; services and industry trailed with rates of 4.4 per cent and 3.6 per cent. Inflation averaged only 2.2 per cent in this

period (1980-1988); but unemployment rose from 3.8 per cent to 8.2 per cent. This was an impressive performance by Third World standards, particularly under the difficult circumstances which Jordan faced at the time. But its times were to come. In August 1990 Iraq invaded Kuwait. Jordan tried to play a mediating role. But its strong ties with Iraq made Gulf states cut their aid to Jordan and expelled large numbers of Jordanian employees. Aggregate net resource transfers dropped from \$470 million in 1990 to \$422 million in 1991, and to only \$275 in 1992, none of which came from an Arab source. Aid came from the EEC, Germany, France, Italy and Belgium. The United States released in 1993 \$50 million which was allotted to Jordan in 1992 but blocked until then. GDP fell from \$4.5 billion in 1989 to \$3.9 billion in 1990, and recovered slightly in 1991 to \$4.1 billion. Unemployment soared from 10 per cent in 1989 to 17 per cent in 1990 and to 19 per cent in 1991. Exports which dropped only from \$1,118 million in 1989 to 1,064 million in 1990, rose in 1991 to 1,132 million. Nor did Jordan lose its absorptive capacity for imports which were \$2156 million, \$2601 million, and \$2512 million, respectively, in those three years. These achievements seem to be largely due to the good levels of foreign reserves which the country accumulated particularly from remittances which rose substantially after the return of emigrants from the Gulf. These remittances stood at \$771 million in 1989, \$1,139 million in 1990, and \$1,105 million in 1991.

##### **5. Inward or Outward Strategies**

Considering the magnitude and number of crises which Jordan has withstood since its independence, the resilience shown by its economy is quite remarkable. This is particularly true of its record after the Gulf debacle. Inevitably, the fragility of the Jordanian economy, its over exposure to external shocks, and the frequency with which it suffered shocks, have impelled observers to ponder what strategy would best enable the country to avoid or wither these recurrent crisis. Several strategies have been suggested.

An isolationist policy is hardly feasible for a country with Jordan's poor resources and which does not possess the market size which permits production on a reasonably large scale. Nor does it have the variety and types of resources needed for making it self-sufficient in basic goods and services. In fact, Jordan lacks the agricultural resources needed to make it self-sufficient in fresh foods or the products of agro-industries. On the other hand, its mineral resources are mostly of the type which yields products for which there is little domestic demand. For these reasons, economic isolationism may be for Jordan less feasible than monetary barricading.

Dr. Jawad Anani (El-Najjar, 1987) hints at a very different strategy, which is the opposite of isolationism:

Jordan is a relatively small country of relatively small size, without abundant energy: drifting on the map of international division of labour will be harmful to it unless it utilizes its highly qualified labor force in becoming a centre of advanced scientific and technological services. This requires greater cooperation with countries in the region and OECD. It also entails a bold liberalization drive which sweeps away all tariff and administrative restrictions. There is a need as well for adopting flexible educational and training policies which equip the labour force to keep up with scientific developments.

A similar strategy has been proposed more recently (October 1993) by an official of the American Trade Centre in Amman which suggests another branch of services as a field of specialization for Jordan. This is trade, not technology. The proposal debated in a symposium at the Centre was that Jordan should be encouraged to play in the Red Sea the same role which Dubai plays in the Gulf, which is acting as a regional trading centre. Dubai, it was said, replaced Lebanon which played this role in the 1960s and early 1970s. Jordan was its chief rival for the role. Dubai won as it was quicker in attracting foreign investments because of its liberal policies, low tariffs, good infrastructure, and closeness to big economies. Jordan could win a similar place in the proposed Middle Eastern Free Trade Area if it rid itself of trade and foreign exchange restrictions. Jordan already has the needed skilled labour force, infrastructure, and political climate. It can become more attractive to foreign investors by reducing trade risks, diversifying production, and broadening its market.

Perhaps Jordan is well positioned to move in all these directions combining its quest for self-sufficiency in strategic products, and exporting some high-tech services to its neighbours and beyond. The process needs, obviously, some time to unfold; but the chances that it sees it through successfully are reasonably good.



#### IV. OVERVIEW AND CONCLUSIONS

##### A. Egypt, Syria and Jordan: Similarities and Contrasts

In this final chapter we present an overview of the efforts of the three countries under scrutiny (Egypt, Syria and Jordan) in promoting either import-substituting or export-expanding activities. Comparisons will be made between the three countries' strategies, their motives, techniques, and their results. Evaluation will be on essentially economic basis, in the light of both economic theory and economic reality, between which there are tangible disparities. Since the ideal free and competitive world economy envisaged by economists does not exist, the goal of economic policy-makers should be to seek the best possible arrangements within the limits set by the availability of resources and options, both national and international. This applies particularly to the issue of choosing between import-substituting and export-expanding activities, or to a combination thereof.

The experiences of Egypt, Syria and Jordan in the field of promoting either import-substituting or export-expanding activities are varied and instructive. Egypt and Syria adopted in the 1950s and 1960s strategies emphasizing import-substituting industrialization, which became increasingly concentrated in the public sector and centrally planned. Also, their foreign trade was oriented towards the Eastern Bloc, particularly on the export side. The 1970s saw Egypt slowly liberalizing its economy and disengaging from the Eastern Bloc under the infitah (open-door) policy. The process accelerated in the 1980s when it removed import restrictions, dropped seeking self-sufficiency and exporting surpluses, and began privatizing its public enterprises. Syria, on the other hand, remained socialist and close to the Eastern Bloc until the latter's demise; it also retained its large public sector, but began encouraging the private sector to expand, particularly in export-oriented industries and services, under its doctrine of 'economic pluralism'.

As for Jordan, its economy has always been fairly open, and production export-oriented, even when dependence on foreign markets proved to be very risky quite often. It was, however, obliged recently to introduce trade restrictions and consider adopting an import substituting strategy so as to absorb returning emigrants and attain self-sufficiency in some basic needs. Internally, the Jordanian economy has always been characterized by the dominance of the state as employer and in controlling prices.

The contrasts between the three countries are manifest in many ways. Unlike Jordan, which is small in area and has limited physical and human resources, Egypt is large in area and in population, but has limited physical resources relative to its area and population, Syria, on the other hand, has medium size as well as relatively good and diverse resources. This has given it a sectorally balanced economy and self-sufficiency in a wide variety of products: it does not suffer from an undersize agricultural sector as Egypt, nor of an oversize service sector like Jordan. Nor is it as dependent on foreign aid as they both are. Yet, all three countries are alike in having maintained high growth rates by Third World standards in the 1970s, when growth rates were generally high, and in the 1980s when they were low. They also shared persistent balance of payments and resource balance deficits, as well as generally moderate inflation rates, and higher but varying degrees of unemployment. Inflation has been highest in Syria and lowest in Jordan, but the opposite has been true regarding unemployment.

All three countries were deeply affected by the political turbulence in the region, mainly the four Arab-Israeli wars, the Iranian-Iraqi war, the Lebanese civil war and the Gulf crisis and war. Jordan suffered most, losing territory, markets, aid and foreign jobs. Egypt retrieved Sinai and came out well from the Iranian-Iraqi and Gulf wars; but Syria has made less gains, and has still to recover the Golan Heights and disengage from Lebanon. Military spending remains high in the three countries, being highest as percentages of the budget and the GDP in Syria and lowest in Egypt.

With visible exports representing a quarter of its GDP, Jordan has a truly export-oriented economy: its export GDP ratio is comparable to that of the East Asian Tigers (24 per cent and 26 per cent, respectively in 1991). the export orientation of its services sector is even greater, with invisible exports forming one third of GDP. Jordan's export orientation is also manifest in its labour market, with nearly two-thirds of the its labour force working abroad in the late 1980s. Remittances from these workers were generally comparable to its export earnings (e.g. \$813 million and \$875 million, respectively in 1988). But the two sources of foreign exchange earnings are not sufficient for meeting the import bill, the deficit being bridged by foreign aid.

Jordan's dependence on foreign goodwill in turbulent times for financing its big net resource gap, and the abrupt suspension of most of aid in the aftermath of the Gulf crisis, is causing many Jordanians to question the wisdom of having their economy as export-oriented as it is now.

