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The World Bank Group
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30225152

R1991-086 Other #: 5

Bela Balassa's chron files - October 1982

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B. BALASSA CHRON FILE OCT 1982

Mr. Everardus Stoutjesdijk, DRD

October 15, 1982

Balassa, DRD

Activities at the Bank

RPO -Research

Supervision of RPO 670-87. Industrial Policies and Economic Integration in Western Africa and RPO 671-35. Export Incentives in Developing Countries. Following the recent reorganization, none of the researchers involved in these projects are at the DRD.

Active participation in RPO 672-41. Changes in Comparative Advantage in Manufactured Goods, co-directed with Roger Bowden.

Non-RPO Research

Includes papers prepared for conferences or at the request of Operations. Papers written in FY82 concerned policy responses to external shocks in developing countries, disequilibrium analysis in developing countries, and economic reform in China and in Hungary. Papers under preparation deal with the policy experience of Western African countries in the post-1973 period and with trade policy in Mexico. Invited paper to be prepared on public finance and social policies of developing countries for the plenary session of International Institute for Fiscal Economics.

Operational and Policies Support

Mission leader to Turkey (Industrialization and Trade Policy) in FY82 and to Morocco (Industrial Policy) in FY83. Both missions are followed by policy discussion with the governments concerned and by participation in the preparation of Structural Adjustment Loans.

At the request of Regional Offices, policy advisory missions were undertaken to China, Morocco, Portugal and Tunisia in FY82 and are planned to Chile and Tunisia in FY83.

Supervision of work carried out in research projects initiated by Regional Offices: RPO 671-85. The Industrial Incentive System in Morocco and RPO 672-36. Protection and Incentive System in Turkey, both of which have direct policy implications.

BBalassa:nc

October 29, 1982.

Mr. Jim Fitzpatrick
Davies, Dunne & Partners Limited, Consultants
46 Fitzwilliam Square
Dublin 2
Ireland

Dear Mr. Fitzpatrick:

Several papers have been prepared in the framework of Export Incentives in Developing Countries, a research project by Garry Pursell and his associates. I am sending a copy of your letter to him with a request that he mail the papers to you.

Yours sincerely,

Bela Balassa

cc: Mr. Pursell, IDF
(with enclosure)

B. Kalassa

Davies, Dunne & Partners Limited, Consultants

46, Fitzwilliam Square, Dublin 2, Ireland. Telephone: 609622. Telex: 24409 ALRT EI Att. D.D. & P.

8th October, 1982

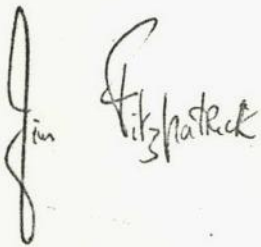
Development Research Centre,
World Bank,
1818 H Street N.W.,
Washington DC 20433,
U.S.A..

Dear Sirs,

Bank Research Project No. 671-35, Export Incentives in Developing Countries

I would appreciate information on the status of this project. In particular, a list of available reports from it would be most welcome.

Yours faithfully,



Jim Fitzpatrick

October 29, 1982.

Dr. Mikerrem Hic
Professor of Economics
Istanbul University
Faculty of Economics
Institute of Economic Development
Istanbul
TURKEY

Dear Professor Hic:

Your letter of October 9th was delayed in the mail and I received it only a few days ago. I was happy to learn from the letter that considerable progress has been made in the firm survey.

I wish to confirm that I will be in Turkey between December 14 and 17. I do not know yet if I will first go to Istanbul or Ankara. Looking forward to seeing you, I remain,

Yours sincerely,

Bela Balassa

cc: Mr. Chaffey, EM2

October 29, 1982.

Professor H. M. A. Onitiri
UN Development Program
59 Union Avenue
P.O. Box 4775
Salisbury
Zimbabwe

Dear Professor Onitiri:

In response to a suggestion, I enclose a copy of my paper "Policy Responses to External Shocks in Sub-Saharan African Countries, 1973-78" for your consideration for inclusion in the program of the Spring 1983 Conference, 'Structural Change, Economic Interdependence and African Development.'

Yours sincerely,

Enclosure

Bela Balassa

Enclosed: "Policy Responses to External Shocks in Sub-Saharan African Countries, 1973-78" - October 11, 1982.

October 29, 1982.

Professor Gary S. Fields
New York State School of Industrial
and Labor Relations
Cornell University
P.O. Box 1000
Ithaca
New York 14853

Dear Gary,

In response to your letter I enclose a copy of my paper "Disequilibrium
Analysis in Developing Economies: An Overview."

Yours sincerely,

Enclosure

Bela Balassa

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
October 29, 1982.

The Economists' Bookshop Ltd.
Clare Market
Portugal Street
London, WC2
England

Dear Sir:

I would like to order,

"The Chinese Economic Reforms" edited by Stephan Feuchtwang, The City University, London and A. Hussain, University of Keele, 256 pages £12.95.

"The Political Economy of Industrial Policy" by Wyn Grant, Butterworth, 160 pages £9.95.

Please bill me at the time of delivery.

Yours sincerely,

Bela Balassa

1 1 61007

GEOFFREY SHEPHERD, UNIVERSITY OF SUSSEX
CENTER FOR CONTEMPORARY EUROPEAN AFFAIRS, BRIGHTON BN1 9RF, ENGLAND
PLEASE NOTIFY ABOUT DATE OF YOUR ARRIVAL IN WASHINGTON. WILL YOU
BRING MALI STUDY WITH YOU? PLEASE REPLY BY COLLECT OVERNIGHT
TELEGRAM. REGARDS, BALASSA

CABLE

10/29/82

BELA BALASSA

BELA BALASSA

DRD - Director's Office

BBalassa:nc

1 1 61007

PROF. DIRCK STRYKER, FLETCHER SCHOOL OF LAW
AND DIPLOMACY, TUFTS UNIVERSITY, MEDFORD, MASSACHUSETTS 01255
PLEASE NOTIFY BY COLLECT OVERNIGHT TELEGRAM OF FINAL SUBMISSION
DATES OF AGRICULTURAL STUDIES ON GHANA, IVORY COAST, MALI AND
SENEGAL, REGARDS, BALASSA

CABLE

10/29/82

BELA BALASSA

BELA BALASSA

DRD Director's Office

BBalassa:nc

1 1 61007

DR. IL SAKONG, KOREA DEVELOPMENT INSTITUTE
P.O. BOX 113, CHEONGRYANG, SEOUL, KOREA
PLEASE NOTIFY EXPECTED PUBLICATION DATE OF MACRO ECONOMIC ISSUES
AND DEVELOPMENT STRATEGIES FOR KOREAN PLANNING. REGARDS, BALASSA

KDIPROJECT SEGUL

10/29/82

BELA BALASSA

BELA BALASSA

BBalassa:nc

DRD Director's Office

Mr. Everardus J. Stoutjesdijk, DRD

October 28, 1982.

Bela Balassa, DRD

Lecture in Mexico

1. Earlier this year, I was asked to present a paper on Mexican trade policy at a seminar to be held in Mexico City on January 3rd. Given my interest in the subject and my earlier work on Mexican trade policy, I accepted the invitation.

2. The invitation was confirmed in the enclosed letter of the President of the Colegio Nacional de Economistas; who further indicated that the Colegio would pay my travel costs. With the recent financial difficulties in Mexico this would not be possible, however. I would like to ask you, therefore, to finance my travel from Departmental funds; my expenses in Mexico City will be paid for by the Colegio.

Enclosure
BBalassa:nc



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José Arturo Flores Cerón

México, D.F., junio 28 de 1982.

SR. DR. BELA BALASSA,
THE WORLD BANK,
1818 H ST. N.W.
WASHINGTON, D. C. 20433,
E. U.

Distinguido Doctor Balassa :

A nombre del Colegio Nacional de Economistas deseo agradecerle su interés en participar con su artículo sobre "Políticas Comerciales en México" en la serie de libros sobre la economía de Mexico que tenemos programado publicar dentro de nuestra colección de Cuadernos del Economista.

Dado el gran interés que ha despertado este proyecto y buscando maximizar la oportunidad de contar con un grupo extraordinario de contribuyentes, el Colegio Nacional de Economistas desea invitarlo como parte integral del programa a participar en el Seminario sobre "Industrialización y Comercio Exterior" que tendrá lugar en la ciudad de México el día 3 de enero de 1983.

