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# MONETARY POLICY IN A DEVELOPING ECONOMY (*)

by
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I intend to deal with the monetary policy of a country, which has just started developing and so I will not analyse the problems connected with development in the sphere of monetary policy. Accordingly I will first analyse the chief characteristics of the monetary conditions prevailing in a developing economy and their impact on the operation of the financial markets, second the aims of monetary policy in such conditions, third the methods applied.

### A—Monetary conditions and the operation of the financial markets.

Let me examine in the first paragraph the purchasing power of the monetary unit, the foreign exchange rates and the monetary system. In the second I will analyse inflation usually prevailing in underdeveloped economies with the eventual appearance of deflation in a particular meaning, the activity of the central bank and of the commercial banks combined with the demand and with the supply of credits.

*1. — Monetary conditions.*

Inflationary pressures are strongly felt in an underdeveloped economy, particularly when the development begins, owing to the quasi-permanent deficit of the budget, to the rather liberal credit policy of the central bank whose credits cannot very often be repaid punctually, to the lack of confidence in the currency, to the reduced elasticity of supply, to the sometimes excessive surplus of the balance of payments following a sudden improvement of the barter terms of trade or to a sudden capital inflow, particularly in times of prosperity. (1) The intensity of the inflationary pres-

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(*) This lecture was delivered on December 11, 1962 at the Société d'Economie Politique, de Statistique et de Législation d'Egypte at Cairo during the author's stay in the U.A.R. as visiting professor at Ain Shams University.

(1) Cf D. Delivanis, L'intensité des pressions inflationnistes dans l'économie sous-développée, Revue de Science Financière, 1957, pp. 279-95 where a distinction is drawn between proceeds from improved barter terms of trade, liquidation of foreign investments of firms and of inhabitants of the country concerned and new investments by foreigners there.

sures fluctuates according to the prevailing conditions and according to the local developments, which are pertinent in every concrete case. They exist however always and influence the mentality, the decisions and the actions of all concerned. So the buyers are ready to pay the price demanded, provided they are allowed to pay later, the sellers consider the price with which they will replace their stocks, the producers will extend their stocks and their plants, as long as they may secure credits, even under unfavourable conditions, whose neutralization may be expected by the devaluation of the currency or from the delay in the reimbursement of these loans, as long as it is possible to postpone them without too serious consequences, the salary earners will continuously press for increased salaries, even if their productivity does not increase accordingly and will be ready to start working on their own, as in that case they will get the advantages of the inflationary pressures considering that they will become debtors and will benefit from the timelag between the price increases and the rise of their costs, the farmers will also continuously insist to get higher prices instead of trying to increase their productivity, last but not least the creditors will insist on the highest possible interest rates and to the clauses which will neutralize the unfavourable repercussions of monetary devaluation, (3) provided they are not declared void by law, as it often happens. These efforts lead to cost-push inflation, which strengthens the demand-pull inflation created by the other factors, just mentioned. This will happen even more when the capital inflow starts, or when the barter terms of trade improve substantially, or when the currency is devaluated, considering that imports cannot increase at once when needed to restrict the inflationary pressures.

Considering the domination of the underdeveloped economy, which has just started to develop, by foreign customers and suppliers and the usually noticeable deficit of its balance of payments, foreign exchange rates are watched with a tremendous interest by everybody living there and exerce an influence on the general level of prices, which is not always justified by the expectations derived from the general interdependence of prices. They tend in view of the unfavourable factors mentioned to move adversely for the monetary unit of the currency concerned contributing thus to strengthen the inflationary pressures even more.

(3) Gold clause, dollar clause or index of the cost of living clause.

It has to be stressed in those times where foreign exchange control constitutes rather the rule than the exception outside the United States of America and the countries of the European Monetary Agreement that the foreign exchange rates watched in the developing countries are not the official but those of the so-called black market. This happens even when the greater part of deals with foreign countries are carried out via the official market. Of course capital transfers are excluded there and they are not deprived of importance in times of nationalisations and of rumours about them. They may influence in a decisive way the rates of the unofficial market. The curves of supply and of demand cross each other on much higher levels there than on the official markets, particularly if the monetary experience of the majority of those interested do expect a deterioration of the situation as far as their own currency is concerned.

In our days developing countries have rather managed than free currency systems. In reality however there is no difference, as long as the existance of the black or unofficial market transforms the managed system into a free one. Of course with the managed currency those allowed to transfer via the official market do enjoy the advantage of the stable rate of which they would have been deprived in the free currency system. From the macroeconomic point of view this is important, as long as the deals of the official market do exceed those of the unofficial market. In this connection an examination of the data has to be carried out in every concrete case before finding out what is more important.

### 2. — *The operation of the financial markets*

Inflation may be considered to belong in the frame of the developing economy and in view of what has been exposed in the former paragraph is not only caused by factors acting there but also from others derived from abroad. The latter cannot be neutralized by the developing economy, considering her dependence as long as its more or less satisfactory operation presupposes the continuation of purchases and of sales abroad. If in the latter prosperity and so demand of the products of the developing economy increase, the income effect will be very quickly propagated from the exporters and from the latters' employees and furnishers to the other sectors of the developing economy. In theory it may be supported that this supplementary pur-

chasing power could be sterilized, or also that its creation could be prevented by limiting exports abroad. Independently of the difficulties of enforcement, particularly in a free country, it has to be stressed that even from the long term macroeconomic point of view this is not indicated, first because if the purchasing power, thus removed from those to whom it belongs, is invested, the agregate purchasing power will not diminish, as the amounts involved will simply pass to the entrepreneurs and to their employees, who will certainly spend them, second because in the long run these investments will probably prove useless owing to technical progress, as it happens very often behind the iron curtain.

Deflation is pretty rare in underdeveloped economies even if a depression starts abroad. As a matter of fact in order to avoid it the devaluation of the currency is considered to be a minor evil. It may simply be noticed that the intensity of inflationary pressures diminishes for some time, but there is no downwards development of the various agregates.

As already developed on other occasions [4] in an economy, which has just started developing, the central bank is not only the lender of last resort but also the cheapest and very often the only lender that is available. As a matter of fact the commercial banks are often induced to act simply as branches of the central bank, as long as their own deposits and capitals do not allow them to grant credits without having before recourse to the central bank. This dependence of the commercial banks on the central bank in an underdeveloped economy gives the latter the chance to impose easily her will inasmuch as the sale of collaterals on the stock exchange is usually impossible without leading to a crash. In this connection the central bank aims to avoid excessive grants of credits, which will further increase the inflationary pressures. [5]

Independently of this conservative tendency of the central bank it is very often obliged by political considerations to grant, either directly, [6] that is the more frequent, or via the commercial banks, credits which are not justified by economic or monetary considerations but simply by political. This applies to credits aimed

(4) Cf. D.J. Delivanis, Les marchés financiers des pays sous-développés, Cahiers de l'Institut de Science Economique Appliquée, Série F. No. 4, Paris 1956, pp. 2-3.