Syria's economy is less export-oriented than Jordan's: exports of goods and non-factor services constituted a third of

GDP, compared to more than half in Jordan. Besides, about three quarters of its exports are primary products, and the rest manufactures (mainly textiles), while two fifths of Jordan's exports are primary products and the rest manufactures, mostly chemicals. Unlike Jordan, Syria's balance of payments usually has a small deficit, which occasionally turns positive; its invisible trade has a surplus which, unlike Jordan's, wipes most of the payments deficit. Its resource gap is slight or positive, and its aid receipts are small (11 per cent and -2.2 per cent of its GDP in 1991), compared to those of Jordan (-22 per cent and 20 per cent). For these reasons, the relative openness of the Syrian economy has been far less risky than that of Jordan, particularly since it was based on a good measure of self-sufficiency which Jordan could not achieve. The biggest challenge to Syria's exporters now is the opening of new markets to replace the shrunken markets of the former Communist countries. Also, quite worrisome to the Syrian planners is the generally low level of foreign reserves which seldom exceeds the value of one month's imports.

Of the three countries, Egypt has the lowest export-GDP ratio. Its exports of goods and non-factor services constituted in 1991 only 30 per cent of its GDP, which is slightly less than half Jordan's. However, its visible exports constituted a far smaller percentage of GDP than is the case with Syria but its reliance on invisible exports is not as great as that of Jordan. Not unexpectedly, Egypt's visible exports could not cover imports but the surplus in services wiped most, though not all, this deficit. This is why its resource balance showed a deficit of -13 per cent. But Egypt is the biggest recipient of aid in the developing world; in 1991 its net receipts were \$5 billion, half a billion less than in 1990. Egypt also had about half of its debts of \$52 billion cancelled. This substantial assistance was a reward for its role in the Gulf war and the Middle East peace process. It helped Egypt to have substantial foreign exchange reserves, equalling 4.4 months' imports in 1991. Needless to say, excessive dependence on politically determined flows is quite risky, particularly when Egypt has replaced its previous quest for self-sufficiency by an export-boosting strategy. Greater export effort is the solution, says the trade lobby, and not chasing the self-sufficiency mirage. This line involves a welfare trade off between probable gains from expanded exports and certain losses in security, which, unfortunately, policy makers seem too busy with privatization problems to consider.

### **B. Impediments to Export Expansion**

The dogmas of self-sufficiency, import substitution, and state control and guidance lost much ground to the doctrines of export-led growth, integration into the world economy, and market-friendly approaches. But the advocates of change have yet to map out its course and identify its means. They generally pose the East Asian Tigers as a model for highly successful export-led

growth and integration into the global economy. But they are deeply divided over the role of the state in the East Asian Miracle. Some say that countries like Japan, China, Singapore and Korea succeeded because of government interventionism; others say that they succeeded despite it. Since Thailand and Indonesia fared also quite well with less intervention from the state, and Hong Kong with hardly any, there seems to be more than one model of export-led growth, or that the issue of what role the state plays is quite irrelevant. In fact, there is now general agreement that the East Asian model is almost non-reproducible in the Third World for a number of reasons. Chief among them are that they had good human capital (i.e. skilled and educated labour force), efficient bureaucracy, and massive capital and technology infusions from the industrial countries through the operations of transnational corporation, which converted them into outposts for their home economies.

Thus, issues relating to how a successful export drive can be launched have still to be settled. For countries like Egypt, Syria and Jordan, it is important to decide which markets to seek to penetrate, and with what products. The range extends from regional markets to markets of the developing world, to those of the whole world, including those of the industrial countries. Exportable products vary from primary to semi-finished to finished, and to high tech goods and services. Choices are restricted mainly by exogenous factors, like protectionist policies regarding certain products, the willingness of investors to commit capital in developing countries located in (still) unsettled regions, and the fast changing world economic order. Even within their Middle Eastern (West Asian) region, the countries under study still have to decide what roles they wish to play, particularly if peace is reached and the proposed Middle Eastern Common Market becomes a reality.

So far, perceptions about what shape this Common Market will take are coming from American and Israeli sources. They are still vague, but generally hint at a tripartite partnership between Gulf financial resources, other Arab's labour, and Israeli know-how. They also envisage the erection of the market in stages starting with an Israeli-West Bank-Gaza-Jordan core that expands gradually to embrace all Middle Eastern countries, except Iraq and Iran. Suggested forms of cooperation include trade in goods and services, factor mobility, joint infrastructural and productive ventures, water sharing and utilization arrangements, etc. Israel and Western circles have launched study institutions to formulate plans and projects with Arab participation. Israel is starting a Middle East University for the purpose. Recently an Economic Research Forum for the Arab countries, Iran and Turkey has been established by the World Bank in cooperation with the UNDP, the EC, Ford Foundation, and the Arab Fund for Social and Economic Development. So far, Arab initiatives in these fields have hardly gone beyond holding a few seminars on the topic. In the absence of collective or even individual effort in this field, the determination of the roles

which Arab countries shall play may be determined for them; an example is the role of a trade service center for the region advocated for Jordan by an official of the American Trade Centre in Amman in a seminar held at the Centre in October 1993.

Making a thrust into the markets of the industrial countries has to be carefully planned, lest it is impeded by an array of tariff and/or nontariff barriers, which GATT explicitly condones or is unable to remove. The Uruguay Round which was saved in the eleventh hour on December 15, 1993, set a final seal on many trade measures which contradicted GATT's 'most-favored-nation', 'no nontariffs, only tariffs', and 'reciprocity' principles. The preceding seven rounds have already condoned the creation of free trade areas in which members accorded each other trade concessions denied to nonmembers in violation of the MFN principle. An early decision to exempt developing countries from reciprocating concessions granted to them by the industrial countries on the basis of having to protect their infant industries or balance of payments from disruption paved the way for marginalization, as well as the subjection of agricultural products of tropical and temperate zones to restrictions on the basis of what is termed injury or disruptive importation. The 'enabling clause' upheld in the Tokyo Round permitted the industrial countries to restrict the application of the MFN to a selected group of countries through the system of generalized preferences (GSP). Because of their disunity, the developing countries failed to protect their interests; they sided with one or the other of the two main industrial camps, the United States the EEC, whose differences over agricultural and service protection dominated the Round. Middle Eastern countries were among the least effective participants in the negotiations although their agricultural and manufactured products are subjected to a variety of graded tariff and quantitative restrictions.

### **C. Balancing Import Substitution and Export Expansion**

Our survey of the policies of Egypt, Syria and Jordan relating to production and trade has revealed that they share a tendency to strike a balance between import-substituting and export-expanding production. Until recently, the balance was tilted towards import-substituting activities in Syria, and in favor of export expansion in Jordan. Syria's shift to export expansion was gradual: the fourth Five-Year Plan gave priority to self-sufficiency in basic needs, leaving the surplus for exportation; the fifth reiterated the pursuit of self-sufficiency but also gave equal importance to industries that expanded exports or enhanced their value by processing primary products before exportation; the Sixth (1986-1990) spoke of industries producing mainly for exportation and marketing locally any surplus left. Syria's shift was dictated by both a need for foreign exchange to meet import costs and for creating jobs, as well as by satisfactory progress in meeting basic needs by local

producers and the saturation of the domestic market. Textile and leather industries are among the old established industries the domestic markets for many of their products has been saturated and had to look for foreign markets for the surplus output. More Egyptian industries are in this position. But in the case of Jordan, the shift from export expansion, which is still more of an intention than a reality, was induced by loss of foreign markets for goods and labour in the Gulf after the Iraqi invasion of Kuwait. the country contemplated schemes that will employ some 60-70 thousand returnees from the Gulf and their repatriated earnings in producing goods that were in shortage in the local market.

The opposite shifts taking place in Syria and Jordan suggest that the two strategies of export expansion and import substitution have to be, and can be, combined in an optimal manner which will maximize both the returns from selling and buying abroad on the best possible terms, and the security of selling in a monopolized domestic market that provides the essential supplies to local consumers. Poor countries, it must be remembered, are like poor producers: they seek to maximize profit as much as they purport to minimize risk. As to deciding what to produce for export, there is obvious need to leave it to free market forces; but the production of basic needs cannot be left to business to the exclusion of the state, if only because of the risks involved. However, state intervention must be practiced as far as possible through the market. There are even grounds for state involvement in the export trade, as is happening extensively in the industrialized countries. This intervention is not aimed at forcing a shift to exportation, as its lobby seems to advocate, but as a correction of the earlier imposition of import substitution. Its purpose is to counter the protectionism of importing countries in the same way that industrial countries counter what they regard as disruptive trade practices. For what militates against export expansion in developing countries is not a bias against exports, as is often said; it is the hazards of expanding exports at a time when the major markets are becoming increasingly inaccessible.