El objetivo de este Seminario es la presentación pública de su artículo y la de los demás contribuyentes en el tema mencionado. Cada presentación irá acompañada por los comentarios de expertos mexicanos en el área y al finar un breve período para que usted responda a éstos. El fin que perseguimos es dar la mayor divulgación posible al esfuerzo de todos los contribuyentes de esta obra y beneficiar al público con la experiencia del mismo.

...



COLEGIO NACIONAL DE ECONOMISTAS, A. C.

2.

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QUINTO VOCAL:

Gonzalo Bautista Huerta

OFICIAL MAYOR:


Víctor Campos Charcoy

GERENTE GENERAL:

José Arturo Flores Cerón

El Colegio Nacional de Economistas pagará su boleto de -- avión y su estancia en la ciudad de México. El encargado de coordinar la participación de los contribuyentes extranjeros será el Lic. Alejandro Violante M. a través del -- cual tuvimos el contacto inicial con usted.

Con la certeza del éxito de esta iniciativa, me despido -- cordialmente.


LIC. ANTONIO GAZOL S.,
PRESIDENTE.

AGZ:acl.

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
October 29, 1982.

Working Papers
National Bureau of Economic Research
1050 Massachusetts Avenue
Cambridge, Massachusetts 02138

Dear Sir:

I would like to order Working Paper No. 916, "Productivity Growth
and R and D at the Business Level: Results from the PIMS Data Base" by
Kim B. Clark and Zvi Griliches.

My check for \$1.50 is enclosed.

Yours truly,

Enclosure

Bela Balassa

October 28, 1982.

Mr. Thomas V. Johnson
Director of Economic Policy Studies
American Enterprise Institute for
Public Policy Research
1150 Seventeenth Street N.W.
Washington, D.C. 20036

Dear Tom,

I enclose a short synopsis of my paper as requested. Please give me a call if you have any questions.

Yours sincerely,

Enclosure

Bela Balassa

Bela Balassa, The First Year of Socialist Government in France

The author examines structural and short-term economic policies applied by the socialist government of Francois Mitterrand during the first year following the Presidential elections of May 1981. The structural policies analyzed in the paper include the nationalization of a considerable segment of manufacturing industry and of all major private banks; a certain degree of decentralization of public decision-making; and the elaboration of a two year plan for 1982-83. It is further noted that French industrial policy is characterized by conflicts in objectives as regards employment, modernization, and the support of small- and medium-size firms, with an apparent desire to develop all industries simultaneously. Finally, the author expresses his concern as regards tendencies pointing to increased import protection in France.

The socialist government also took social policy measures that increased the cost of labor and, together with expansionary policies, added to the deficit of the government budget and the balance of payments. The devaluation of June 1982, accompanied by price and wage controls, aims at remedying the situation. The author notes that, for these measures to be successful, there is need to reduce public sector expenditures, to lower the cost of labor, and to rebuild the profit margins of the enterprises.

The author, Professor of Political Economy at the Johns Hopkins University and Consultant at the World Bank is a Lauréat of the Institut de France. He wrote this paper in a private capacity.

October 28. 1982.

Dr. M. Sprenger
Rechtsanwaite am Oberlandesgericht
Heinrich-Heine-Allee 22
4000 Dusseldorf 1
Germany

Dear Dr. Sprenger:

I highly recommend Dr. Wilfried Prewo for a position as management consultant with McKinsey. Dr. Prewo was an outstanding graduate student at Hopkins who worked under my supervision. I have followed his professional development and I have been able to observe his rapid progress. I believe that he would make an excellent contributor[^] at McKinsey.

Yours sincerely,

Bela Balassa

Mr. Sherman Robinson, DRDDS

October 28, 1982.

Bela Balassa, DRD

Indonesia Resident Advisor

I highly recommend Mr. Brendan Horton for the post of resident advisor in Indonesia. Horton worked as an advisor in Senegal and is presently completing an assignment in Morocco. He has advised both governments on export incentives, import protection, and tax policy and has carried out detailed firm analysis of effective protection and domestic resource costs.

Horton is well-qualified for the post from an academic point of view and has been effective as a policy advisor. He may be available in April 1983 and HIID would do very well with him.

BBalassa:nc

October 28, 1982.

Mrs. Irène Dupoux-Couturier
Co-Directeur
Centre de Formation aux
Réalités Internationales
30, rue Cabanis
75014 Paris
France

Dear Mrs. Dupoux-Couturier:

Thank you for your letter of October 12th. In the meantime, I have met with Mr. Niebling with whom we have agreed on the subject matter of my presentation. The title is "The Policies of the Newly-Industrializing Countries and their Place in the World Economy." I enclose an outline as you requested.

I will be arriving in Paris on Thursday, December 2nd through London. Given the uncertainties involved with flights out of London, rather than you reserving a taxi it appears more appropriate that I rent a car at the airport. Let me ~~have~~ have a description of how I get to the Château d'Esclimont.

I understand that I will speak on December 2nd in the late afternoon or evening hours. I plan to arrive around 4 p.m. if convenient.

With best regards,

Sincerely yours,

Enclosure

Bela Balassa

The Policies of the Newly-Industrializing Countries
and their Place in the World Economy

Bela Balassa

The speaker will examine alternative policies followed by the newly-industrializing countries as regards trade, foreign investment, and the role of the government in the national economy. He will further analyze the economic effects of these policies. In so doing, separate consideration will be given to policy reforms undertaken during the period of rapid world economic growth before 1973 and to policy responses to external shocks in the form of the quadrupling of oil prices and the world recession after 1973.

The discussion will concentrate on Korea, Singapore and Taiwan in the Far East and on Argentina, Brazil, and Mexico in Latin America. The actual debt situation of the countries in question will also be discussed.

The speaker will further indicate the changing role of the newly-industrializing countries as suppliers, markets, and competitors for the developed nations. In this connection, he will review changes that occurred during the last decade and examine prospective future developments.

Mr. C. Michalopoulos, VPERS

October 28, 1982

Bela Balassa, DRD

Candidates for Visiting Position

As you requested, I enclose a list of possible senior developing country candidates for a visiting position at the ERS.

cc: Mrs. Krueger, VPERS
Mr. Stoutjesdijk, DRD

Enclosure
BBalassa:nc

Possible Senior Developing Country Candidates

for a Visiting Position at ERS

Sudhir Anand, (Indian), Oxford University
Edmar Bacha, (Brazilian), Catholic University, Rio de Janeiro
Michael Bruno (Israeli), Hebrew University, Jerusalem
Sukhamoy Chakravarty, (Indian), Delhi School of Economics, New Delhi
Vittorio Corbo, (Chilean), Universidad Catolica de Chile, Santiago,
Partha Dasgupta, (Indian), London School of Economics
Sergio de la Cuadra (Chilean) former Minister of Economy
George Drakos, (Greek), Greek Economic Association
Ronald Findlay, (Burmese-U.S.), Columbia University, New York
M. J. Flanders (Israeli), University of Tel Aviv
Vijay Joshi, (Indian), Oxford University
Mahn Je Kim, (Korean), Sogang University
Michael Michaely, (Israeli), Hebrew University
Bagiche Minhas, (Indian), Indian Statistical Institute
Akrasane Narongchai, (Thai), Thanasel University, Bangkok
Mario Simonsen, (Brazilian), Getulio Vargas Foundation
T. N. Srinivasan, (Indian), Yale University, New Haven, Connecticut
Augustine Tan (Singapore), University of Singapore

Mr. C. Michalopoulos, VPERS

October 28, 1982

Bela Balassa, DRD

ERS Participation in Committee and Working Group

I have recently been appointed as ERS representative to the Pioneer Lectures Steering Group. Other members are S. J. Burki (IRD), S. E. Chernick (CPD), A. Mozboomdar (EDI), E. B. Waide (CPD), G. M. Meier (Stanford), D. Seers (Sussex), and P. Streeten (Boston). The Steering Group has organized a first set of lectures by pioneers in development economics; it prepares the lectures for publication; and it is presently engaged to examine the possibility of organizing a second set of lectures. The proposal for the publication of the first set of lectures will be made to the Publications Committee.

cc: Mr. Stoutjesdijk, DRD

BBalassa:nc

October 28, 1982.

Mr. Asim Erdilek
Associate Professor
and Policy Analyst
Division of Policy Research and Analysis
National Science Foundation
Washington, D.C. 20550

Dear Asim,

Thank you for your letter of October 22nd and the enclosures. I also very much enjoyed the lunch we had together. While I do not, at this ~~point~~ have any knowledge of openings in the Washington area, I will certainly think of you if I learn of one.