(5) Cf. S.N. Sen, Central banking in underdeveloped money markets, Calcutta, 1952, p. 175.

(6) In order to avoid political entanglements.

to development, to the continuation of the activity of certain branches, which are important from a social point of view even if not creditworthy, as fishers, farmers and handcraftsmen, to accelerating the housing of the less prosperous classes and to other similar purposes. The commercial banks, even if allowed, would not dare grant these credits, independently of the low level of their deposits. The central bank dares to grant these credits, as long as hoarding continues and neutralizes the supplementary purchasing power thus created. The hoarding may however stop and then conditions may get out of hand if the central bank cannot sell gold or foreign balances or if the people, expecting war or at least price increases do not buy them./The effective demand will increase not only for national commodities but also for foreign goods creating so a new gap in the balance of payments. Foreign exchange control may help in this case stopping however the flow of credits, even on short term, from abroad. This latter development allows the central bank to become full master of the financial markets, in case foreign credits prevented it before.

In an underdeveloped economy the commercial banks depend much more than elsewhere from the central bank, particularly if foreign exchange control is in force. This reduces their earning capacity. The same happens with their reduced deposits, with the necessity to pay high rates of interest to their depositors and even to apply the gold clause, or at least the clause of the index of the cost of living, (7) with their relatively small turnover, with the unpunctuality of the majority of their customers, with their reduced liquidity and with the frequent inefficiency of their staff. On the other hand the commercial banks operating in an underdeveloped economy secure high profits from excessive high interest rates charged on the credits they grant, from the various commissions they get independently of the interest, from speculations and investments which are considered too risky in more advanced countries and thanks to the low salaries of the greatest part of their staffs.

In view of the analysis of the duties and of the possibilities of both the central bank and of the commercial banks in an underdeveloped economy it may be easily concluded that the demand of credits cannot be satisfied by the supply. The latter is unfa-

(7) The same happens also in developed countries if inflation is too strong, as it was in Finland in the middle fifties.

vourably affected by the lack of confidence of those who could borrow otherwise. The trade cycle does not influence decisively the interest rates in the financial markets in an underdeveloped economy. As a matter of fact the supply of credits increases in prosperity from both the home and the foreign savers. As however the same happens with demand, the rates are not affected. On the other hand the seasonal factor exercises a lot of influence on the supply and on the demand of credits. Everybody concerned tries to make arrangements in advance in order to reduce the strain. It has to be noticed that the central bank cannot intervene on a big scale owing to the nature of the credits she has to grant and owing to the strong reactions whenever the external equilibrium is threatened more than usually.

**B—The aims of monetary policy.**

The aims of monetary policy in an underdeveloped economy may be distinguished in those concerned with developments within the country concerned and in those connected with foreign trade. They will be dealt with in the two following paragraphs.

*1. — The aims connected with developments within the underdeveloped economy.*

They are first the reduction of the inflationary pressures and the securing of full employment.

Monetary policy alone cannot neutralize the inflationary pressures raging within the underdeveloped economy. The effort is easier whenever depression prevails in the foreign countries dominating the underdeveloped economy. Even then a lot depends on fiscal policy, on the credit policy of the central bank, the development of the barter terms of trade, the inflationist mentality with the reactions analysed in the first section and on certain ineluctable necessities.

The securing of full employment exclusively by monetary measures is not possible, as long as efforts in order to induce savers, either to invest, or to consume and public works cannot be considered to be within the frame of monetary policy. Monetary policy can alone secure the possibility to creditworthy firms or individuals to get credits and to avoid the transmission of the depression from abroad, either through devaluation, or through foreign

exchange control, as long as the latter combined with quotas is efficiently applied, which is pretty difficult in an underdeveloped economy It has to be stressed that creditworthy firms are not too numerous in underdeveloped economies. It follows that the realisation of this aim is pretty difficult in an underdeveloped economy.

2. — *The aims connected with foreign trade.*

The stability of the foreign exchange rates and the avoidance of any important discrepancy of the purchasing power of the monetary unit and of the foreign exchange rates are the two aims of monetary policy in an underdeveloped economy.

The realisation of the first aim depends from the structure of the economy, from the structure of her foreign trade, from the relative and absolute importance of the fixed commitments abroad and from political considerations. The securing of stable foreign exchange rates with the perseverance of inflationary pressures within the country concerned leads ineluctably to a discrepancy of the purchasing power of the monetary unit and of foreign exchange rates, which renders exports more difficult and imports more profitable, except of course if inflation rages with the same intensity abroad. Foreign exchange control with quotas and frequent devaluations could prevent this development, as long as well applied. Undoubtedly however those affected unfavourably will react reducing the efficacy of these measures. It follows that there is a contradiction between these two aims and if the first is realised the second will not.

Considering this conclusion it seems that the best would be in an underdeveloped economy to apply differential foreign exchange rates adapting them to concrete needs in every case. Undoubtedly the application will not be easy and will lead to many uncertainties, which of course will not contribute to the development of foreign trade but it will be better than to start successive general devaluations. This explains its frequent application with some subterfuges to save the face as far as the International Monetary Fund is concerned. The latter has never until now decided the exclusion of a country member simply because the country concerned has applied multiple foreign exchange rates.

**C—Methods of monetary policy.**

All methods of monetary policy available cannot be applied in an underdeveloped country. In paragraph one I will briefly deal with those, which cannot be applied. In the second paragraph I will analyse the others making a distinction as far as their particular possibilities are concerned.

*1. — Methods not usable.*

As a matter of fact it is not possible to have recourse to certain methods of monetary policy in an underdeveloped economy. This happens with the budgetary policy in the effort to achieve monetary means, as long as the deficit of the budget is the rule. If owing to unforeseen events a surplus develops, it will certainly be spent at once, as many needs not satisfied will be waiting for their satisfaction.

The discount policy cannot be applied in an underdeveloped country, as the prevailing interest rates are always higher than those in force in developed countries. People living there are, however, prevented from lending in an underdeveloped country by the risks involved. No increase of the rate of the central bank will induce them to do so. At the same time the demand for credits in the underdeveloped country will not be influenced by the interest rate fluctuations.