The experiences of the three countries under study refute some of the familiar proposals concerning import substitution and export expansion in the Third World. For instance, it is known that the heavily protected import-substituting industries of Syria and Egypt have become exporters to highly competitive markets. Syrian industries are also adjusting to the shift from exporting through bilateral agreements to trading in open markets. Egyptian industries have even withstood the loss of their protective shield in the domestic market. By contrast, the farmers of the industrial world still cannot shed protection, and their established processing industries cannot compete on equal footing with the young industries of the Third World. Also, the high percentage of profit-making public enterprises which are to be privatized in Egypt (240 out of 315) dispels the popular notion that state firms are mostly inefficient and loss-making.

There remains the question of the means of reaching the right balance between import-substituting and export-expanding activities. The fact that the promotion of import substituting production is a familiar and well established practice in most developing countries allows us to focus on measures by which export expansion may be attained. Such measures should seek to create an appropriate climate for investment in export expanding activities, and to use the market and not by-pass it. The selection of measures must be as a result of careful studies and within the framework of a comprehensive long-term strategy. Unfortunately, there is little evidence that such studies have been systematically carried out and used in formulating strategies. Exceptions are Jordan's projection for self-sufficiency in food during the period 1975-1993, and Egypt's two Five-Year Plans covering the period 1992-2002 as one long-range plan.

Long-term plans should clearly define the roles of state and private initiatives. The experience of all three countries as well as those of Japan, China, Korea and Singapore, suggests that the state has an active role to play, not only as promotor of private export business, but also as investor in this field. State business may be later devolved to the private sector, as Japan did under the Medices, and as Egypt is now doing. As far as possible, state enterprise should be in areas where private initiative is lacking. Whenever private and state business are present simultaneously, equal treatment must be observed, particularly in allocating facilities like land, energy, credit, foreign exchange, training, contracts, and opportunities to export under special trade arrangements. Discrimination in these matters was quite noticeable in both Egypt and Syria in the early stages of decontrol.

Pricing of both inputs and products is an area where discrimination between state and private enterprise is very marked. While land plots are usually offered to private investors at reduced prices, state firms get them free. In Syria, foreign exchange had to be surrendered to the central bank within a year by its private earners at the official rate, but could be bought back later at the higher market rate, whereas public firms were allowed to retain their earnings of foreign exchange indefinitely. In Syria, procurement prices of agricultural products, like cotton, were for a long time fixed at low prices as an implicit subsidy for the textile industry. In Jordan, an experiment in 1987 in floating bread prices in the interest of the farmers was abandoned after angry consumer protests. One very common anomaly is the underpricing of labour in the public sector, coupled with its exemption from most direct taxation, while the private sector is forced to pay taxes and to raise its wages whenever the state increases its own. This is considered fair since private firms pay less taxes when labour costs rise. Fair and realistic pricing in the domestic market improves the competitiveness of exports in foreign markets.

**D. Promotion of Export Expanding Investment**

Elimination of long practiced discrimination against private enterprise is a major factor in creating a healthy investment climate. But the creation of such a climate entails the fulfillment of a number of legal and institutional requirements. The legal ones can be provided in full only in democratic states. They include safeguarding basic individual rights, such as private ownership and equal access to national wealth and collective facilities; but they also include safeguarding the public interest against irresponsible individual behavior, especially that damages environment, public assets, or foreign goodwill (as export adulteration does). The constitution and legislation of most countries provide these safeguards, but some lack the enforcement machinery, or are lax in applying them. In the 1960s, sweeping nationalizations and confiscations caused lingering mistrust of the state among investors in many Middle Eastern countries; the current wave of privatization is having similar effects on public sector entrepreneurs.

On the institutional side, some of the requisites of a healthy investment climate are available, including fairly modern credit, insurance, training and trade promotion facilities. Some are found in inadequate forms, like free zones and specialized banks. None of the several free trade zones in the three countries offer services like those provided by Dubai on the other side of the Arabian peninsula. Plans for installing greater transit facilities on the Red Sea and the Gulf have been launched by Germany and Israel, the former to use Abu Dhabi as a major station on its trade route to East Asia, the latter to merge Eilat and Aqaba ports. Specialized banks in the region tend to be undercapitalized, and have to borrow themselves to lend. This is true of the 46 year old Egyptian Industrial Development Bank, which was able until June 1991 to offer LE1.04 million to 16,771 projects, while its capital never exceeded LE146 million. Most of its finance originated from loans by international agencies and banks totalling LE813 million. Syria's specialized (Agricultural, Industrial, Cooperative, Real Estate and Popular Credit) and Commercial banks had in 1991 collective capital and reserves of SL8,599 million, but offered loans totalling SL99,171 million, thanks to private deposits and loans from the central bank and import down-payments of SL72.9, 27.9 and 13.0 billion, respectively. Of the SL99 billion advanced to all sectors, commerce revived 71 percent, agriculture 12 percent, and industry 6 percent. The Industrial Chamber of Damascus requested that the Industrial Bank be equated with, at least, the Agricultural Cooperative Bank, in resources. One essential institution, which is found in Egypt and Jordan, but missing in Syria, is the stock market. Plans to set up one are part of the measures taken recently by the government to encourage private investment. Equally important, but generally lacking, are service institutions like trade data banks, export promotion agencies and think-tanks for special fields of production and exports.



Participation by the private sector in policy making is essential for the success of development and export expansion schemes. All three countries have well organized chambers for different sectors and regions with able businessmen at the top. Their boards usually include representatives of public enterprises, and they are represented in various advisory committees and councils. However, a general complaint among these chambers is that they are consulted but they do not participate in decision taking. In fact, some of them are little more than instruments of marshalling support for government policies. Yet, they often play a useful role in giving the policy makers a feedback on policy outcome, as well as crystallizing and conveying to the authorities business views on essential issues, and organizing promotional campaigns and exhibitions for the products of private firms. They are far from being strong lobbies like the business associations of the industrial countries, where they are a determining factor in decision-making; as such, they can be safely involved in such a process.

Regional cooperation can play a big role in promoting not only inter-regional exchange, but also exports to world markets. Cooperation schemes in the region date back to the 1950s when collective agreements to facilitate trade, capital transfer, and payments were drawn up by the Arab League, leading to the Arab Economic Unity Agreement of 1957, and the creation of an Arab Common Market in 1964. There was later a shift in emphasis to joint ventures, bilateral cooperation, and sub-regional groupings in the Maghreb and Gulf areas. Yet inter-Arab trade remained at around \$30 billion, or 9 percent of total trade. Now, the idea of a Middle Eastern Free Trade Area or Common Market is being discussed. It is too early to assess the plausibility and future of such a scheme. But it has to be considered seriously, together with possible alternatives, for regional integration at this age of world-wide groupings has become not merely the means of ensuring growth, but a survival necessity. For only as a group can the countries of this region compete effectively with Eastern Europe and other developing regions in attracting direct foreign investment (FDI) which is replacing lending as the chief form of capital flow to developing countries. With FDI technology and know-how arrive, and also access to foreign markets is ensured. Grouping also strengthens the bargaining position of developing countries in international negotiation forums like GATT where disunity led to the marginalization of the entire Third World.

Finally, this study should be viewed as no more than a preliminary review of the momentous changes which the economies of Syria, Egypt and Jordan are undergoing. These changes are paralleled by economic and political crises of national, regional and/or international origin. The changes are largely responses to foreign challenges and pressures; they center on the economic role of the state and the orientation of production and trade. Their results are yet to be seen. In the meantime, more changes

and challenges seem to be emerging as new regional and international orders take shape. No doubt these and other Middle Eastern countries will be much affected, for better or worse, by the results of the search for peaceful co-existence and cooperation in the region, and by the emergence of a tri-polar (American, European and Asian) world economic order. These changes and responses to them by policy-makers in the region have to be closely monitored and appraised objectively to ensure that the nations of this region resume their stalled advance to prosperity.