I am afraid that I have bad news concerning the AEA meetings. It is now certain that I will have to go to Mexico at that time and hence, unfortunately, I will not be able to come to the meetings. Should you, nevertheless, wish me to prepare comments, to be read by someone else, I would be happy to do so. You may prefer, however, to find a discussant who will be at the meetings.

Yours sincerely,

Bela Balassa

October 28, 1982.

Dr. Richard S. Eckaus
Department of Economics
Massachusetts Institute of Technology
Cambridge, Massachusetts 02139

Dear Dick,

Many thanks for your letter of October 19th and for the material you sent me with the letter and subsequently. All this has been very helpful for me in making suggestions on actions to be taken at Hopkins. With warm regards,

Yours sincerely,

Bela Balassa

P.S. I also spoke to Cary Brown who gave me some further details on the Treasurer's report.

le 28 octobre 1982.

Mme. Michele Parra
Hotel Scandinavia
27 rue de Tournon
Paris 6
France

Chère Madame:

Je reconfirme mon arrivée le 3 décembre (vendredi) et mon départ le 7 décembre (mardi). Je vous prie de bien vouloir me retenir également une chambre aussi pour le 10 décembre (vendredi) pour une nuit.

Je vous prie de ~~arr~~aire, chère Madame, à l'expression de mes meilleurs sentiments.

Bela Balassa

Mr. Ian Hume, EMI

October 27, 1982

Bela Balassa, DRD

Seminar in Hungary

1. In reference to our telephone conversation, I enclose a copy of the background paper for my seminar with Hungarian economists, scheduled for December 13, 1982. The paper, entitled "Structural Adjustment Policies in Developing Countries," World Development January 1982, earlier appeared as Bank Staff Working Paper No. 464. It has been translated into Hungarian for distribution to the participants and publication in Gazdaság (Economy).

2. My presentation at the seminar will deal with developing country policies and, at the request contained in Mr. Bela Csikos-Nagy's letter, it will also cover the methodology of the estimates of external shocks and policy responses to these shocks reported in Table 1 of the paper. The presentation will not deal with Hungary.

3. The seminar has been scheduled to fit in with my Bank missions to France (December 3-6), Tunisia (December 7-10), and Turkey (December 14-18). It is on invitation only and will not be reported in the press.

cc: Messrs. Karasmanoglu, EMI; and Colaco, EMI

Enclosure
BBalassa:nc

Attachment sent to Messrs. Hume and Karaosmanoglu

October 25, 1982.

Pergamon Press
Maxwell House
Fairview Park
Elmsford, New York

Dear Sir:

I would like to order the following books.

Leopoldo Solis, "Economic Policy Reform in Mexico"

Dell Lawrence "The Balance of Payments Adjustment Process in Developing
Countries"

Please bill me at the authors discount.

Yours truly,

Bela Balassa

October 25, 1982.

Professor John Komlos
Roosevelt University
430 South Michigan Avenue
Chicago, Illinois 60605

My dear friend:

I received last month the latest booklet from the Hungarian series.
You have not sent me, however, a bill. Please let me know how much I owe you.

Yours sincerely,

Bela Balassa

October 25, 1982.

Inter-American Development Bank
808 17th Street N.W.
Washington, D.C. 20006

Dear Sir:

I would appreciate receiving a copy of Terry A. Powers'
"Estimating Accounting Processes for Project Appraisal."

Yours truly,

Bela Balassa

DRD Higher Level Staff

October 25, 1982.

Bela Balassa, DRD

Reprint Series

Submissions to the World Bank Reprint Series are requested by November 4th. Please send me 15 copies of the paper together with Form 1834 which you can obtain from my secretary.

BBalassa:nc

Mr. James K. Feather, PUB

October 25, 1982.

Bela Balassa

Bank Staff Working Papers

I would like to receive altogether 400 copies of my latest working paper "Reforming the New Economic Mechanism in Hungary" Number 534. I will send these copies to economists I am in contact with in developed and developing countries.

BBalassa:nc

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
October 25, 1982.

J. K. Lasser Institute
Larchmont, N.Y. 10538

Dear Sir:

Please send me the new J. K. Lasser tax calculator. My check
for \$4.95 is enclosed.

Yours truly,

Enclosure

Bela Balassa

Ms. Virginia Hitchcock, PUB

October 25, 1982.

Bela Balassa, DRD

Reprint Series

In response to your earlier memo, I enclose copies of letters giving permission for the reproduction of my papers "Economic Reform in China" and "Shifting Patterns of World Trade and Competition" in the World Bank Reprint Series. I further enclose a copy of the latter paper ~~and~~ the former should be available in a few weeks.

Enclosures
BBalassa:nc

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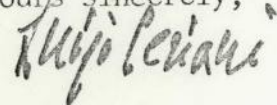
September 22nd, 1982

Dear Professor Balassa,

Many thanks for your telex of Sept. 17. One hundred reprints will be mailed to you as soon as they are ready. As to the inclusion of your article in the World Bank Reprint Series I can give our Bank's permission to reproduce it provided it is not published and distributed before 1983 and that due acknowledgment be given to us in the usual way.

Kind regards,

Yours sincerely,



(Luigi Ceriani)

Prof. Bela BALASSA
The World Bank
1818 H Street, N.W.
WASHINGTON, D.C. 20433


PUBLISHING S.A.
Serving world business

Stuart Falk
Directeur Général

Paris, 11th October 1982

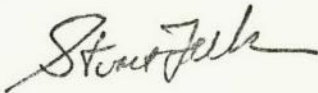
Mr. Bela Balassa
THE WORLD BANK
1818 H. Street
N.W. Washington DC 20433

Dear Mr. Balassa,

Pursuant to your letter of September 24, 1982, this will authorize the reproduction of your paper, "Shifting Patterns of World Trade and Competition" in the World Bank reprint series.

If I can ever be of further assistance, please feel encouraged to call on me.

Sincerely,



Mr. E. Stoutjesdijk, DRD

October 25, 1982.

Bela Balassa, DRD

Roger Bowden

Due to the problems encountered in obtaining the necessary data in computer readable form, we have experienced considerable delays with RPO 672-41. These delays make it necessary to retain Roger Bowden beyond the February 1, 1983 expiration date of his contract. I would like to ask that his contract be extended until August 1, 1983. Please let your intention be known to Roger in writing.

BBalassa:nc

Mr. Attila Karaosmanoglu, EMI

October 25, 1982.

Bela Balassa, DRD

Lecture in Hungary

As I indicated in my memo on "Hungarian Contacts" dated July 17, 1982, I have been invited to give a lecture to high level Hungarian economists in December. I enclose a letter from Bela Csikos-Nagy who confirms the date of December 13th for my lecture.

cc: Messrs. Colaco, EMI; Hume, EMI

Enclosure
BBalassa:nc

Budapest, 30th July 1982.

Bela Balassa
c/o M. Aymé Bernard
Irigny
Rhone
France

Dear Béla,

Thank you for your kind letter. Concerning my New York trip: in all probability I will not participate in the meetings. I was absent from Hungary too many times this year and have some more obligations. Thus the date you indicated, namely 13 December, is absolutely good. My idea is to rally the Presidium, /25 economists/. Then you could give a talk of about 30 minutes, which may be followed by a lively discussion. The topic is, of course, policies of export orientation and import substitution, but some methodological issues can be included too.

It seems to be sure that next year, in the period between the 1st and 13th March I shall be in the U.S. at the invitation of the University of the South, Sewanee, Tennessee. The University is organizing an international seminar from the 3rd to the 5th. During the first part of the following week /from the 7th to the 10th/ I could spend two days in Washington and one of them could be spent at the invitation of the World Bank. This and other details can be discussed during your Budapest stay.

Your report on your stay in China is most interesting. Thank you for having taken the trouble to write it.

With best wishes,

Yours sincerely,



/B. Csikós-Nagy/

October 22, 1982.

Dr. Bela Csikos-Nagy
President
Hungarian Economic Association
1370 Budapest Pf. 544
Hungary

Dear Bela,

Please excuse the great delay in answering your letter of July 20th. The arrangements you suggest for my lecture are fine. Monday, December 13th is a very good date as I will be arriving in Budapest the previous Saturday and leave for Turkey on the following day.

I very much welcome the opportunity of your visit to Washington in early March. We would be happy to have you lecture at the World Bank.

Yours sincerely,

Bela Balassa

Budapest, 30th July 1982.