The open market policy cannot be applied in an underdeveloped country, as public credit is low, funds are considered as simple objects of speculation and of lottery and the currency in which they are serviced does not inspire confidence. Last but not least the fluctuations of the quotations are substantial.

Revaluation cannot be applied in an underdeveloped country, as the conditions for its success never materialize.

*2. — Methods applied.*

The methods, which can be applied in an underdeveloped economy, may be distinguished in those which simply neutralize inflationary pressures and those which may improve the prevailing monetary conditions. In the first group I have to put the purchases and sales of both gold and foreign balances by the central bank, price and foreign exchange control.

The first method mentioned may allow the continuation of inflation as long as the excessive discrepancy between demand and supply of gold and of foreign balances diminishes. This presupposes of course that the inhabitants of the country concerned will be disposed to buy gold or foreign balances.

Price and foreign exchange control also aim to reduce the demand of certain commodities or of foreign exchange The difference with the first method consists in the fact that in these two methods the individual freedom is curtailed, whilst this is not so in the first case. Their efficiency depends upon the quality of the staff of the competent services and the duration of the application. The shorter the better.

Whilst the three methods analysed just before simply alleviate the pressures due to unsatisfactory developments more radicals results may be expected first when a ceiling of credits, either by the whole banking system, or only by certain groups of banks for all their credits or only for some is fixed, eventually with the prohibition of certain types of credits, second when a ceiling is imposed on the issue of banknotes, either as an agregate, or again for certain categories only; both these methods, if well enforced, are more efficient in a period of prosperity, third, the modification of the reserve requirements, as long as they oblige the commercial banks to reduce their credits, when the requirements are increased and as long as they give the chance, which materializes, to increase their commitments, following a diminution of the reserve requirements, fourth, the modification of the rules about instalment sales, provided they are enforced by the banks supplying the funds, fifth, monetary devaluation, provided it is sufficiently substantial to reduce demand and to increase supply of foreign balances. This presupposes: elasticity of supply of the commodities exported without the imposition of restrictions for increased sales and payments abroad, elasticity of demand of foreign commodities in the devaluating country without an increase of nominal incomes there, except where it is unavoidable, for instance in the case of the exporters, reduced fixed commitments abroad and chiefly no forecast of further devaluations in the near future.

# THE PRESENT STATUS AND FUTURE OF AGRICULTURE IN THE EGYPTIAN NATIONAL ECONOMY(*)

by
Mohammed A.W. Khalil

Agricultural was, still is, and will probably continue to be the most important basic industry in the Egyptian national economy. To evaluate both its absolute and relative importance four independent but more or less interrelated measures can be applied. These measures are:

(1) The size of both the rural and farm populations of the country.

(2) The size of the agricultural labour force.

(3) The size of the national agricultural income.

(4) The size of foreign trade in agricultural products.

## THE RURAL AND AGRICULTURAL POPULATION OF EGYPT

The total population of Egypt has continued to increase rather steadily from about 2.5 millions in 1800 to a little over 25.8 millions in 1960 (See Table No. 1 — A).

**TABLE No. : 1 — A.**

**The Total Number of the Egyptian Population During the Period : 1800 - 1960**

| Year | Number | Year | Number |
|---|---|---|---|
| 1800 | 2 460 000 | 1917 | 12 751 000 |
| 1821 | 2 536 000 | 1927 | 14 218 000 |
| 1846 | 4 476 000 | 1937 | 15 933 000 |
| 1873 | 5 250 000 | 1947 | 19 022 000 |
| 1882 | 6 804 000 | 1957 | 22 997 000 |
| 1897 | 9 715 000 | 1960 | 25 829 000 |
| 1907 | 11 287 000 | | |

*Source:*

*Annuaire Statistique*, Département de la Statistique et du Récensement, Republique Arabe Unie (Région d'Egypte), Cairo, 1959, p. 10.

(1) Preliminary; Haloul, Fatiha-Alla, *The Social Characteristics of the Rural Population in the Egyptian Region of the United Arab Repulic*, University of Alexandria Press, Alexandria, Egypt, U.A.R., 1961, p. 100.

(*) Summary of the article published in Arabic in this issue.

By 1982 it is believed that the Egyptian population will reach an all time high of 38.5 millions (1). Despite such a belief, one should never forget that in times past the Egyptian population is claimed to has reached record breaking totals of 18 and 24 millions during the tenth (2) and the sixth century B.C. respectively. In other words economists should be hopeful that a well planned and executed national policy that aims at the rapid development of the country's, more or less, limited natural resources should be able to ascertain a decent if not a high standard of living for its increasing population.

*The Rural-Urban Composition of the Egyptian Population:*

The classification of the Egyptian population to urban; including those living in tax paying units or centres (towns or "marakez," cities, and provinces' capitals) and to rural; including those living outside such places is hereafter presented in table No. 1 — B.

**TABLE No. : 1 — B.**

**The Rural-Urban Composition of the Egyptian Population During The Period 1882-1960**

| Year | Number in Millions | | | Percentage | | |
|---|---|---|---|---|---|---|
| | Rural | Urban | Total (*) | Rural | Urban | Total |
| 1882..... | 5.5 | 1.3 | 6.8 | 81 | 19 | 100 |
| 1897..... | 7.8 | 1.9 | 9.7 | 80 | 20 | 100 |
| 1907..... | 9.1 | 2.1 | 11.3 | 81 | 19 | 100 |
| 1917..... | 10.0 | 2.7 | 12.7 | 79 | 21 | 100 |
| 1927..... | 10.8 | 3.3 | 14.2 | 76 | 24 | 100 |
| 1937..... | 11.9 | 4.0 | 15.9 | 75 | 25 | 100 |
| 1947..... | 13.1 | 5.9 | 19.0 | 69 | 31 | 100 |
| 1960..... | 16.1 | 9.6 | 25.8 | 63 | 37 | 100 |

*Source:*

Haloul, Fatiha-Alla, *The Social Characteristics of the Rural Population*, op. cit., p.p. 13 - 15, & p 100.

(*) Excluding the migratory Arab Bedwins.

(1) *Collection of Basic Statistical Data (Egyptian Region)*, The Central Statistical Committee, National Planning Board, Memphis Printing Company, Cairo, January 1960, p. 39 (In Arabic).