**STATISTICAL TABLES**

Table-1. Egypt: Gross Domestic Product at Factor Cost During the Second FYP, 1986/1987-1991/1992 (Public and Private Sectors)

Economic Sectors	1986/1987			1991/1992			Annual Growth Rate			Structure 1986/1987			Structure 1991/1992		
	Public	Private	Total	Public	Private	Total	Public %	Private %	Total %	Public %	Private %	Total %	Public %	Private %	Total %
Agriculture	140.0	9971.0	10111.0	265.0	20410.0	20675.0	13.6	15.4	15.4	0.5	32.2	20.7	0.5	37.1	16.5
Industry and Mining	4065.0	4073.0	8137.0	8959.0	12450.0	21409.0	17.1	25.1	21.3	22.8	13.1	16.7	17.8	16.6	17.1
Oil and Oil Products	1356.0	517.0	1873.0	11132.0	2210.0	13342.0	52.4	33.7	48.1	7.6	1.7	3.3	23.2	2.9	10.6
Electricity	528.0	...	528.0	2009.0	...	2009.0	30.6	...	30.6	3.0	...	1.1	4.0	...	1.6
Construction	991.0	1831.0	2822.0	2017.0	4059.0	6076.0	15.3	17.3	16.6	5.6	5.9	5.3	4.0	5.4	4.8
Total Commodity Sectors	7050.0	16391.0	23471.0	24352.0	39129.0	63511.0	28.1	19.0	22.0	39.8	52.9	48.1	48.5	52.0	50.6
Transport and Communication	1821.0	1382.0	3203.0	3948.0	4070.0	8018.0	16.7	24.1	20.1	10.2	4.5	6.6	7.9	5.4	8.4
Suez Canal	840.0	...	840.0	3154.0	...	4154.0	48.9	...	48.9	4.7	...	1.7	12.2	...	4.9
Commerce	1531.0	7546.0	9077.0	2365.0	19360.0	21725.0	8.8	20.7	19.0	3.7	24.4	18.6	4.7	25.7	17.3
Finance	1671.0	501.0	2172.0	3608.0	1249.0	4857.0	16.6	20.0	17.5	9.4	1.6	4.5	7.2	1.0	3.9
Insurance	20.0	7.0	27.0	55.0	21.0	76.0	12.9	24.6	15.5	0.2	...	0.1	0.1	...	...
Restaurants & Hotels	91.0	365.0	456.0	299.0	1655.0	1954.0	26.9	35.1	33.6	0.5	1.2	0.9	0.6	2.2	1.6
Total Production Services Sectors	6004.0	5804.0	11808.0	16429.0	26235.0	42784.0	22.3	21.9	22.0	33.7	31.7	32.4	32.7	35.3	34.1
Real Estate Ownership	84.0	813.0	897.0	134.0	1325.0	1359.0	9.5	14.9	14.3	0.3	2.0	1.4	0.3	1.9	1.1
Public Utilities	154.0	...	154.0	318.0	...	318.0	15.6	...	15.6	0.9	...	0.3	0.6	...	0.2
Social Insurance	39.0	...	39.0	86.0	...	86.0	17.1	...	17.1	0.2	...	0.1	0.2	...	0.1
Government Services	4436.0	...	4436.0	8894.0	...	8894.0	14.9	...	14.9	34.9	...	9.1	17.7	...	7.1
Personal & Social Services	...	4160.0	4160.0	...	5533.0	5533.0	...	15.5	15.5	...	13.4	8.6	...	11.4	6.3
Total Social Services Sectors	4713.0	4773.0	9486.0	9432.0	9758.0	19190.0	14.9	15.4	15.1	36.5	15.4	19.5	18.3	15.0	15.3
Grand Total	17787.0	30963.0	48750.0	60243.0	73342.0	133585.0	23.1	19.4	20.8	100	100	100	100	100	100

(at current prices, in million L.E)

Table-2. Egypt: Targeted Gross Domestic Product at Factor Cost During the Third FYP, 1992/1993-1996/1997

Economic Sectors	1991/1992							1996/1997							Average Annual Growth Rate %	
	Public	Private	Total	Structure %	Contribution of Private Sector %	Public	Private	Total	Structure %	Contribution of Private Sector %	Public Sector	Private Sector	Total	Public Sector	Private Sector	
	(million L.E.)	(million L.E.)	(million L.E.)	(%)	(%)	(million L.E.)	(million L.E.)	(million L.E.)	(%)	(%)	(million L.E.)	(million L.E.)	(million L.E.)	(%)	(%)	
Agriculture	265.0	20410.0	20675.0	16.5	99.7	245.0	24310.0	24555.0	15.2	99.0	11.6	3.6	3.5	11.6	3.6	
Industry and Mining	8959.0	12450.0	21409.0	17.1	58.2	9480.0	20610.0	30090.0	18.7	48.5	1.1	10.6	7.0	1.1	10.6	
Oil and Oil Products	11132.0	2210.0	13342.0	10.6	16.6	11270.0	2752.0	14022.0	8.7	19.6	0.3	4.5	1.0	0.3	4.5	
Electricity	2009.0	...	2009.0	1.6	...	2755.0	...	2755.0	1.7	...	6.5	...	6.5	...	6.5	
Construction	2017.0	4059.0	6076.0	4.8	66.8	2134.0	6486.0	8620.0	5.4	56.2	1.1	9.3	7.2	1.1	9.3	
Total Commodity Sectors	34352.0	39129.0	63481.0	50.6	61.6	35584.0	54158.0	50042.0	39.8	67.7	1.2	6.7	4.7	1.2	6.7	
Transport, Communication & Storage	3045.0	4070.0	7115.0	6.4	50.3	4710.0	5645.0	10355.0	6.5	54.5	3.6	6.3	5.3	3.6	6.3	
Suez Canal	6154.0	...	6154.0	4.9	...	7467.0	...	7467.0	4.6	...	3.9	...	3.9	...	3.9	
Commerce	2365.0	19360.0	21725.0	17.3	89.1	1395.0	26465.0	27860.0	17.3	90.0	(10.0)	6.4	5.1	(10.0)	6.4	
Finance	3603.0	1249.0	4852.0	3.9	25.7	4670.0	1620.0	6290.0	3.9	35.8	5.3	5.3	5.3	5.3	5.3	
Insurance	55.0	21.0	76.6	0.1	27.6	68.0	27.0	95.0	0.1	28.4	4.3	5.2	4.6	4.3	5.2	
Restaurants & Hotels	299.0	1635.0	1934.0	1.5	34.7	208.0	3142.0	3350.0	2.1	93.8	(7.0)	13.7	11.4	(7.0)	13.7	
Total Productive Services Sectors	16419.0	26355.0	42774.0	34.1	61.6	13513.0	36903.0	55420.0	34.5	66.6	2.4	7.0	5.3	2.4	7.0	
Real Estate Ownership	134.0	1225.0	1359.0	1.1	90.1	170.0	2020.0	2190.0	1.3	92.2	4.9	10.5	10.0	4.9	10.5	
Public Utilities	318.0	...	318.0	0.3	...	450.0	...	450.0	0.3	...	7.2	...	7.2	...	7.2	
Social Insurance	36.0	...	36.0	...	...	115.0	...	115.0	...	...	6.0	...	6.0	...	6.0	
Government Services	3394.0	...	3394.0	7.1	...	11520.0	...	11520.0	7.2	...	5.3	...	5.3	...	5.3	
Personal & Social Services	...	5532.0	5532.0	6.5	100.0	...	11070.0	11070.0	6.9	100.0	...	5.3	5.3	...	5.3	
Total Social Services Sectors	9422.0	9758.0	19180.0	15.2	50.3	12255.0	13090.0	25345.0	15.7	51.6	5.0	6.1	5.7	5.0	6.1	
Grand Total	50243.0	75242.0	125485.0	100.0	60.0	56637.0	104110.0	160807.0	100.0	64.8	2.4	6.7	5.1	2.4	6.7	

(at 1991/92 prices, in million L.E.)