Bela Balassa
c/o M. Aymé Bernard
Irigny
Rhone
France

Dear Béla,


Thank you for your kind letter. Concerning my New York trip: in all probability I will not participate in the meetings. I was absent from Hungary too many times this year and have some more obligations. Thus the date you indicated, namely 13 December, is absolutely good. My idea is to rally the Presidium, /25 economists/. Then you could give a talk of about 30 minutes, which may be followed by a lively discussion. The topic is, of course, policies of export orientation and import substitution, but some methodological issues can be included too.

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Your report on your stay in China is most interesting. Thank you for having taken the trouble to write it.

With best wishes,

Yours sincerely,



/B. Csikós-Nagy/

October 22, 1982.

Professor Jesse R. Pitts
The Tocqueville Review
Department of Sociology-Anthropology
Oakland University
Rochester, MI 48063

Dear Professor Pitts:

May I ask you in publishing my article on France in the Tocqueville Review that you make reference to the fact that the French version of the article has been published in Commentaire, Autumn 1982, No. 19.

Yours sincerely,

Bela Balassa

October 22, 1982.

Publications Department
American Enterprise Institute
1150 17th Street N.W.
Washington, D.C. 20036

Dear Madam:

On September 17th I wrote to Mr. Johnson suggesting making reference to the French publication of my paper. I have since received reprints from the French journal. May I ask that the reference to the French publication of the paper be *Commentaire*, Autumn 1982, No. 19.

I wish to use this opportunity to ask you for a small change on page 25 of ~~my~~ ~~paper~~. Instead of "price ceasefire" I suggest using the expression "price truce."

Yours sincerely,

Bela Balassa

October 22, 1982.

Ms. Kathleen H. B. Manalo
Publisher
The Middle East Journal
1701 N Street N.W.
Washington, D.C. 20036

Dear Ms. Manalo:

I understand from your letter of June 3rd that my paper "The Policy Experience of Newly Industrializing Economies After 1973 and the Case of Turkey" was too specialized for the current readership of the Middle East Journal. I trust that this will not be the case with my most recent paper on Turkey, "Outward Orientation and Exchange Rate Policy in Developing Countries: The Turkish Experience" which contains an overview of recent economic changes. Two copies of the paper are enclosed.

May I express the hope that the review of this paper will not take as long as that of the previous one. I may also add that the reviewer of the previous paper misunderstood my analysis since, rather than making projections on the basis of four years of experience (1974-78), I have examined the effects of the oil price increase on the Turkish economy during these years. Also, while I am familiar with Professor Alkins work, this has in no way necessitated changes in Part 3 of my paper.

Yours sincerely,

Enclosures

Bela Balassa
Professor of Political Economy
The Johns Hopkins University, and
Consultant
The World Bank

Enclosed: Two copies of "Outward Orientation and Exchange Rate Policy in Developing Countries: The Turkish Experience"

Mrs. A. O. Krueger, VPERS

October 22, 1982.

Bela Balassa, DRD

Papers on Turkey

1. Enclosed are my two recent papers on Turkey. They partly overlap and are rather simple-minded as I prepared them for a non-professional audience. You may wish to read pp. 1-12 and 19-27 of the 1981 paper and pp. 19-30 of the 1982 paper.

2. There is a question I did not have the chance to raise with you at lunch. Since I teach on Tuesdays and Wednesdays, I cannot participate in meetings on those days. I could not, therefore, come to the meeting on Research Committee rules if it was held on the days you have proposed (November 10, 16, and 17). I will come, however, to the meeting on the Public Economics Division on Wednesday, October 27th because I am giving a mid-term exam on that day.

Enclosures
EBalassa:nc

Enclosed: The Policy Experience of Newly Industrializing Economies After 1973 and the Case of Turkey

Outward Orientation and Exchange Rate Policy in Developing Countries: The Turkish Experience

Mrs. Ann Davis, ADM

October 20, 1982.

Norma Campbell, DRD

DRD - Discussion Papers

Sorry, I should have given these to you at the same time as the other, but I forgot.

Please send me a copy of the Discussion Paper list.

Enclosures

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
October 18, 1982.

Super Grand Prize Winner
P.O. Box 52
New York, N.Y. 10046

Dear Sir:

Please let me know the address of Sunset House. I wish to
get a catalogue but do not have the address.

Yours truly,

Bela Balassa

Mr. Thomas D. Rimpler, ADM

October 15, 1982.

Bela Balassa, DRD

Seminar on October 29th

I request the use of Room E436 on October 29th, Friday, from 11:30 to 1:00 for a seminar organized for senior economists and country economists in the Eastern Africa and Western Africa regions. The total number of participants is about 50.

BBalassa:nc

OFFICE MEMORANDUM

Those listed

October 14, 1982.

Messrs. Luis de Azcarate, WANVP; and Ravi Gulhati, EANVP

Workshop

Mr. Bela Balassa will lead a workshop for economists in the Eastern Africa and Western Africa regions on policy responses to external shocks of the 1973-78 period in sub-Saharan African countries applying different development strategies. The workshop will be held on October 29 (Friday) at 11:30 in Room E436. Mr. Balassa's presentation will be largely based on "Adjustment Policies and Development Strategies in Sub-Saharan Africa, 1973-78" that is enclosed. We further enclose "Policy Responses to External Shocks in Sub-Saharan African Countries, 1973-78" that gives emphasis to the low income-middle income dichotomy in sub-Saharan Africa.

cc: Economists in the Eastern Africa and Western Africa regions.

Enclosures
BBalassa:nc

	Regional Integration				U.S.- Canada Auto.	Preferences EEC Associate	Last Colonial Ties				Language-Culture				
	EEC	EFTA	U.K.- Irish				France	U.K.	U.S.A.	Japan	French	English	Language-Culture		
			FTA	LAFTA									Spanish	Portuguese	German
Argentina				x								x			
Australia															
Austria		x									x				
Belgium	x									x				x	
Brazil				x									x		
Canada					x										
Denmark	x	x									x				
Egypt														x	
Finland		x													
France	x									x					
Germany	x													x	
Greece						x									
Hong Kong								x				x			
India								x				x			
Ireland	x		x									x			
Israel						x									
Italy	x														
Japan															
Korea									x						
Malaysia								x							
Morocco						x				x					
Netherlands	x						x				x				
Norway		x													
Pakistan								x							
Philippines									x						
Portugal		x				x							x		
Singapore								x							
Spain												x			
Sweden		x													
Switzerland		x													
Taiwan									x					x	
Thailand															
Tunisia						x									
Turkey						x									
U.K.	x	x											x		
U.S.A.					x								x		
Yugoslavia															

Notes: (1) Denmark, Ireland and the United Kingdom entered the European Common Market (EEC) in 1972. In the same year, Denmark and the United Kingdom left the European Free Trade Association, and the U.K.-Irish Free Trade Area was dissolved; also, a free trade area in manufactured goods was established between the EEC and EFTA.

(2) Greece, Israel, Morocco, Spain, Tunisia, and Turkey have enjoyed preferential entry for their manufactured exports in EEC markets. There are practically no reverse preferences.

(3) We should, in addition, introduce a "border trade dummy" for countries that have common borders.

Mr. Everardus J. Stoutjesdijk, DRD

October 14, 1982.

Bela Balassa, DRD

September Papers

I enclose a copy of my paper "Adjustment Policies and Development Strategies in Sub-Saharan Africa, 1973-78" that will be presented at a workshop for economists in the Eastern Africa and Western Africa regions later this month. I further enclose a memo dealing with Turkey that may be of interest to you; the conclusion of the memo has not been contested by Chernick.

Enclosure
BBalassa:nc

Mr. Luis de Azcarate, WANVP; and Ravi Gulhati, EANVP

October 14, 1982.

Bela Balassa, DRD

Memo on Workshop

1. I enclose a proposed memo on the workshop. If you agree with the text, please sign and return it to me. Luis has the original and should send it to Ravi after his signature; my secretary will pick ~~it~~ up from Ravi and send it out with the two papers.

2. We will send copies of the memo and the papers to all senior economists and country economists in the two regions. Please provide us with names and office numbers for those who are not in the July 1982 phone book. Also, should we send copies for information to the Directors of Program Departments?

Enclosure
BBalassa:nc

OFFICE MEMORANDUM

Those listed

October 14, 1982.

Messrs. Luis de Azcarate, WANVP; and Ravi Gulhati, EANVP

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cc: Economists in the Eastern Africa and Western Africa regions.