(2) El-Zalaky, Mohammed Moneer, *Egyptian Agriculture*, Monograph, Alexandria University, College of Agriculture, Alexandria, U.A.R.,

From the data presented in the aforementioned table it could be seen that both the rural and urban population of the country have continued to increase in numbers since 1882. It could be also seen that while the rural population has been continually making up a declining proportion of the total population (from a high of 81% in 1882 to a low of 63% in 1960), the urban population was to the contrary making up an increasing proportion of the same total (from 19% in 1882 to 37% in 1960). Such a state of conditions may be attributed not to a higher rate of natural population growth in urban than in rural areas, but to the internal migration of rural people to urban centres particularly during world war periods that induced a rapid growth in both the secondary and tertiary industries of the country.

*The Farm and Non-Farm Population of Rural Egypt:*

The rural population of Egypt is subdivided into farm and non-farm groups. The farm group includes the farm managers, farm workers, and their dependents who are living of course in rural centres. The non-farm group includes all other individuals who are living — once again — in rural areas.

In 1927 the rural farm population numbered 8.5 millions and the rural non-farm population 2.3 millions (See Table No. 1 — C).

**TABLE No. : 1 — C.**

**The Farm - Nonfarm Composition of the Rural Population of Egypt During the Period : 1967 - 1947**

| Year | Number in Millions | | | Percentage | | |
|---|---|---|---|---|---|---|
| | Farm Population | Nonfarm Population | Total | Farm Population | Nonfarm Population | Total |
| 1927..... | 8.5 | 2.3 | 10.8 | 78.5 | 21.5 | 100.0 |
| 1937..... | 8.4 | 3.5 | 11.9 | 73.6 | 26.4 | 100.0 |
| 1947..... | 9.1 | 4.0 | 13.1 | 69.6 | 30.4 | 100.0 |

*Source:*

Haloul, Fatha-Alla, *The Social Characteristics of the Rural Population*, opt. cit., p. 22.

From 1927 to 1947 the aforementioned groups have followed somewhat different trends. First: the rural farm group has declined in absolute numbers from 8.5 millions in 1927 to 8.4 millions in 1937 and then increased to 9.1 millions in 1947. The rural non-farm group has, on the other hand, continued to increase rather steadily from 2.3 millions in 1927 to 3.5 millions in 1937 and then to 4.0 millions in 1947. Second: in terms of their proportion to the total population the rural farm group has continued to decline from 78.5% in 1927 to 73.6% in 1937 and then to 69.6% in 1947, while the rural non-farm group has continued to increase from 21.5% in 1927 to 26.4% in 1937, and then to 30.4% in 1947.

The proportional decline in the size of the rural farm population since 1927 may be attributed to: (a) improvement in agricultural techniques under which fewer farm workers were being continuously required, (b) the growth of employment in the service industries as a result of the Second World War needs, and (c) the increase in the numbers of individuals working in newly established rural public institutions such as schools, hospitals, and the like.

## THE SIZE OF THE HUMAN RESOURCES IN EGYPT

In the process of analyzing the relative importance of Egyptian agriculture, something should be said about its relation to the human resources of the country. It is also highly significant if something could be said about its impact on the labour market. In particular it is highly significant to know how total farm as well as total non-farm employment have fluctuated over the course of time and whether any one of them has been increasing or decreasing.

At the outset it is better to state that the human resources of a country can be economically subdivided into two groups, namely; the group of individuals classified as the "human force" and the other group usually known as "not in the labour force." The former group includes of course all individuals who are physically and/or mentally able to participate in the production of goods and services.

For lack of sample surveys and/or census enumerations concerning the two aforementioned groups, an Egyptian student of the subject was forced to adapt a more or less working definition

that considers all individuals with ages of five years and more as being in the human force. (1) According to such a definition the size of the Egyptian human force was found to have remained almost stable at about 86% of the total population over the course of the period covered by this study (See Table No. 2 — A).

**TABLE No. : 2 — A.**

**The Size Of The Total Human Force In Egypt During The Period : 1917 - 1947.**

| Year | Total Human Force (1,000,000) | Total Population (1,000,000) | Human Force As a Per Cent of Total Population |
|---|---|---|---|
| 1917 ..... | 11.0 | 12.7 | 87 |
| 1927 ..... | 12.1 | 14.2 | 85 |
| 1937 ..... | 13.8 | 15.9 | 87 |
| 1947 ..... | 16.4 | 19.0 | 86 |

*Source:*

Haloul, Fatiha-Alla, *The Social Characteristics of the Rural Population*, op. cit., p.

*The Residential Distribution of the Egyptian Human Force:*

A study of the data presented in Table No. 2 — B would reveal some interesting features concerning the distribution of the Egyptian human force between rural and urban areas. These features are:

(1) Over the range of the period covered, the majority of the Egyptian human force was distinctly rural. During the 1927 and the 1937 censuses the rural human force was about three times as large as the urban human force, and during the forties the former was only twice as large as the latter. Such a feature may be taken to ascertain the dominant place occupied by the agricultural industry in the Egyptian economy.

(1) See: Haloul, Fatiha Alla, *The Social Characteristics of the Rural Population*, op. cit., p.

(2) An inclination for the rural human force to grow at a rate that is apparently slower than the rate of growth experienced by the urban human force. In absolute terms, both the rural and the urban human forces have been increasing in numbers. In relative terms, the rural human force has been making a declining proportion of the total human force while the urban human force has been making an ascending proportion. With such a state of conditions due course should then be given to the continued growth of urban centres and the "pull" exercised by urban occupations on rural workers.

**TABLE No. : 2 B.**

**The Residential Distribution of the Egyptian Human Force During the Period : 1927 - 1947**

| Year | Rural | | Urban | | Total | |
|---|---|---|---|---|---|---|
| | Number in Millions | % | Number in Millions | % | Number in Millions | % |
| 1927..... | 9.2 | 76 | 2.9 | 24 | 12.1 | 100 |
| 1937..... | 10.4 | 75 | 3.4 | 25 | 13.8 | 100 |
| 1947..... | 11.3 | 69 | 5.1 | 31 | 16.4 | 100 |

*Source:*

Haloul, Fatiha Alla, *The Social Characteristics of the Rural Population*, op. cit., p. 75.

*The Level of Employment in Egypt:*

As to the level of employment and/or unemployment, the data presented in Table No. 2 — C show that out of 11 million individuals that were comprising the total human force in Egypt in 1917, 4.7 millions or 43% were only employed. The numbers employed increased to 5.8 millions in 1927, and to 7.4 millions in 1947. As a per cent of the total human force these figures represent 48, 54, and 51 in the same order.