Table-3. Egypt: Investment Expenditures in the Third FYP,  
1992/1993-1996/1997 by Economic Sector

(in billion L.E)

Economic Sectors	Government Sector (1)	Business Sector (2)	Total Investment Expenditures
Agriculture	8.0	5.9	13.9
Industry & Mining	0.6	27.4	28.0
Petroleum	0.3	14.7	15.0
Electricity	17.0	0.7	17.7
Construction	0.1	2.5	2.6
<b>Total Commodity Sectors</b>	<b>26.0</b>	<b>51.2</b>	<b>77.2</b>
Transport, Communication & storage	12.6	7.4	20.0
Suez Canal	0.5	...	0.5
Commerce, Finance & Insurance	...	3.9	3.9
Tourism (Restaurants & Hotels)	0.1	5.6	5.7
<b>Total Production Services Sectors</b>	<b>13.2</b>	<b>16.9</b>	<b>30.1</b>
Housing	0.7	17.8	18.5
Public Utilities	10.3	...	10.3
Education Services	7.3	1.5	8.8
Health Services	2.9	1.5	4.4
Other Services	4.1	0.6	4.7
<b>Total Social Services Sectors</b>	<b>25.3</b>	<b>21.4</b>	<b>46.7</b>
<b>Total</b>	<b>64.3</b>	<b>89.5</b>	<b>154.0</b>

(1) Including: Administrative System, Local Administration and Economic & Services Authorities

(2) Including: Public, Private and Cooperative Sectors

Table-4. Egypt: Estimated Total Job Opportunities Offered During the Third FYP, 1993/93-1996/97 Classified into New Replacement Opportunities and the Average Annual Growth Rate of the Total

(to the nearest 1000)

Economic Sectors	New Jobs Opportunities	Job Opportunities for Replacement	Total Job Opportunities	Annual Average of Total Job Opportunities
Agriculture	334	235	569	114
Industry & Mining	497	115	612	122
Oil and Oil Products	10	3	13	3
Electricity	17	5	22	4
Construction	264	40	304	61
<b>Total Commodity Sectors</b>	<b>1122</b>	<b>397</b>	<b>1520</b>	<b>304</b>
Transport, Communication, Storage & Suez Canal	167	35	202	40
Commerce, Finance & Insurance	375	81	456	92
Tourism (Restaurants & Hotels)	33	9	42	8
<b>Total Production Services Sector</b>	<b>575</b>	<b>125</b>	<b>700</b>	<b>140</b>
Real Estate Ownership	27	10	37	7
Public Utilities, Social Insurance & Government Services	342	133	475	95
Personal and Social Services	384	75	459	92
<b>Total Social Services Sectors</b>	<b>753</b>	<b>218</b>	<b>971</b>	<b>194</b>
<b>Grand Total</b>	<b>2450</b>	<b>740</b>	<b>3190</b>	<b>638</b>

Table-3. Egypt: Estimates of Balance of Payments in the Third FYP, 1996/97 and the First Year of the Plan 1997/98 (at 1997/92 prices, in Million L.E.)

Item	91/92 Expected	92/93 Target	96/97 Plan	Rate of Change 92/93	Annual Growth Rate %	Export Structure		
						91/92	92/93	96/97
<b>Visible Exports (Commodities)</b>								
Agricultural Exports	1575	1700	2480	9.2	9.5	2.6	2.8	3.5
Mineral Exports	3435	4914	4632	13.6	16.0	6.6	10.3	16.8
Exports of Crude Oil and its Products	3435	4914	4632	(11.4)	(31.6)	9.3	7.9	6.4
Foreign Pattern Exports	1537	1688	1862	3.4	3.1	2.7	2.7	3.6
Exports Against Oil	2266	2672	3645	17.9	3.1	3.8	4.3	3.7
<b>Total Visible Exports</b>	<b>16705</b>	<b>17504</b>	<b>23736</b>	<b>4.8</b>	<b>7.3</b>	<b>27.9</b>	<b>28.2</b>	<b>33.0</b>
<b>Invisible Exports (Services)</b>								
Transportation	134	149	178	3.5	4.3	0.2	0.3	0.2
Navigation	2090	2125	2290	1.7	1.8	3.5	3.4	3.2
Suez Canal Tolls	6030	5553	7350	3.7	3.8	10.1	10.1	10.1
Tourism	5170	5637	11.1	9.0	11.1	8.6	9.1	12.2
Other Services Revenues	9933	10260	11558	2.8	3.0	16.7	16.3	16.0
<b>Total Invisible Exports</b>	<b>23417</b>	<b>24424</b>	<b>30040</b>	<b>4.3</b>	<b>5.1</b>	<b>39.1</b>	<b>39.4</b>	<b>41.7</b>
<b>Income Factory Returns</b>								
Remittances of Egyptians Working Abroad	12646	12835	13400	1.5	1.2	21.1	20.7	18.6
Investment Revenues & Others	2466	3546	3930	3.2	3.5	4.1	4.1	4.1
<b>Total Returns</b>	<b>15112</b>	<b>15381</b>	<b>16330</b>	<b>1.8</b>	<b>1.6</b>	<b>25.2</b>	<b>24.3</b>	<b>23.7</b>
<b>Current Transfers</b>								
Transfer of Individuals & Organizations	82	838	883	1.3	1.3	1.4	1.3	1.2
Government Transfers	3829	3900	1000	0.3	(23.7)	6.4	6.3	1.4
<b>Total Current Transfers</b>	<b>4696</b>	<b>4738</b>	<b>1883</b>	<b>0.9</b>	<b>(16.7)</b>	<b>7.8</b>	<b>7.6</b>	<b>2.6</b>
<b>Total Current Revenues</b>	<b>59930</b>	<b>62047</b>	<b>71989</b>	<b>3.5</b>	<b>3.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Visible Imports (Commodities)</b>								
Consumer Goods	11220	11410	12220	1.7	1.7	19.5	19.0	17.8
Intermediate Imports	18060	19900	33805	4.4	4.5	33.1	33.1	34.7
Investment Imports	9920	9450	10545	0.3	1.3	17.2	16.6	15.4
<b>Total Visible Imports</b>	<b>40200</b>	<b>41260</b>	<b>46630</b>	<b>2.6</b>	<b>3.0</b>	<b>69.8</b>	<b>68.7</b>	<b>67.9</b>
<b>Payments of Invisible Imports (Services)</b>								
Insurance	124	175	140	2.1	2.5	0.2	0.2	0.2
Transportation	417	475	467	1.4	1.3	0.2	0.2	0.7
Tourism	385	402	470	4.2	4.1	0.2	0.7	0.7
Government Expenditure	1598	1640	1810	2.6	2.3	2.3	2.7	2.6
Other Payments	3220	5896	6633	3.9	3.0	3.9	3.3	3.3
Against Oil Investments	2266	2672	3645	1.9	3.2	3.9	4.4	3.2
<b>Total Payments of Invisible Imports</b>	<b>10305</b>	<b>11162</b>	<b>12160</b>	<b>6.3</b>	<b>3.0</b>	<b>18.2</b>	<b>18.5</b>	<b>17.7</b>
<b>Production Factor Payments</b>								
Interest on Loans & Facilities	4910	5322	7500	13.5	8.3	8.5	9.2	10.9
Other Payments	470	482	549	2.6	3.1	0.8	0.8	0.8
Foreign Partner Share	1857	1688	1862	3.1	3.6	2.7	2.8	2.7
<b>Total Payments</b>	<b>6957</b>	<b>7692</b>	<b>9911</b>	<b>10.9</b>	<b>7.4</b>	<b>12.0</b>	<b>12.8</b>	<b>14.4</b>
<b>Current Transfer Payments</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>Total Current Transfer Payments</b>	<b>5645</b>	<b>60117</b>	<b>63694</b>	<b>4.3</b>	<b>3.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Trade Balance</b>								
Services Balance	(21995)	(21756)	(23883)					
Trade and Services Balance	(17911)	(17880)	(23883)					
Income Factor Returns Balance	(105837)	(10484)	(5004)					
Transfer Balance	3175	7839	6319					
Balance of Current Transactions	2283	4335	3299					



Table-6. Syrian Arab Republic: GROSS DOMESTIC PRODUCT AT MARKET PRICES BY SECTORS, 1963, 1970-1991

(At constant prices of 1985, in million syrian pounds)