Enclosures
BBalassa:nc

1 1 61007

R. J. PALMER, PERGAMON PRESS LTD. HEADINGTON
HILL HALL, OXFORD, OX3 0BW, ENGLAND
PRE ADDRESSED LABEL NOT RECEIVED WITH PROOFS OF MY ARTICLE. PLEASE
INFORM WHERE CORRECTED PROOFS SHOULD BE SENT. REGARDS, BALASSA

83177

10/12/82

BELA BALASSA

BELA BALASSA

DRD - Director's Office

BBalassa:nc

OFFICE MEMORANDUM

TO: Mr. Joel Bergsman, CCPD

FROM: Bela Balassa, DRD

SUBJECT: Turkey: Private Manufacturing

DATE: October 11, 1982

1. Due to my prolonged absence from Washington, I was able to read your report in its final draft form only. The report is very well done and my only query relates to your assertion concerning the prospective share of exports in Turkish manufacturing: "The mission would not expect the relative amount of manufactured exports to continue to grow very rapidly beyond that level-- rather, the problem for future policy is to keep exports around the same proportion of manufacturing production as they now are."

2. With exports accounting for only 6.0 percent of the value of manufacturing output (p. 12), this share could increase to a considerable extent in the future; indeed, it is several times lower than in the larger European countries. Exports should grow more rapidly than manufacturing output in order to exploit Turkey's comparative advantages, to attain economies of scale, and to participate in the international division of the production process through the manufacture of parts, components and accessories for assembly elsewhere.

3. Export growth, in turn, requires appropriate policies, which you ably describe. From the point-of-view of SAL IV, your emphasis on the need to reduce levels of import protection is of particular importance:

"Since explicit export incentives as such cannot be increased beyond present levels (in fact they will inevitably fall), the only solution is a real devaluation of the lira with a compensating reduction in protection... Such a step is a sine qua non for achieving the Government's long-run targets for manufactured exports."

4. From the point of view of the Financial Sector Mission, your discussion of the consequences of high interest rates deserves attention:

"The most serious problem is that the high cost of credit to non-exporters is ruinous. If it persists much longer, Turkey will experience a wave of bankruptcies, in the financial sector as well as in industry. Bankruptcies are already mounting, as are mergers and buy-outs of companies which cannot meet their financial commitments. Other companies are borrowing to meet their interest payments, in a dangerous game where banks are afraid to call loans that they know cannot be repaid, and are therefore lending still more money as both they and the borrower hope for increased sales, cash flow and profits."

5. In view of the importance of the issues noted here, I am sending copies of this note to people involved in SAL IV and in the Financial Sector Mission.

cc: Messrs. Bart, EM2; Dubey, EMNVP; Picciotto, EMP; Asfour, EM2; Chaffey, EM2; Chernick, CPD; Robinson, DRD; Sadove, EGY; Carmignani, EMP; Zaidan, EMP; Roy, EM2; Richardson, CDD; Weigel CDD.

BBalassa:nc

Mr. William Byrd, CON

October 11, 1982.

Bela Balassa, DRD

Publication of China's Financial System

The following statement is provided for use by the publisher in promoting your book.

"Mr. Byrd has performed a unique feat in providing an evaluation of the Chinese banking system on the basis of hitherto unavailable information, to which he has applied the rigorous standards of scholarship. His excellent study is recommended not only to China specialists but also to development economists and to monetary economists.

BBalassa:nc

Mr. William Byrd, CON.

October 11, 1982

Bela Balassa, DRD

China's Financial System

1. In response to your request, I provide some comments on your paper on the above subject. Let me say at the outset that I have found your paper to be of high quality that deserves publication. The following comments suggest a few changes in emphasis but not in substance.

2. In regard to the experience of 1949-1976, you express the view that "government policies and institutions were far more important in preventing significant inflation in China than 'monetary' factors like the amount of currency in circulation or even balanced budgets" (p. 29), further adding that "many of the tools to fight inflation in the past have lost their effectiveness in the present situation" (Ibid.). The latter point is not made clear and I would tend to put greater emphasis on changes in monetary and in fiscal policies that had restrained inflation before 1976 but contributed to price increases afterwards. While it is true that "budget deficits ... are not transformed into actual inflation unless validated by changes in prices" (p. 68), these deficits -- together with money creation -- generate pressures for price increases. Furthermore, the statement that "increased stress on profits means that enterprises and various other units now have a much greater incentive to manipulate prices" (p. 68), should be modified to take account of the fact that the enterprises also have an incentive to increase production which is inherently anti-inflationary.

3. Your discussion of Eastern European banking reforms is fine. At the same time, I find the suggestion that "a profit-maximizing bank has an incentive to increase the value of its overdue loans ... by knowingly extending credit to projects and enterprises which do not have realistic prospects of timely repayment" (p. 92) rather farfetched. Also, rather than "rejecting radical internal reforms in its banking system" (Ibid.), Hungary presently contemplates the introduction of competition in banking.

4. The last point leads to your long-term recommendations concerning the reform of the Chinese banking system. You express the view that "unless the economy is reformed to such an extent that it is hardly recognizable as socialist, transforming bank branches into profit-oriented business firms, would create more problems than it solves" (p. 6). Establishing a system of market socialism would, however, need to be accompanied by banking reform that would introduce profit considerations into lending. None of this would affect the socialist character of the Chinese economy that rests on the state ownership of the means of production.

5. At the same time, one can hardly say that "administrative decentralization is really economic reform being applied to government bureaucracies" (p. 40). Economic reform requires providing profit incentives to firms rather than decentralizing government decision-making. In fact, in my "Economic Reform in China," I objected "to the regional decentralization of

investment decisions as the local authorities are not profit-making units and they do not have an overview of alternative investment possibilities" (pp. 36-27).

cc: Messrs. Hasan, AENVP; Koch-Weser, AEA; Lim, AEA; Tidrick, AEA; Wood AEA.

BBalassa:nc

1 1 61007

ROLF LUDERS, SCH. MINISTRO DE ECONOMIA,
FORENTO Y RECONSTRUCCION Y DE HACIENDA, SANTIAGO, CHILE
PLEASE INFORM IF THE LAST WEEK OF OCTOBER OR, FAILING THIS MID
JANUARY, IS A CONVENIENT TIME FOR MY VISIT. REGARDS, BALASSA

CABLE

10/8/82

BELA BALASSA

BELA BALASSA

DRD - Director's Office

BBalassa:nc

Mr. M. Carter, EM2

October 8, 1982

Bela Balassa, DRD

Brendan Horton

Brendan Horton has completed his work for RP0671-85, The Industrial Incentive System in Morocco. There remains some corrections to be made following his visit to Washington in early November. This should not hold up the payment of his fee. Accordingly, I wish to request that you make arrangements for paying the remainder of Mr. Horton's fee under his contract.

BBalassa:nc



Record Removal Notice

File Title Bela Balassa's chron files - October 1982	Barcode No. 30225152
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Document Date Oct 8, 1982	Document Type Letter
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Correspondents / Participants
To : Riggs National Bank
From : Bela Balassa

Subject / Title
Seeking response to a letter

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1 1 61007

BRENDAN HORTON, C/O MR. AMRAOUI, MINISTERE DU
COMMERCE ET DE L'INDUSTRIE, RABAT, MOROCCO

TABLE FOLLOWS: EVOLUTION DU TAUX DE CHANGE EFFECTIF DU DIRHAM,
COLUMN HEADINGS: DEVISES, COURS MOYENS 15.9.1980, COURS MOYENS 31.
8.1982, COEFFICIENT DE PONDERATION, APPRECIATION OU DEPRECIATION
PONDEREE. ROWS; D. E.U. 3.8496, 6.19405, 15, -5.678; DM. 2.15825,
2.47945, 7, -0.907; F.B. 13.4615, 12.942, 3, +0.120; FL. 1.9859,
2.2629, 2, -0.245; POUND 9.21445, 10.6475, 8, -1.077; LIT. 4.53775,
4.40205, 8, +0.247; F.S. 2.3521, 2.9192, 4, -0.777; PTAS. 5.24925,
5.48405, 15, -0.642; F.F. 0.92841, 0.88253, 38, +1.976; TOTAL -, -,
-, -6.983. REGARDS, BALASSA

10.5.82

Bela Balassa

F. Graham Pyatt

DRD - Director's Office

BBalassa:nc

October 1, 1982.