It could also be seen from the data presented in the aforementioned table that the level of unemployment (both voluntary

and involuntary) has remained almost stable in the absolute sense up to 1937 (6.3 millions in both 1917 and 1927, and 6.4 millions in 1937) and then increased to 8.0 millions in 1947. In relative terms the numbers unemployed have continued to decline from 57% in 1917 to 52% in 1927, and then to 46% in 1937. In 1947 the level of unemployment increased to 49%. This would mean that it is almost the responsibility of every employed Egyptian to support or feed at least two other individuals or dependents.

**TABLE No. 2 — C.**

**The Level Of Employment In Egypt During The Period 1917 - 1947**

| Year | Employed | | Unemployed (1) | | Total Human Force | |
|---|---|---|---|---|---|---|
| | Number in Millions | % | Number in Millions | % | Number in Millions | % |
| 1917..... | 4.7 | 43 | 6.3 | 57 | 11.0 | 100 |
| 1927..... | 5.8 | 48 | 6.3 | 52 | 12.1 | 100 |
| 1937..... | 7.4 | 54 | 6.4 | 46 | 13.8 | 100 |
| 1947..... | 8.4 | 51 | 8.0 | 49 | 16.4 | 100 |

*Source:*

Haloul, Fatiha Alla, *The Social Characteristics of the Rural Population*, op. cit., p. 73

(1) Includes both voluntary and involuntary unemployment.

*Rural and Urban Employment in Egypt:*

When considering the level of employment in both rural and urban areas (see Table No. 2 — D) the following facts were easily ascertained. These facts are:

(1) A gradual and continuous upward trend in the percentage of urban employment since 1927. Such an upward trend reflects the structural growth of both the secondary and tertiary industries.

(2) The instability in the percentage of individuals employed in rural areas (47% in 1927, 54% in 1937, and 50% in 1947). Such instability was partly due to the economic depression that did hit the Egyptian economy in the early thirties. It was also due to the abnormal conditions created by the second World War.

As to the depression of the thirties, it is believed that it had forced many unemployed urban worker to seek a job in rural areas thus causing the level of rural employment to rise to an abnormal level during the 1937 census. It is also believed that the second World War had almost reversed the trend of internal labour migration thus causing the level of urban employment in 1947 to be apparently above normal.

(3) A downward trend in the percentage of urban unemployment in contrast to an indefinite trend in the percentage of rural unemployment largely because of the same causes just mentioned above.

(4) A relatively higher percentage of unemployment in rural than in urban areas during both the 1927 and the 1947 censuses and approximately equal percentages of unemployment in both areas during the 1947 census. Such a state of conditions may be largely due to a higher percentage of voluntary unemployment in rural areas as compared with the same in urban areas.

**TABLE No. : 2 - D**

**The Level Of Employment In Both Rural And Urban Areas in Egypt during The Period : 1927 - 1947**

| Year | Rural | | | | | | Urban | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Employed | | Unemploy. | | Total | | Employed | | Unemploy. | | Total | |
| | Num. | % | Num. | % | Num. | % | Num. | % | Num. | % | Num. | % |
| 1927 ..... | 4.3 | 47 | 4.9 | 53 | 9.2 | 100 | 9.5 | 5[illegible] | 1.4 | 4[illegible] | 2.[illegible] | 100 |
| 1937 ..... | 5.6 | 54 | 4.8 | 46 | 10.4 | 100 | 1.8 | 5[illegible] | 1.6 | 4[illegible] | 3.[illegible] | 100 |
| 1947 ..... | 5.6 | 50 | 5.7 | 50 | 11.3 | 100 | 2.8 | 5[illegible] | 2.3 | 4[illegible] | 5. | 100 |

*Source:*

Haloul, Fatiha-Alla, *The Social Characteristics of the Rural Population*, op. cit., p. 77

(1) Includes both voluntary and involuntary unemployment.

*The Relative Importance of Agricultural Employment:*

It has been claimed that a highly-developed economy should have a small proportion of its population engaged in agricultural pursuits. Such a claim is usually sustained by data revealing a long-run decline in the relative importance of agricultural employment.

As to the Egyptian economy the data presented in Table No. 2 — F reveal a clear and strong long-run decline in the relative importance of agricultural employment. When excluding the data pertaining to 1917, one finds out that the proportion of the labour force engaged in agriculture had fallen from 60% in 1927, to 58% in 1937, and then to 51% in 1947. Such a long-run decline does not mean, as will be seen later on, any actual decrease in agricultural output. It rather means that the rise in agricultural productivity has enabled a smaller proportion of the labour force to feed the ever growing population of the country.

With agriculture continuing to decline in relative importance the slack in the labour force seems to has been taken up not by the secondary industries but by the tertiary industries. Thus, the data presented, once again, in Table No. 2 — F show that the proportion of the labour force engaged in the latter industries has increased from 30% in 1927, to 34% in 1937, and then to 39% in 1947.

## TABLE No. : 2 - F

### THE INDUSTRIAL COMPOSITION OF THE LABOR FORCE
### In Egypt During the Period : 1917 - 1947

| Major Industry Group | Number in Thousands | | | | Percentage | | | |
|---|---|---|---|---|---|---|---|---|
| | 1917 | 1927 | 1937 | 1947 | 1917 | 1927 | 1937 | 1947 |
| *I. Primary Industries :* | | | | | | | | |
| (*a*) Agriculture ..... | 2 627 | 3 525 | 4 308 | 4 245 | 56 | 60 | 58 | 51 |
| (*b*) Mining ..... | 3 | 8 | 11 | 13 | — | — | — | — |
| Total ..... | 2 630 | 3 533 | 4 319 | 4 258 | 56 | 60 | 58 | 51 |
| *2. Secondary Industries :* | | | | | | | | |
| (*a*) Processing industries ..... | 364 | 454 | 478 | 709 | 8 | 8 | 6 | 9 |
| (*b*) Building and construction ..... ..... | 62 | 92 | 121 | 113 | 1 | 2 | 2 | 1 |
| Total ..... | 426 | 546 | 599 | 822 | 9 | 10 | 8 | 10 |
| *3. Ta Industries :* | | | | | | | | |
| (*a*) Trade ..... | 324 | 459 | 460 | 620 | 7 | 8 | 6 | 7 |
| (*b*) Transportation and communication ... | 151 | 196 | 139 | 203 | 3 | 3 | 2 | 2 |
| (*c*) Personal services ..... | 241 | 213 | 256 | 392 | 5 | 4 | 4 | 5 |
| (*d*) Social services & public administration | 232 | 300 | 322 | 515 | 5 | 5 | 4 | 6 |
| (*e*) Non-classified & unproductive pursuits | 706 | 596 | 1 327 | 1 572 | 15 | 10 | 18 | 19 |
| Total Employed ..... | 1 654 | 1 764 | 2 504 | 3 302 | 35 | 30 | 34 | 39 |
| Grand Total ..... | 4 710 | 5 846 | 7 422 | 8 383 | 100 | 100 | 100 | 100 |

*Source :*

Haloul, Fatiha Alla, *The Social Characteristics of the Rural Population*, op. cit., p. 81.