SECTORS	YEARS														
	1963	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991*
Agriculture	8133	6670	11741	18071	18617	18074	18021	16461	17463	18590	15999	21131	14800	17891	19073
Mining & Manufacturing	2796	5125	9451	9867	9916	10618	11518	9608	12521	10819	13961	18793	22872	26434	31033
Building & construction	794	972	1863	4209	4356	4690	4615	5121	5693	5355	2989	2676	2207	2257	2416
Wholesale & retail trade	5345	6363	11765	16359	19883	19636	18949	17571	18509	15644	21946	23163	17139	16032	17329
Transport & communication	2193	2959	4836	5943	6973	6914	7333	7704	8196	8312	8860	9107	9197	9436	9600
Finance & insurance	1442	2054	3316	4804	5226	5302	4396	4383	4130	4612	3936	4028	3614	3974	4091
Social & personal services	440	639	854	1724	1822	2181	2279	2132	2195	2005	1498	1328	1155	1315	1510
Government services	1783	3150	8274	11057	12095	13155	14091	15394	14408	13709	11362	11016	12070	12063	12348
Private non-profit services	24	31	25	39	43	46	51	55	60	63	67	71	79	83	90
Total	23150	27963	52145	72078	78931	80606	81753	78429	83225	79109	80618	91313	83133	89485	97490

Source: Syrian Arab Republic, Central Bureau of Statistics, Statistical Abstract, 1992.

\* Provisional.

Table-7. Syrian Arab Republic : STRUCTURE OF GROSS DOMESTIC PRODUCT AT MARKET PRICES BY SECTORS, 1963, 1970-1991

(At constant prices of 1985)

SECTORS	YEARS														
	1963	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991*
Agriculture	35	24	22	25	24	22	22	21	21	23	20	23	18	20	20
Mining & Manufacturing	12	18	18	14	13	13	14	12	15	14	17	21	28	30	32
Building & construction	3	4	4	6	5	6	6	7	7	7	4	3	3	3	2
Wholesale & retail trade	24	23	23	23	23	24	23	22	22	20	27	25	21	18	17
Transport & communication	10	33	9	8	9	9	9	10	10	11	11	10	11	11	10
Finance & insurance	6	7	6	7	7	7	6	6	5	6	5	3	4	4	4
Social & Personal services	2	2	2	2	2	3	3	3	3	2	2	1	1	1	2
Government services	9	11	16	15	15	16	17	19	17	17	14	12	14	13	13
Private non-profit services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

SOURCE: Syrian Arab Republic, Central Bureau of Statistics, Statistical Abstract, 1992.

\* Provisional.

Table-8. Syrian Arab Republic : LAND USE BY MOHAFAZAT 1991 (Thousand Ha)

MOHAFAZAT	Total Area	Forests	Steppe & Pastures	Uncultivable Lands				Cultivable Lands							
				Total	Others Rocky & sandy lands	Marshes & lakes	Buildings and public roads	Total	Uncultivated	Cultivated Lands					
										Total	Fallow	Under Crope Lands			
Damascus	1814	27	1346	344	166	3	75	197	65	132	16	116	45	71	
Aleppo	1848	47	204	365	268	26	71	1322	9	1233	119	1105	1005	100	
Hama	4222	124	2669	1040	951	5	83	389	2	387	113	274	238	46	
Lattakia	888	138	107	165	108	3	52	478	71	407	37	320	215	105	
Deir-ez-zor	3200	86	3	30	12	11	15	111	11	100	-	100	70	30	
Idlib	610	74	45	1213	1176	11	26	232	34	198	-	198	135	63	
Al-Haseekah	2333	176	577	152	110	2	40	339	10	329	14	315	295	20	
Al-Raika	1922	4	89	89	34	11	44	1491	106	1385	192	1193	983	210	
Al-Sweida	555	9	872	145	25	66	54	901	43	858	28	830	679	82	
Dar'a	373	7	211	144	114	1	29	191	17	174	16	158	120	0	
Tartous	190	31	29	117	35	2	81	220	18	202	16	186	172	15	
Quneitra	186	3	16	18	11	0	7	122	130	11	1	118	98	24	
Euphrate Basin	41	0	-	14	10	-	4	27	3	24	-	24	16	2	
TOTAL	18518	731	7936	3772	3036	137	599	6079	503	5576	723	4853	4065	788	

SOURCE: Syrian Arab Republic, Central Bureau of Statistics, STATISTICAL ABSTRACT, 1992.

Table-9. Syrian Arab Republic: Population, Manpower and Labour Force by Sex 1978-1991 (000)

Years & Sex	Population			Manpower		Labour Force				
	Total	Rural		Rural	Urban	Total	Unemployed		Employed	
		Urban	Rural				Urban	Rural	Urban	Rural
1978 M	4285	2231	2054	1402	1425	1748	40	39	856	813
F	4117	2177	1940	1389	1349	276	7	4	459	106
T	8402	4408	3994	2791	2775	2024	47	43	1015	919
1979 M	4465	2281	2165	1451	1485	1831	38	31	889	873
F	4277	2256	2021	1412	1965	343	8	5	237	93
T	8723	4837	4186	2863	2880	2172	46	36	1126	966
1983 M	4918	2579	2339	1593	1623	1951	31	34	943	943
2nd round	4710	2522	2188	1585	1542	372	9	3	238	122
T	9628	5101	4527	3183	3165	2323	40	37	1181	1055
1984 M	4905	2160	2745	1370	1875	2029	32	51	808	1138
F	4711	2089	2622	1329	1791	327	20	7	167	133
T	9616	4251	5365	2699	3666	2356	52	58	975	1271
1989 M	5986	2961	3025	1981	2143	2586	56	77	1146	1307
F	5733	2903	2830	1932	2055	492	27	21	273	171
T	11719	5864	5853	3913	4199	3078	83	98	1419	1478
1991 M	6494	3222	3272	2118	2371	2858	56	92	1251	1459
F	6035	2971	3064	1989	2217	628	38	50	354	186
T	12529	6193	6336	4107	4588	3486	94	142	1605	1645

SOURCE: Syrian Arab Republic, Central Bureau of Statistics, Statistical Abstract, 1992.

. Population of this table is the results of labour force survey.

Table-10. Syrian Arab Republic: Indicators of Foreign Trade, 1973-1991  
(Quantity in 000' ton and value in M.S.P)

Years	Transit		Re-export		Export		Temporary entry		Import	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
1973	31838	6339	26	128	5023	1341	13	90	3130	2342
1974	25971	13177	25	213	6993	2914	24	195	5245	4571
1975	30023	17932	80	443	10371	3441	36	366	5403	6236
1976	10607	10477	45	426	10949	4141	85	477	6252	9203
1977	3167	8977	78	1119	9611	4199	104	1233	8178	10497
1978	2435	4408	60	642	9795	4160	48	571	6532	9659
1979	11298	14279	78	703	9945	6453	57	7143	10383	13067
1980	11155	20012	88	1157	9023	8273	59	913	9370	16188
1981	14321	25252	82	1522	9151	8254	60	917	10930	19781
1982	6501	11822	25	580	9750	7954	30	580	10001	15757
1983	1393	4473	69	770	9042	7547	35	682	10920	17829
1984	1304	3782	31	514	8181	7275	30	542	11234	16155
1985	1183	3426	54	304	8375	6427	19	300	9461	15570
1986	1131	2671	46	195	7949	5199	21	382	6427	10709
1987	1213	3663	15	244	8398	15192	19	322	6437	27915
1988	789	1853	27	247	9671	15093	18	273	4047	25040
1989	588	2317	21	610	13257	33740	18	461	4260	23544
1990	546	3229	47	1337	15311	47282	62	1622	4465	26936
1991	796	8881	15	697	16643	38504	30	867	4774	31066

Source: Syrian Arab Republic, Central Bureau of Statistics, Statistical Abstract, 1992.

(\*) Import and Export was calculated in S.P. on the Basis of official price of foreign currency. Official price of US\$ was (4.05) S.P. upto 1986 and became (11.20) S.P. since 1987.

Table-11. Syrian Arab Republic : Commercial Exchange by Economic Categories Classification for Public & Private Sectors, 1991  
(Quantity in 000 ton & value in M.S.P.)