Mr. José da Silva Lopes
Caixa Geral de Depositos
Largo de Santa Catarina
Lisbon
Portugal

Dear Mr. Silva Lopes:

It was a great pleasure to have your participation in the mission to Morocco. I hope that we will have other occasions to work together in the future.

I reviewed the issues paper on your financial mission to Turkey which incorporates comments I made to Jayanta Roy in June. However, an important new issue has arisen since. I refer, to the proposals made for the establishment of a new public bank that would indemnify firms for increases in the domestic currency value of their foreign loans. I dealt with this issue in my back-to-office report of August 27th, of which you have a copy. The report has been well received at the Bank, from Ernie Stern down.

I enclose some comments on your notes on industrial financing in Morocco. It has been agreed today that the report should be written in French. I wonder if it is still possible for you to make the switch. If not, please call me at (202) 676-1007 to discuss how to proceed. I have tried to call you, but without success.

I would further suggest that we meet in Paris during the weekend of December 4-5. I would be free Saturday afternoon and all day Sunday, when we could also have lunch together if you like. I have already reserved my room at the Hotel Scandinavia (27 rue de Tournon, Paris 6e) where I always stay when in Paris; they are usually booked up two months in advance.

With best regards,

Yours sincerely,

Enclosure

Bela Balassa

Mr. Vito Tanzi, IMF

September 1, 1982.

Bela Balassa, DRD

Morocco

I enclose, somewhat belatedly, my back-to-office report and aide memoire on the Moroccan mission. Mr. Mateus is in the process of writing a chapter on taxation. We will be in contact with you when the first draft is completed.

cc: Mr. Mateus, EM2

Enclosures
BBalassa:nc

October 1, 1982.

Mr. John Williamson
c/o Carnegie Endowment
for International Peace
11 Dupont Circle N.W.
Washington, D.C. 20036

Dear John,

As agreed, I enclose the revised version of Table 3. Should you wish to simplify the table further you could eliminate the heading "Savings Ratios" as well as the growth rate for population.

Yours sincerely,

Enclosure

Bela Balassa

TABLE 3

EXPENDITURE SHARES, INCREMENTAL CAPITAL-OUTPUT RATIOS AND GROWTH RATES

	1963-73	1970-73	1973-76	1976-79	1973-79	1963-73	1970-73	1973-76	1976-79	1973-79	1963-73	1970-73	1973-76	1976-79	1973-79
Savings Ratios															
<i>Domestic Expenditure Shares^{a/}</i>															
<i>(as a percentage of GDP)</i>															
Domestic Savings Ratio	19.9	19.8	20.3	22.1	21.2	17.0	17.5	18.7	19.9	19.4	18.7	19.0	19.8	21.4	20.7
Private Consumption	68.5	68.3	67.7	64.4	66.1	71.8	69.9	68.4	67.2	67.8	69.7	68.6	67.9	65.2	66.5
Public Consumption	11.6	11.9	12.0	13.5	12.7	11.3	12.6	12.8	12.8	12.8	11.5	12.1	12.3	13.4	12.8
Total Consumption	80.1	80.2	79.7	77.9	78.8	83.0	82.5	81.2	80.1	80.6	81.2	81.0	80.2	78.6	79.3
Gross Domestic Investment	21.7	22.1	25.0	25.0	25.0	18.5	18.6	22.5	24.0	23.3	20.1	20.9	24.2	24.7	24.5
Net Foreign Investment	-1.7	-2.1	-4.7	-2.9	-3.8	-1.5	-1.1	-3.7	-4.0	-3.9	-1.7	-1.9	-4.4	-3.3	-3.8
Foreign Savings Ratio	1.7	2.3	4.7	2.9	3.8	1.5	1.1	3.7	4.0	3.9	1.7	1.9	4.4	3.3	3.8
Incremental Capital Output Ratios^{b/}	3.0	2.9	4.5	4.3	4.4	4.7	5.7	4.5	5.1	4.8	3.4	3.4	4.5	4.5	4.5
Growth Rates (constant prices)															
Gross National Product	7.1	8.4	5.1	5.8	5.4	4.3	3.2	5.4	4.7	5.3	6.2	6.8	5.2	5.5	5.4
Population	2.4	2.4	2.4	2.4	2.4	2.4	2.3	2.2	2.2	2.2	2.4	2.3	2.3	2.2	2.3
Per Capita GNP	4.7	6.0	2.7	3.8	3.0	1.9	0.9	3.2	2.5	3.1	3.8	4.5	2.9	3.3	3.1
Savings Ratios															
<i>Domestic Expenditure Shares^{a/}</i>															
<i>(as a percentage of GDP)</i>															
Domestic Savings Ratio	16.9	19.0	21.2	25.8	23.5	20.3	21.4	23.3	21.5	22.4	18.2	19.6	21.8	24.7	23.3
Private Consumption	70.5	67.5	65.0	61.8	63.3	65.6	59.5	55.7	62.0	58.9	68.7	65.4	61.4	61.4	62.2
Public Consumption	12.6	13.5	12.9	14.2	13.0	14.2	19.2	20.9	16.5	18.7	13.1	15.0	15.2	13.9	14.5
Total Consumption	83.1	81.0	77.9	76.0	76.3	79.7	78.6	76.7	78.5	77.6	81.8	80.4	76.7	75.3	76.7
Gross Domestic Investment	20.1	21.6	25.8	27.3	26.5	22.6	22.3	25.5	27.3	26.4	21.0	21.8	25.7	27.3	26.5
Net Foreign Investment	-3.2	-2.6	-4.6	-1.5	-3.0	-2.4	-1.0	-2.2	-5.7	-4.0	-2.9	-2.2	-3.9	-2.6	-3.2
Foreign Savings Ratio	3.2	2.6	4.6	1.5	3.0	2.4	1.0	2.2	5.7	4.0	2.9	2.2	3.9	2.6	3.2
Incremental Capital Output Ratios^{b/}	3.0	3.3	4.9	2.7	3.4	3.2	3.1	3.4	2.9	3.1	3.0	3.3	4.4	2.7	5.3
Growth Rates (constant prices)															
Gross National Product	7.4	7.9	5.9	9.7	8.4	7.3	6.6	7.1	7.9	7.6	7.3	8.2	5.5	9.3	7.9
Population	2.1	1.9	1.9	1.7	1.8	3.0	2.9	2.9	2.6	2.7	2.5	2.4	2.3	2.1	2.3
Per Capita GNP	5.3	6.0	4.1	8.0	6.6	4.3	3.7	4.2	5.3	4.9	4.8	5.8	3.2	7.2	5.7
Savings Ratios															
<i>Domestic Expenditure Shares^{a/}</i>															
<i>(as a percentage of GDP)</i>															
Domestic Savings Ratio	20.3	20.0	20.1	21.3	20.7	16.6	17.0	18.1	19.7	18.9	18.9	19.0	19.5	20.8	20.2
Private Consumption	68.3	68.4	68.0	65.1	66.6	72.5	71.3	70.4	68.1	69.3	66.9	69.4	68.7	65.9	67.3
Public Consumption	11.4	11.6	11.9	13.7	12.8	10.9	11.7	11.5	12.2	11.8	11.2	11.7	11.8	13.3	12.5
Total Consumption	79.7	80.0	79.9	78.7	79.3	83.4	83.0	81.9	80.3	81.1	81.1	81.0	80.5	79.2	79.8
Gross Domestic Investment	21.7	22.2	24.8	24.5	24.7	16.0	16.1	22.1	25.4	22.8	20.3	20.8	24.0	24.2	24.1
Net Foreign Investment	-1.5	-2.2	-4.7	-3.2	-4.0	-1.5	-1.1	-4.0	-3.7	-3.9	-1.4	-1.8	-4.5	-3.4	-3.9
Foreign Savings Ratio	1.5	2.2	4.7	3.2	4.0	1.5	1.1	4.0	3.7	3.9	1.4	1.8	4.5	3.4	3.9
Incremental Capital Output Ratios^{b/}	3.1	2.8	4.4	4.9	4.6	5.1	6.5	4.7	5.8	5.2	3.5	3.4	4.5	5.2	4.8
Growth Rates (constant prices)															
Gross National Product	6.9	8.5	5.0	5.0	4.9	3.9	2.7	5.1	4.4	4.9	5.9	8.3	4.9	4.7	4.8
Population	2.5	2.6	2.5	2.6	2.6	2.4	2.2	2.2	2.1	2.1	2.4	2.3	2.3	2.2	2.2
Per Capita GNP	4.4	5.9	2.4	2.4	2.3	1.5	0.5	2.8	2.3	2.8	3.5	6.0	2.6	2.5	2.6
Savings Ratios															
<i>Domestic Expenditure Shares^{a/}</i>															
<i>(as a percentage of GDP)</i>															
Domestic Savings Ratio	19.5	19.4	21.2	24.7	22.9	18.3	16.6	12.4	14.8	13.7	13.8	19.8	25.5	26.5	26.0
Private Consumption	71.8	71.1	69.0	60.9	61.0	70.2	70.3	75.5	71.8	73.5	78.0	70.1	62.9	62.8	62.8
Public Consumption	9.9	9.5	9.3	14.4	12.1	11.5	13.1	12.1	13.4	12.8	8.2	10.1	11.6	10.7	11.2
Total Consumption	80.5	80.6	78.8	75.3	77.1	81.7	83.4	87.6	85.2	86.3	86.2	80.2	74.5	73.5	74.0
Gross Domestic Investment	20.1	20.2	23.6	23.9	23.7	18.9	18.5	19.6	15.3	17.4	15.0	19.2	21.0	25.9	23.3
Net Foreign Investment	-0.6	-0.8	-2.4	0.9	0.8	-0.6	-1.9	-7.3	-0.5	-3.7	-1.2	-0.6	-4.5	-0.6	-3.7
Foreign Savings Ratio	0.6	0.8	2.4	-0.9	0.8	0.6	1.9	7.3	0.5	3.7	1.2	-0.6	4.5	-0.6	-3.7
Incremental Capital Output Ratios^{b/}	3.4	3.0	9.5	4.3	6.1	3.8	3.7	6.6	28.6	10.1	2.1	2.1	3.0	4.4	3.7
Growth Rates (constant prices)															
Gross National Product	5.5	5.7	1.9	4.4	2.9	4.6	4.5	3.0	0.8	1.6	6.2	7.0	6.0	6.1	7.1
Population	2.6	2.6	2.6	2.6	2.6	2.9	3.0	3.0	3.0	3.0	2.3	2.2	2.2	2.2	2.2
Per Capita GNP	2.9	3.1	-0.7	1.8	0.3	1.7	1.5	0.0	-2.2	-1.4	3.8	4.8	5.7	5.7	4.8