## NATIONAL AGRICULTURAL INCOME

The declining relative importance of Egyptian agriculture can be also confirmed by published estimates of net national income (see Table No. 3 — A). It is true that the proportional contribution of agriculture to the net national income increased from 31% in 1952-1953 to a high of 35% in 1956-1957 as a result of the national drive for improving agricultural techniques and because of good weather condition, but since that latter date its proportional share has continued to decline until it reached a low of 30% in 1960-1961. In comparison, it could also be seen from the same data presented in the aforementioned table that the proportional contribution of the group of industries known by the name of "secondary industries" has continued to increase from 26% in 1952-1953 to 31% in 1960-1961.

Within agriculture itself, the data presented in table No. 3 — B reveal that were it not for the continued growth experienced by some sectors such as fruits, vegetables, poultry, and bees, the relative decline in the importance of agriculture would have been even bigger.

**TABLE No. : 3 - A**

**ESTIMATES OF NATIONAL INCOME FOR THE DIFFERENT SECTORS OF THE EGYPTIAN ECONOMY DURING THE PERIOD 1952 - 1960**

**( Prices in 1952 - 1953 = 100 )**

| | Agriculture | | Secondary Industries (1) | | Tertiary and Industrids (2) | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Egyptian Pounds | % | Egyptian Pounds | % | Egyptian Pounds | % | Egyptian Pounds | % |
| | (Millions) | | (Millions) | | (Millions) | | (Millions) | |
| 1952 - 1953 | 252 | 31 | 211 | 26 | 343 | 43 | 806 | 100 |
| 1953 - 1954 | 276 | 31 | 234 | 26 | 381 | 43 | 891 | 100 |
| 1954 - 1955 | 324 | 33 | 262 | 26 | 404 | 41 | 990 | 100 |
| 1955 - 1956 | 332 | 32 | 279 | 27 | 416 | 41 | 1027 | 100 |
| 1956 - 1957 | 356 | 35 | 277 | 27 | 382 | 38 | 1015 | 100 |
| 1957 - 1958 | 337 | 34 | 287 | 29 | 373 | 37 | 997 | 100 |
| 1958 - 1959 | 325 | 31 | 315 | 31 | 393 | 38 | 1033 | 100 |
| 1959 - 1960 | 357 | 31 | 355 | 31 | 432 | 38 | 1144 | 100 |
| 1960 - 1961 | 372 | 30 | 394 | 31 | 481 | 39 | 1247 | 100 |
| Average | 326 | 32 | 291 | 28 | 400 | 40 | 1017 | 100 |

*Source:*

*Yearly Book of General Statistics for the United Arab Republic : 1952 - 1960*, General Recruiting Office, Cairo. December. 1961. p. 19.

(1) Includes : industry, building and construction.

(2) Includes : transportation and communication, commerce and banking and other industries.

TABLE No. 18 - B

GROSS AND NET NATIONAL AGRICULTURAL INCOME DURING THE PERIOD : 1952 — 1960

(Prices in 1952 = 100)

| Sector | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | Av. 1952 - 1960 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | L.E. | % |
| 1. *Plant Crops:* | | | | | | | | | | | |
| (a) Field-crops | 296 | 302 | 335 | 322 | 343 | 322 | 308 | 334 | 378 | 327 | 73 |
| (b) Vegetables | 14 | 14 | 15 | 17 | 17 | 21 | 26 | 26 | 26 | 19 | 4 |
| (c) Fruits | 11 | 12 | 15 | 17 | 17 | 21 | 23 | 22 | 22 | 18 | 4 |
| Total | 321 | 328 | 365 | 356 | 377 | 364 | 357 | 382 | 426 | 364 | 81 |
| 2. *Animal Crops:* | | | | | | | | | | | |
| (a) Livestock | 30 | 33 | 40 | 48 | 42 | 38 | 41 | 41 | 41 | 39 | 9 |
| (b) Milk, milk products and raw wool | 26 | 29 | 33 | 36 | 33 | 30 | 30 | 30 | 30 | 31 | 7 |
| (c) Poultry and bees' products | 10 | 12 | 13 | 15 | 14 | 15 | 16 | 16 | 16 | 14 | 3 |
| Total | 66 | 74 | 86 | 99 | 89 | 83 | 87 | 87 | 87 | 84 | 19 |
| Gross Agricultural Income | 387 | 402 | 451 | 455 | 466 | 447 | 444 | 469 | 513 | 448 | 100 |
| Cost price | 135 | 126 | 128 | 123 | 110 | 111 | 119 | 122 | 150 | 125 | — |
| Net National Agricultural Income | 252 | 276 | 324 | 332 | 356 | 337 | 325 | 346 | 363 | 323 | — |

*Source:*

*Yearly Book of General Statistics for the United Arab Republic*, op. cit., p. 35.

## FOREIGN TRADE

Lastly though not least, it need not be said that the declining relative importance of Egyptian agriculture could also be measured by data concerning its role in the country's foreign trade. Despite the fact that such data as those presented for example in tables No. 4—A, 4—B, and 4—C are not quite conclusive about this point, there is a general agreement among writers on the subject that given enough time the agricultural sector will definitely show a clearly relative decline in this regard.

In conclusion then, one could say that the low demand elasticity of most foodstuffs in connection with the advantages of specialization and the process of development will certainly end up with a decline in the relative importance of Egyptian agriculture.

TABLE No. : 4 - A.