Categories	Exports						Imports					
	Total		Private Sector		Public Sector		Total		Private Sector		Public Sector	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1- FOOD AND BEVERAGES	550.3	4607.5	491.0	3750.6	59.3	856.9	1965.4	6679.8	494.9	3167.4	1470.5	3513.4
11- Primary	5.8	1394.6	5.3	755.8	0.5	638.8	1079.7	2807.4	240.1	1404.3	839.6	1403.1
112- Mainly for household consumption	501.5	3022.1	446.3	1333.5	55.2	168.6	46.0	733.4	18.3	317.6	27.7	415.8
12- Processed	10.0	343.5	10.0	543.3	0.0	0.2	509.4	1466.9	66.5	415.0	442.9	1051.9
122- Mainly for household consumption	33.0	647.3	29.4	598.0	3.6	49.3	330.3	1672.1	170.0	1030.5	160.3	641.6
2- INDUSTRIAL SUPPLIES NOT ELSEWHERE SPECIFIED	1973.8	8538.4	106.2	5419.1	1867.6	3119.3	2409.4	15111.3	1291.5	9050.4	1117.9	6060.9
21- Primary	1324.3	2555.5	32.2	161.6	1292.1	2693.9	345.7	378.1	314.5	688.8	31.2	189.3
22- Processed	649.5	5682.9	74.0	5237.5	575.5	423.4	2063.7	14233.2	977.0	8361.6	1086.7	5871.6
3- FUELS AND LUBRICANTS	14092.1	20488.9	4.7	5.3	14087.4	20483.6	208.1	734.8	2.9	7.1	205.2	727.7
31- Primary	11834.0	17217.8	0.0	0.0	11024.0	17217.8	1.4	2.3	1.2	1.6	0.2	0.7
32- Processed	553.1	1495.3	-	-	553.1	1495.3	0.2	1.2	0.0	0.2	0.2	1.0
321- Motor spirit	1715.0	1775.8	4.7	5.3	1710.3	1770.5	206.5	731.3	1.7	5.3	204.8	726.0
322- Other	2.1	66.0	2.1	64.3	0.0	1.7	90.3	4568.1	67.9	2170.6	22.4	2397.5
4- MACHINERY & OTHER CAPITAL EQUIPMENT (EXCEPT TRANSPORT) & ACCESSORIES THEREOFF	2.1	59.9	2.1	58.2	0.0	1.7	75.1	3138.3	59.4	1755.2	15.7	1383.1
41- Machinery and other capital equipment	0.0	6.1	0.0	6.1	-	-	13.2	1429.8	8.5	415.4	6.7	1014.4
42- Parts & accessories	0.3	8.6	0.1	1.7	0.2	6.9	77.4	2762.5	59.1	1463.3	18.3	1299.2
5- TRANSPORT EQUIPMENT & ACCESSORIES THEREOFF	0.0	0.2	0.0	0.2	-	-	7.1	508.8	0.8	127.5	6.3	381.3
51- Passenger motor cars	0.0	0.2	0.0	0.2	-	-	24.4	672.6	20.7	453.0	3.7	219.6
52- Other	0.3	8.4	0.1	1.5	0.2	6.9	45.9	1578.8	37.6	831.7	8.3	697.1
521- Industrial	24.0	4792.4	22.2	4405.9	1.8	386.5	23.2	937.7	18.8	444.2	4.4	493.5
522- Non-industrial	2.2	36.7	1.9	30.9	0.3	5.8	6.7	215.5	6.1	147.3	0.6	68.2
53- Parts and accessories	13.4	2914.1	13.4	2884.7	0.0	29.4	2.6	123.0	2.4	91.2	0.2	31.8
6- CONSUMER GOODS (non-food)	5.4	1791.6	7.2	1440.3	1.2	351.3	13.9	599.2	10.3	205.7	3.6	393.5
61- Durable	0.0	2.3	0.0	2.3	-	-	0.0	0.2	-	272.0	0.0	0.2
62- Semi-durable	0.0	-	0.0	-	-	-	0.0	-	-	-	0.0	-
63- Non-durable	0.0	-	0.0	-	-	-	0.0	-	-	-	0.0	-
7- GOODS NOT ELSEWHERE SPECIFIED Goods by passengers	16642.6	33504.1	626.3	13649.2	16016.3	24854.9	4773.8	31066.4	1935.1	16575.0	2838.7	14491.4
GRAND TOTAL	16642.6	33504.1	626.3	13649.2	16016.3	24854.9	4773.8	31066.4	1935.1	16575.0	2838.7	14491.4

Note: Coins and some items of gold are included in S.I.T.C. Revised

**Table- 12. Jordan: A Statistical Economic Profile**  
**Area: 89,000 KM<sup>2</sup>**

1991 Population: 3.7 million (1980-1990 Growth 4.7 %)  
 GDP: \$3,524 million; Per capita GDP: \$1,050

GDP Sectors (%):

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1991</u>
Agriculture	16	14	8	7
Industry	14	28	32	26
Services	70	56	60	67

Growth Rates (%)

	<u>1960-1970</u>	<u>1970-1980</u>	<u>1980-1991</u>
Agriculture	5.0	2.6	1.5
Industry	9.9	16.0	8.1
Services	5.6	2.9	-0.2
GDP	6.6	5.1	-2.7

Exports (1991: \$879 million)  
 10.1 19.3 6.9

Imports (1991: \$2,507 million)  
 3.6 15.7 -0.8

<u>Export (1991) (%)</u>	<u>1960</u>	<u>1970</u>	<u>1991</u>
Fuel/mineral/metal	0	24	38
Other Primary products	4	3	16
Machinery & Transport Equipment	1	3	1
Textiles & Clothing	4	3	1
Other Manufactures	26	13	44

<u>Imports (%)</u>			
Food	32	30	26
Fuel	8	6	14
Other Primary products.		5	4
Machinery & Transport Equipment	60	17	18
Other Manufactures		42	37

Source: World Bank, World Development Report (1980, 1987 and 1993).

**Table - 13. Jordan: Labour force and unemployment**

	<u>Labour Force</u>	<u>Unemployed</u>	<u>%</u>	<u>Immigrants</u>	<u>%</u>
1981	435,359	16,979	3.9	41,000	9.4
1983	476,676	22,448	4.8		
1985	502,392	20,114	6.0	143,000	28.5
1987	555,719	46,375	8.3		28.5
1989	583,505	60,000	10.3	217,000	37.4
1991	680,000	128,000	18.8	238,700	35.1
<hr/>					
1991	<u>Labour Force</u>	<u>Employed:</u>	<u>Locally</u>	<u>Abroad</u>	<u>Unemployed</u>
Number	680,000	552,000	222,00	333,000	128,000
%			32.7	48.5	18.8

Source: Ministry of Labour; Royal Society.

**Table- 14. Jordan: Imports which can be made locally**

<u>Foods</u>	<u>Engineering</u>	<u>Chemicals</u>	<u>Clothes</u>	<u>Medicals</u>	<u>Furniture</u>	<u>Other</u>	
99,848	80,080	49,870	42,824	21,935	20,616	63,656	
% 26.4	21.1	13.2	11.3	5.8	5.4	16.8	
<hr/>							
<u>Total:</u>						378,797	



**Table-15. Jordan: Self-Sufficiency in Foodstuffs  
(percent)**

	<u>Vegetables.</u>	<u>Citrus</u>	<u>Poultry</u>	<u>Milk</u>	<u>Fruits</u>	<u>Meat</u>	<u>Barley</u>	<u>Wheat</u>
1981-5	268	101	83	40	55	29	18	14

Source: Ministry of Planning.

**Table-16. Jordan: Five Year Plan projections: GDP by Sector (1986-1990)  
(JD millions at 1985 Constant Prices)**

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989:</u>	<u>1990</u>	<u>Growth Rate</u>
Agriculture	112	119	126	135	146	163	7.8
Mining	57	60	65	71	75	83	7.8
Industry	167	173	183	198	215	233	6.9
Water & electricity	35	37	38	40	42	44	4.7
Construction	124	125	134	140	145	151	4.0
Commodity Sectors	495	514	546	584	625	674	6.4
Service Sectors	864	885	923	966	1015	1065	4.3
GDP at factor cost	1359	1399	1469	1550	1640	1739	5.1
Net Indirect Taxes	222	269	287	302	329	344	9.2
GDP at Market Price	1581	1668	1756	1852	1969	2083	5.7

Source: Ministry of Planning: FYP 1986-1990.