^{a/} Expenditure shares exclude data for the first year of each period.

^{b/} Includes changes in stocks.

^{c/} Incremental capital output ratios have been calculated assuming a one year lag between investment and output.

For example, the 1970-73 ratio has been derived by dividing the sum of gross domestic investment in 1970, 1971, and 1972 by the increment in GNP between 1970 and 1971, both in constant prices.

October 1, 1982.

Mr. William Webster
Morgan-Newman Associates, Inc.
2121 K Street N.W., Suite 600
Washington, D.C. 20037

Dear Mr. Webster,

I enclose my recommendation for the month of October. The book should also be of interest for your work on the New International Economic Order. On the same subject, a review of events is provided in the April 1982 issue of the *Third World Quarterly*.

I have still not received your questions concerning my recent note on trends in the world economy and the journal issues for the last six months. I need these urgently, so that I can proceed with my work.

Yours sincerely,

Enclosure

Bela Balassa

October 1, 1982.

Dr. Mukerrem Hic
Professor of Economics
Istanbul University
Faculty of Economics
Institute of Economic Development
Istanbul
TURKEY

Dear Professor Hic:

I hereby confirm my arrival in Istanbul on December 14th, Tuesday. The purpose of my visit is to review the results obtained in the study on Industrial Incentives in Turkey.

Mr. Chaffey, the Division Chief for Turkey at the Bank, recently reviewed the progress of the study. He, and I, are concerned with the delays in the firm level calculations. While your timetable, prepared in early August, called for the completion of computer results for 30 firms by the end of August, the number of firms completed has remained seven. We would appreciate your providing us with a revised timetable.

With best regards,

Sincerely yours,

Bela Balassa

cc: Mr. Chaffey, EM2

October 1, 1982.

Mr. Tom Johnson
American Enterprise Institute
1150 17th Street N.W.
Washington, D.C. 20036

Dear Tom,

I have just received the letter of permission from the editor
of Commentaire for the publication of my paper in English.

With best regards,

Sincerely yours,

Enclosures

Bela Balassa

Commentaire

« Il n'y a pas de bonheur sans liberté, ni de liberté sans vaillance. » Thucydide.

Président du comité
de rédaction : Raymond Aron
Directeur : Jean-Claude Casanova
Rédacteurs en chef :
Marc Fumaroli
Pierre Manent

Paris, le 21 septembre 1982

Monsieur Bela BALASSA
World Bank
1818 H Street NW
Washington D.C. 20433
Etats Unis

Cher Monsieur,

Pardonnez-moi de vous écrire tardivement.
C'est bien sûr avec plaisir que nous vous donnons notre
accord pour la publication en anglais de votre article
"Une année de politique économique socialiste en France"
qui paraîtra vers la mi-octobre dans notre numéro 19.

Nous vous prions simplement de faire mention-
ner que ce texte a d'abord été publié dans le numéro 19 de
Commentaire et de nous faire envoyer un exemplaire justi-
ficatif pour nos archives.

Veillez croire, cher Monsieur, je vous prie,

avec très cordialement

J.C.

Jean-Claude CASANOVA

October 1, 1982.

Mr. José da Silva Lopes
Caixa Geral de Depositos
Largo de Santa Catarina
Lisbon
Portugal

Dear Mr. Silva Lopes:

It was a great pleasure to have your participation in the mission to Morocco. I hope that we will have other occasions to work together in the future.

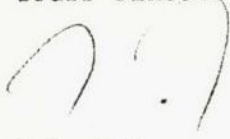
I reviewed the issues paper on your financial mission to Turkey which incorporates comments I made to Jayanta Roy in June. However, an important new issue has arisen since. I refer, to the proposals made for the establishment of a new public bank that would indemnify firms for increases in the domestic currency value of their foreign loans. I dealt with this issue in my back-to-office report of August 27th, of which you have a copy. The report has been well received at the Bank, from Ernie Stern down.

I enclose some comments on your notes on industrial financing in Morocco. It has been agreed today that the report should be written in French. I wonder if it is still possible for you to make the switch. If not, please call me at (202) 676-1007 to discuss how to proceed. I have tried to call you, but without success.

I would further suggest that we meet in Paris during the weekend of December 4-5. I would be free Saturday afternoon and all day Sunday, when we could also have lunch together if you like. I have already reserved my room at the Hotel Scandinavia (27 rue de Tournon, Paris 6e) where I always stay when in Paris; they are usually booked up two months in advance.

With best regards,

Yours sincerely,



Bela Balassa

Enclosure

Comments on Three Notes on Industrial Finance in Morocco

Bela Balassa

La Stimulation de l'épargne financière

1. While we cannot make detailed recommendations on the ways and means of reducing the government budget deficit in Morocco, the emphasis should be on reducing public expenditure (current as well as capital) rather than increasing taxes. Public consumption rose at an average annual rate of 15 percent in volume terms between 1970 and 1980, compared to an average increase of 7 percent for middle income countries (In the same period, the GNP growth rate was 5.6 percent in Morocco, the same as the average for middle-income countries). Although the war in the Sahara contributed to this result, civilian expenditures appear to have risen at an average annual rate of 12 percent a year.
2. Further possibilities exist for reducing the rate of growth of public investment. While Mateus will briefly review the composition of the public investment program under the five year plan, the issue of limiting the growth of public investment should be raised in conjunction with the need to re-establish macro-economic equilibrium.
3. In turn, I doubt the desirability of making an "enormous effort" to increase taxes. The tax burden in Morocco is relatively high compared to other middle-income countries. While there are possibilities for increasing tax compliance, we are suggesting reductions in certain taxes (cf. the aide memoire). But, at any rate, you should consult Mateus on this.
4. Taxes on interest receipts from time deposits may also need to be reduced in order to encourage savings. These taxes should be considered in calculating the real interest rate received by savers. At the same time,

their reduction may permit avoiding an increase in nominal interest rates that you endorse without elaborating further.

5. Treasury officials expressed scepticism as to the incentive effects of higher real interest rates on savings. This issue should be dealt with in the report by citing the experience of countries such as Korea and Turkey, where higher interest rates contributed to increased financial savings. Fry also provides statistical evidence on the contribution of real interest rates to total private savings.