THE TOTAL VALUE OF EGYPTIAN EXPORTS DURING THE PERIOD : 1952 - 1960

ESTIMATED ACCORDING TO PRICES PREVAILING IN 1952

(Unit : 1,000,000 L.E.)

| Sector | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | Av. 1952 - 1960 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. *Agriculture:* | | | | | | | | | | | |
| (a) Cotton and cotton products | 132 | 126 | 129 | 123 | 107 | 123 | 113 | 112 | 138 | 123 | 84 |
| (b) Plant and Animal products | 4 | 6 | 8 | 14 | 17 | 17 | 20 | 10 | 17 | 13 | 8 |
| (c) Food industries..... | 1 | 2 | 1 | 2 | 2 | 2 | 4 | 3 | 3 | 2 | 1 |
| Total ..... | 137 | 134 | 138 | 139 | 126 | 142 | 137 | 125 | 158 | 138 | 93 |
| 2. *Industry:* | | | | | | | | | | | |
| (a) Chemical industries ..... | 2 | 6 | 4 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 3 |
| (b) Iron and steel industries... | — | — | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | — |
| Total ..... | 2 | 6 | 5 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 3 |
| 3. *Mining*..... | 3 | 3 | 3 | 2 | 3 | 3 | 5 | 6 | 6 | 4 | 3 |
| 4. *Other Industries* ..... | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | — |
| Grand Total ..... | 143 | 144 | 147 | 146 | 135 | 151 | 148 | 137 | 170 | 147 | 100 |

*Source:*

*Yearly Book of General Statistics for the United Arab Republic*: 1952 - 1960. op. cit., p. 72.

**TABLE No. : 4 - B**

**THE TOTAL VALUE OF EGYPTIAN IMPORTS DURING THE PERIOD 1952 - 1960**

**ESTIMATED ACCORDING TO PRICES PREVAILING IN 1952**

**(Unit : 1,000,000 L.E.)**

| | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | Av. 1952-1960 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. *Agriculture:* | | | | | | | | | | | |
| (a) Cotton products ..... | 19 | 17 | 14 | 16 | 10 | 10 | 10 | 7 | 11 | 13 | 7 |
| (b) Pland and animal products | 59 | 46 | 20 | 20 | 27 | 38 | 38 | 41 | 37 | 36 | 19 |
| (c) Food industries..... | 8 | 11 | 9 | 7 | 8 | 7 | 7 | 7 | 7 | 8 | 4 |
| Total ..... | 86 | 74 | 43 | 43 | 45 | 55 | 55 | 55 | 55 | 57 | 30 |
| 2. *Industry:* | | | | | | | | | | | |
| (a) Chemical industries ..... | 43 | 39 | 41 | 43 | 37 | 43 | 50 | 40 | 42 | 42 | 22 |
| (b) Iron and Steel industries . | 62 | 45 | 53 | 73 | 67 | 41 | 65 | 67 | 71 | 60 | 32 |
| Total ..... | 105 | 84 | 94 | 116 | 104 | 84 | 115 | 107 | 113 | 102 | 54 |
| 3. *Mining*..... | 18 | 16 | 22 | 20 | 20 | 12 | 31 | 21 | 23 | 21 | 11 |
| 4. *Wood and other products* ..... | 10 | 11 | 14 | 15 | 9 | 9 | 11 | 8 | 10 | 11 | 5 |
| Grand Total ..... | 219 | 185 | 173 | 194 | 178 | 160 | 212 | 191 | 201 | 191 | 100 |

*Source:*

Yearly Book of General Statistics for the United Arab Republic : 1952 - 1960, op. cit., p. 73.

**TABLE No. : 4 - C**

**THE BALANCE OF TRADE AND THE VOLUME OF FOREIGN TRADE FOR THE EGYPTIAN ECONOMY DURING THE PERIOD : 1952 - 1960**

**(Unit : 1,000,000 Egyptian Pounds)**

| Year | Imports | Exports | | | Difference in the balance of trade |
|---|---|---|---|---|---|
| | | Domestic production | Goods imported | Total | |
| 1952..... | 219 | 143 | 2 | 145 | 74 |
| 1953..... | 175 | 136 | 1 | 137 | 38 |
| 1954..... | 160 | 137 | 1 | 138 | 22 |
| 1955..... | 183 | 137 | 1 | 138 | 45 |
| 1956..... | 186 | 141 | 1 | 142 | 44 |
| 1957..... | 182 | 170 | 1 | 171 | 11 |
| 1958..... | 238 | 164 | 1 | 165 | 75 |
| 1959..... | 214 | 153 | 1 | 154 | 60 |
| 1960..... | 225 | 191 | 1 | 192 | 33 |
| Average 1952 - 1960..... | 198 | 152 | 1 | 154 | 45 |

*Source:*

*Yearly Book of General Statistics for the United Arab Republic* 1952 - 1960, op. cit., p. 71.

# REFLEXIONS ON THE GENERAL PRINCIPLES OF LAW

*by*

Dr. Salah-Eldin Abdel Wahab (*)

## INTRODUCTION

The project now undertaken at Cornell Law School in the United States to designate the "General Principles of Law recognized by civilized Nations," is a most daring project. Professor Rudolf Schlesinger, the initiator and director of the project has illustrated its outline in his first article published in 1957 in the American Journal of International Law. In his second article published in the volume comprising essays in honour of Professor Hessel Yentema, the editor in chief of the American Journal of Comparative Law, Professor Schlesinger has unveiled an interesting side of legal knowledge, that is the existence of a common core of legal systems which could be ascertained through a rough and a painstaking process of comparative study.

Although the idea is not new as Professor Percy Corbett enunciated in his comment in the issue of June 1961 of Virginia Law Review, yet, Professor Schlesinger's great contribution was to push this search forward and take firm steps toward reaching its ultimatum, i.e. a codification of these general principles of Law supposedly existing in the national legal systems of the civilized world.

The project consists of inviting to Cornell distinguished scholars from the major legal systems of the world to participate in very scholarly and carefully prepared seminars in which the legal systems are throughly studied and squeezed to reach the juicy part of each. Deliberations are purely scientific and are based on prepared working papers which are built out of cases and factual situations rather than theories and legal solutions to hypothetical cases. Recourse to these hypothesis is limited to the extreme case where no actual case could be found. The most difficult

(*) The author recognizes the valuable help of Mrs. Francis Freeman, member of the N.Y. Law Revision Commission, in the preparation of this paper.

job in such task is to keep discussions purely scientific and at the same time penetrating the complexity of legal systems and the barriers that hinder mutual understanding of the living law of the two main orbits, civil law and common law.

The first meeting has been held in spring 1960 and the second sessions have taken place in fall 1961. The law of offer and acceptance in the formation of contracts, has been the topic of these two long-term conferences.

Each of the participants prepared a national report in answer to the questions raised in the working papers and the results arrived at were drawn in the form of general reports which have to conform the legal system of each of these participants.

This project, so far, has overcome the difficulties inherent in the legal points relating to offer and acceptance.

I have been lucky enough to participate in the conferences of this Project in its two rounds. I represented both the Egyptian and the Islamic legal systems, and I managed to show my colleagues the other participants, how rich and resourceful Islamic law of contracts is.