**Table-17. Jordan: Balance of Payments (1980-1990) : Current Account**  
(JD millions at current prices)

	<b>Actual</b>						
	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1990</b>
Commodity Exports	171	243	265	211	291	311	563
Service Exports	298	388	404	428	454	468	721
Emigrants' Remittances	237	341	382	403	475	403	400
Investment Income	38	66	72	63	39	40	61
Net Foreign Transfers	8	16	10	5	17	24	38
Transfers to Central Government	391	415	364	290	262	291	250
Earned Foreign Exchange	1143	1469	1495	1399	1499	1537	2033
Commodity Imports	715	1046	1141	1102	1069	1073	1419
Service Imports	247	346	371	319	412	369	522
Immigrants' Transfers	46	52	62	73	98	93	60
Payments out of Income of Investments	24	38	39	46	62	75	117
Foreign Exchange Payments	1031	1657	1613	1540	1602	1610	2118
Current Account	-543	-804	-877	-891	-877	-891	-856

Source: Ministry of Planning: FYP 1986-1990.

## REFERENCES

REFERENCES

(A) Import Substitution and Export Expansion in Theory

1. R. Prebisch, The Role of Commercial Policies in Underdeveloped countries, American Economic Review (Papers and Proceedings), May 1959.
2. G. Haberler, Current Observations on Some Current Notions in the Theory of Economic Development, L. Industria, No.2, 1957.
3. W. A. Lewis, World Production, Prices and Trade, The Manchester School of Economic and Social Studies, Vol.20, 1952.
4. H. G. Aubrey, The Long-Term Future of the United States Imports and its Implications for Primary Producing Countries, Papers and Proceedings of the American Economic Association, May 1955.
5. H. Singer, The Distribution of Gains between Investing and Borrowing Countries, American Economic Review (Papers and Proceedings), May 1950.
6. A.R. Khan, Import Substitution, Consumption Liberalization and Export Expansion, Pakistan Development Review, Summer 1963.
7. W. Baer, Import Substitution and Industrialization in Latin America: Experiences and Interpretations, Latin American Research Review, Spring 1972.
8. H. J. Bruton, The Import Substitution Strategy of Economic Development: A Survey, Pakistan Development Review, Summer 1970.
9. The World Bank Economic Review, A Symposium Issue on the Multilateral Trade Negotiations and Developing Countries Interest, September 1987.
10. M. P. Abreu, Developing Countries and the Uruguay Round of Trade Negotiations, Proceedings of the World Bank Annual Conference on Development Economics 1989 (Supplement to World Bank Economic Review).
11. B. Engels, GATT and the Developing Countries - What Can be Expected from the Uruguay Round of Negotiations, Economics Vol. 39, 1989.
12. H. J. Hochstrate and RR, Zeppernick, Distortions in World Trade: Recent Developments, Economics, Vol. 41, 1990.
13. World Bank, World Bank Report 1991, Chapter 5: Integration with the Global Economy (New York: Oxford University Press, 1991).

14. World Bank, The East Asian Miracle (New York: Oxford University Press: 1993).
15. International Business Week, Asia: Special Report, 11 November 1991.
16. The Economic World, Asian Economic Success: Factors and Causes, October 1993.\*

B. Case Studies: Egypt, Syria and Jordan

17. World Bank, World Development Report, 1978, 1980, 1986-91 (Oxford University Press, New York).
18. Arab Monetary Fund, The Unified Arab Economic Report, 1992. (Abu Dhabi, 1992).\*
19. \_\_\_\_\_, Arab Countries: Economic Indicators 1981-1991 (Abu Dhabi; 1992).

Egypt

20. National Bank of Egypt: Annual Report, 1980 - 1991.\*
21. \_\_\_\_\_ Economic Bulletin, 1986 -1992.
22. Ministry of Planning, Summary of the Third Five Year Plan 1992/93-1996/97 (Cairo: Ministry of Planning, 1992).
23. Egyptian Industrial Development Bank, Activities and Achievements Over 15 Years 1976 - 1990/91 (Cairo: Advanced Press House, 1992)\*.
24. Peter Mansfield, Nasser's Egypt (Penguin African Library AP 16, 1969).
25. Jalal Amin, Problems of Economic Adjustment and Development in Egypt, in Said El-Najjar, Ed., Reform and Development in Arab Countries (Abu Dhabi: Arab Monetary Fund, 1987).
26. Yusri Mustafa, Minister of Economics and Foreign Trade, Egypt's Experiment with Economic Reform, Economic Bulletin of the Damascus Chamber of Commerce, No.1, 1993.\*
27. International Monetary Fund, IMF Survey, IMF Managing Director Lauds Egypt's Economic Programme, June 10, 1991.
28. The Middle East, Egypt: Privatization is the Key, December 1992.
29. The Economist Intelligence Unit, Quarterly Economic Review of Egypt, 1977-1993.

Syria

30. Central Bureau of Statistics, Statistical Abstract, 1992,
31. Central Bank of Syria, Quarterly Bulletin, 1976-1990.
32. Mohammed Al Imadi, Investment Climate in Syria, address to the 5th Congress of Arab Businessmen and Investors, Damascus 17-20 May 1993\*.
33. Ministry of Industry-Chamber of Industry, Investment Laws and Regulations in Syria (Damascus: Dar Al Shai, 1992)\*.
34. Muneer Al Himsh, Industrial Development in Syria (Damascus: Dar Al Galil, 1992)\*.
35. Chamber of Industry, Industry, Issues of 1991-1993\*.

Jordan

36. Ministry of Planning/Central Planning Council: Three Year Plan for Economic and Social Development 1973-1975; Five Year Plan for Economic and Social Development 1976-1980; Five Year Plan for Economic and Social Development 1981-1985; Five Year Plan for Economic and Social Development, 1986-1990. (Amman: Al Rai, 1986)\*.
37. Central Bank of Jordan, Annual Report, 1987-1991.
38. Department of Statistics, International Trade Statistics, 1991.
39. Jawad Anani, Problems of Adjustment and Development in Jordan, in El Najjar, op. cit.
40. Magdi El Din Kheiri, Production Education as an Anti-Unemployment Device, Al 'Amal (Ministry of Labour Journal), Nos. 59-60, 1992.
41. Shafiq Bani Hani, A Quick Look at the Jordanian Agricultural Sector and its Role in Food Security, op.cit\*.
42. Jamil Gamwah, Investment in Jordan: Reality and Prospects, op.cit\*.
43. Ahmed Al Namri, Monetary and Banking Institutions in Jordan and the Prospects of Investment Finance, op. cit\*.
44. Salih Al Tarawna, Unemployment in Jordan: Size, Causes and Proposed Solution, loc. cit., No. 58, 1991\*.
45. Radi Al Attoum, Characteristics of the Returning Jordanian Labour Force Applying for Government Employment, op. cit\*.
46. Attaf Halsa, Bank Credit Control and its Expected Effects on Jordanian Economy, op. cit\*.

47. Ali Al Ghazawi, Analysis of Supply and Demand Forces in the Jordanian Industrial Sector, op. cit.
48. Said Al Najjar, Arab Foreign and Inter-State Trade (Abu Dhabi: AMF, 1992).

### C. Overview and Conclusions

In addition to the references listed above, a number of articles, statements, and reports in a variety of journals, newspapers and bulletins, some of which are listed below, have been used in writing this section.

- (a) World Bank Policy Research Bulletin, March-April 1993: Better Relations between Business and Government; Foreign Direct Investment-Benefits beyond Finance; Rising Portfolio flows: Short-lived or Sustainable? November-December 1991: Commodity Risk Management and Finance. May-July 1993: Building a Technological Base for Development; A Deep Parameter Approach to the Real Exchange Rate and Trade Distortion. March-April 1990: Stock Market Development and Corporate Financial Determinants of Foreign Direct Investment in Developing Countries: the Case of West Germany.
- (b) On the most recent developments in the region, including the idea of a Middle Eastern Market: Al Hayat newspaper: October 9, 10, 13 - 1993; Al 'Alam Alyawm 21/10/1993; Al Musawwar 17/10/1993; Alaalam 17/10/1991, 13/3/1993, and 19/6/1993. Falastine Al Muslima: June, July 1992. Al Da'wa, 7/10/1993.

\* In Arabic