6. As regards Morocco, there would be need for information on increases in time deposits following the rise in interest rates, by making comparisons with earlier trends. If available, data should also be provided on the share of insurance companies in time deposits.

7. The income distributional effects of higher interest rates are not clear, given the importance of large savers. In this connection, the question would need to be answered as to how one could promote financial savings by small savers. This question also arises in conjunction with the proposed issue of bonds to individuals.

8. A further question relates to workers' remittances. At present, the 5 percent premium provides an additional incentive for the repatriation of earnings. This premium would be transformed into a devaluation under the proposed reforms. One would need to indicate the implications of such a change for the transfer of remittances.

9. According to your data, the cost of time deposits to the banks exceeds the return they obtain on loans. The calculations would need to be modified, however, if the banks require compensating balances as in Turkey or

the United States. A related question is the cost of operation of the banks. Do we have data on this for Morocco?

Crédits à l'industrie

10. As a transition from the first topic to the second, the pattern of utilization of financial savings would need to be discussed. This should be done by reference to the relative importance of financial savings in total savings on the national economy level as well as for various users.

Information would need to be provided on the allocation of credits between the public administration and other users as well as among the various sectors, with consideration given to the availability of credit to public and to private users within each sector.

11. The credit incentives provided to various users in the form of special regimes should also be discussed, indicating the extent to which industry is favored or disadvantaged by existing regimes. This should be done in cooperation with Mateus who has analyzed the various investment codes. A related question is the effect of credit preferences on consumption vs. investment.

12. I agree with your recommendations for raising interest rates and providing for the refinancing of interest payments. As regards medium-term credits, however, I doubt if the problem lies in "the lack of new investment projects of good quality." It is rather the conservatism of the banks that has obstructed the expansion of these credits, I believe. At the same time, this attitude would not be affected by lengthening the maturity of credit to seven years.

13. I also fully agree on the need to base lending decisions by the BNDE on economic and financial profitability alone. If anything, the BNDE should

be made more independent as an institution, free of political influences. While this issue will also be considered by Mateus, it does not hurt to bring it up twice.

14. At the same time, I wonder how effective the BNDE is as an institution. The establishment of a private investment bank (or several such banks) would increase competition as well as the availability of medium and long-term credit. I wonder, however, if such a bank should have the same obligations, and privileges, as the BNDE. This would not be necessary if the bank was investing in industry as it has been proposed.

15. Again, I agree on the need to provide preferential credit facilities to investors in export activities. But, preferential interest rates may serve this purpose better than additional guaranttes. In this connection, reference should be made to the World Bank's credit line for the financing of investment for export that does not provide interest preferences. It would be desirable to modify this provision at the time the loan is renegotiated.

Crédit à l'exportation

16. Your principal recommendations on export credits have been included in my aide mémoire, and hence do not require further discussion here. At the same time, you should examine complaints by exporters as regards export financing and the extent to which these complaints have been dealt with in recent or planned regulations. Incidentally, planned regulations often remain in abeyance for several years in Morocco, so that their vigorous endorsement is desirable. This conclusion applies, in particular, to the proposed export insurance scheme that is not considered in your note.

17. Export credits and insurance will be covered in your chapter rather than in the chapter on incentives. However, the subsidy equivalent of export

credits may be added to other export incentives in Bonnel's chapter. This would require your estimating the extent of these subsidies as you have done in the case of Turkey.

cc: Messrs. Bonnel, Mateus, EM2; Horton

BBalassa:nc

Mr. Roberto M. Fernandes, EM2

October 1, 1982.

Bela Balassa, DRD

Visit to Tunisia

I enclose a draft letter to Mr. Ben Miled for your clearance. A copy is being sent to Rene Vaurs. The letter will have an enclosure on incentives for trading companies in Turkey that is being translated.

cc: Mr. Vaurs, EM2

Enclosure
BBalassa:nc

le 30 septembre 1982

Monsieur Nejib Ben Miled
Directeur général
Centre de promotion des exportations
8 rue de Medine
1002 Tunis
Tunisia

Cher Monsieur:

Votre lettre n'est parvenue après mon retour d'un long voyage à l'étranger. J'ai parlé depuis avec Mme. Saito qui, malheureusement, ne possède pas les documents et les textes législatifs sur les sociétés commerciales turques. La note ci-jointe contient des informations recueillies lors de ma mission en Turquie l'année dernière.

En ce qui concerne ma visite à Tunis, il ne serait possible d'arriver le 7 décembre pour un séjour de quatre jours. Mr. Vauris, qui se rendra à Tunis fin octobre, pourrait préciser ces dates ainsi que l'emploi de mon temps lors de la visite.

Veillez agréer, Cher Monsieur, mes salutations distinguées.

Incentives for Trading Companies in Turkey

- (i) Trading companies are provided with credit from the Export Promotion Fund for one year, up to 90 percent of their export commitment. The collateral requirement is 18 percent of the credit for a first-time exporter; it declines to 15 percent and 10 percent, respectively, for exporters who have realized one, or two, previous export commitments;
- (ii) Trading companies are given priority access to foreign exchange for imported inputs (raw, intermediate and packaging materials) used in the production for export as well as for domestic markets, provided the total amount of foreign exchange does not exceed 60 percent of the export commitment;
- (iii) Trading companies have full access to the incentives provided under the temporary import regime: duty drawbacks on exports and availability of foreign exchange required to purchase imported inputs. To qualify for these incentives, however, these companies must have a paid-in capital of TL 50 million, exports in excess of \$15 million (50 percent of which has to be manufactured goods) and must increase their exports by 10 percent a year; and
- (iv) Since April 1981, export trading companies are provided with export tax rebate in the following manner. If they export less than \$4 million, they are subject to general tax rebate. If they export between \$4 million and \$15 million, they receive an additional 5 percent. If they export more than \$15 million, they get a further 5 percent



الجمهورية التونسية
REPUBLIQUE TUNISIENNE

مركز النهوض بالصادرات

CEPEX centre de promotion des exportations

N° 1117 /DG.NBM.LN

26 JUIL. 1982

Monsieur BELA BELASSA
THE WORLD BANK
1818 H STREET N.W
WASHINGTON D.C, 20433

De retour à Tunis, j'ai fait part à Monsieur le Ministre de l'Economie Nationale Monsieur LASRAM de la discussion que j'ai eu avec vous à Washington.

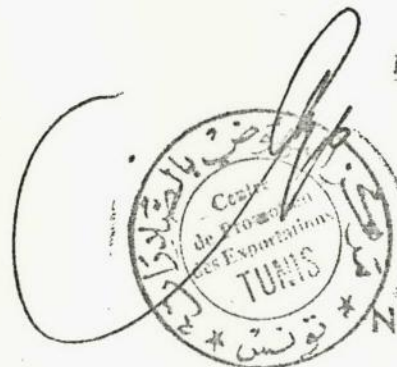
Monsieur le Ministre ne voit pas d'objection pour retenir le principe de votre visite en Tunisie la première semaine de Décembre 82.

Je profite de cette même occasion pour vous signaler que je n'ai pas pu rencontrer Mademoiselle SAITO qui était fatiguée lors de mon passage à Washington.

Je vous serai reconnaissant si vous pouviez l'informer de mon intérêt à avoir les documents et textes législatifs sur les sociétés commerciales turques et toute analyse et commentaire à ce sujet et de me les faire parvenir dans les meilleurs délais possibles.

Veillez agréer, Cher Professeur, mes salutations distinguées.

Le Directeur Général



Nejib BEN MILED

August 5, 1982.

Mr. Nejib Ben Miled
Centre de promotion des exportations
8 rue de Medine
1002 Tunis
Tunisia

Dear Mr. Ben Milad:

Your letter of July 26 arrived after Mr. Balassa's departure for a six weektrip abroad. I sent a copy of your letter to Mrs. Saito with the expectation that she will answer you directly. However, I understand that she will be back from vacation only the end of the month.

Yours sincerely,

Norma Campbell
Secretary to Mr. Balassa

cc: Mrs. Saito

Mr. Roberto M. Fernandes, EM2

August 4, 1982.

Bela Balassa, DRD

Visit to Tunisia

In your absence from Washington, Mr. Ben Milad of the Ministry of National Economy visited me and renewed Minister Lasram's invitation that I come to Tunis. I indicated to Mr. Ben Milad my possible availability in December and we agreed that the week of December 6 would be a mutually convenient time for my visit. May I presume that your Division will bear the cost of my travel to Tunisia.

BBalassa:nc