This project has served as a stimulus and a starting point as to me. The question whether there are such general principles of law which could be described as "recognized by civilized nations," will be the topic to which the present paper will be devoted.

— I —

## THE FUNCTION OF GENERAL PRINCIPLES OF LAW BEFORE DOMESTIC COURTS.

The Judge has his assigned place within the Judiciary and under the legal order of his own State. He has been chosen to fulfil the judicial function because of his legal education and his possession of those high qualities of wisdom and accumen which society requires of those holding that exalted station. When he sits on the Bench, the Judge looks at the facts presented to him through the eyes of the law. But what is this law? Were does he find it?

The source of the law applied in domestic courts may, briefly, be stated to be: the written laws enacted by the law making body,

either in the form of Acts or Statutes or as a Code of laws generally promulgaed; the decisions of courts; the writing of leading jurists; custom, and, lastly, the general principles of equity and justice, unwritten but discoverable.

It is the Judge's function to find and apply the law, not to make it. Therefore, Judges do not legislate, for that would be usurping a duty of the Legislature. A Judge is not free to disregard duly constituted enactments, nor precise rules of law derived from any other source. If he does, he may be accused of a denial of justice. It is the duty of a Judge to decide, and a plea for "non liquet," i.e., the assertion that the law is not clear, is no longer open to him. The power to deny final judgment on any pretext, such as that the law is silent on the point, or that it is obscure, or insufficient is no longer recognized. (1)

In case a direct statutory or decisional rule of law does not exist, the Judge is required to apply the rules governing similar or analogous cases. When analogy fails to settle the controversy, reference is to be made to the general principles of law, or to rules of equity and natural law. This procedure is followed by English and American courts deciding cases under the common law; and is required of civil law Judges due to the force of specific Code provisions. Art. 16 of the Civil Code of Argentina, for example, provides, that "If a civil question cannot be solved either by the letter or by the spirit of the written law, recourse shall be had to principles contained in analogous provisions; and if the case still remains doubtful, it shall be *decided according to the general principles of law*, account being taken of the circumstances of the case." (2)

The Judge is not deemed to have looked "outside the law" when he resorts, in view of solving the legal problem facing him, to a sort of substratum of all law — to fundamental principles which are recognized as having the true and proper sanction of a positive legal order.

The only logical requirement for the relationship which necessarily exists between the general principles and the particular rules of law is that there be neither discord nor incongruity be-

(1) Art. 4 of the French Civil Code, Art. 6 of the Italian Civil Code and Art. 9 of the Philippine Civil Code of 1949.
(2) Similar to Art. 1 section 2 of the Egyptian Civil Code.

tween them. A priori, no application contrary to a particular rule may be drawn from a general principle.

The necessity of having recourse to such principles as well as to all natural juridical reason, is kept alive by the inevitable incompleteness of all positive laws. Moreover, this incompleteness is so manifest that the invocation of general principles is a practice universally existing in all legal systems, whether operating under the common law or under a Code, and whether or not the particular Code is specific on the point.

The need to resort to such general principles of law is further illustrated in cases which involve choice of law problems. In these cases, the Judge of the forum applies the appropriate determinative rule to ascertain the applicable law. In certain relationships, the Judge might not find a relevant conflict of laws rule in his code or in the precedents and therefore, it is incumbant that he searches for such rule in the general principles of private international law. (1)

Moreover, the ascertainment of the law applicable to the case at hand, does not usually mark the end of the problem of "rattachment." The applicable law may provide no substantive rule to govern the case or may completely ignore the legal institution within which the disputed relationship falls and fits. In such cases, resort might also be had to the general principles of law.

Along with the same line of thought, comes the parties' failure to prove the foreign applicable law in a forum that adopts the fact theory of foreign law. (2) Attempting to mitigate the harsh results of dismissing the claim or defence based on the unproven foreign law, the courts in some jurisdictions assumed the existence of fundamental principles of right and wrong in the legal systems of all civilized nations which could be resorted to ex officio by the court. (3)

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(1) Art. 24 of the Egyptian Civil Code is illustrative: "In all the relationships not provided for in the precedent articles, resort must be had to the general principles of private international law."

(2) Generally common law countries and some of the civil law countries like France and Belgium, adopt the theory of treating foreign law as a fact.

(3) *Parrot* v. *Mexican Cent. Ry.*, 207 Mass. 184, 93 N.E. 590 (1911); *E. Gerli & Co.* v. *Cunrad* S.S. Co., Ltd. 48 F 2d-115 (2d Cir. 1931); Cuba R.R. Co. v. Crosby, 222 U.S. 473 The New York Court of Appeals refused in the *Riley* v. *Pierce* Oil Corp. 245 N.Y. 152, 156 N.E. 647, has refused to apply such a presumption to a conversion of property under the law of Mexico.

## THE PLACE OF GENERAL PRINCIPLES IN THE INTERNATIONAL FIELD.

Without tracing the idea of a universally recognized law back into history, it suffices to refer to the general principles of law as emphasized in the modern international context.

These general principles of law recognized by civilized nations found their first pronouncement in the Statute of the Permanent Court of International Justice, drafted in 1920. Agreement respecting the final phraseology was not reached without differences of opinion as to the propriety of its wording. Diverse currents are manifest in a study of the deliberations of the Committee of Jurists responsible for this masterful piece of international legislation. Mention of one or two views will suffice here:

The wording proposed by the Committee President, Baron Déscampes of France, was that the Court should apply, "the rules of international law, as recognized by the juridical conscience of civilized peoples." That is to say, he invoked what could be called "the norm of objective justice." There is, he said, "a fundamental law of justice and injustice, profoundly engraved in the heart of every human being, and which receives its highest and most favorable expression in the legal conscience of civilized peoples." This observation neatly expresses the idea of *natural law* from the natural order of things.

Elihu Root and Lord Phillimore, the Anglo-American members, expressed a different view. (1) Their view is believed to favor the principles that were accepted by all nations in *foro domestico* (in their domestic legal systems), and he, Mr. Root, mentioned as examples, certain principles of procedure, the principle of good faith, res judicata and the like. (2) In other words, this view consults the domestic legal systems of the civilized world in search of certain common characteristics or analogous

(1) It was the wording formulated by Mr. Root and explained by Lord Phillimore that was finally adopted.

(2) Professor Alf Ross, holds in his textbook of international law, p. 90 (1947), that the principles alluded to in Art. 38 are the fundamental legal principles common to human civilisation, recognised in the various internal legal orders, such as certain processual maxims, certain fundamental rules concerning the invalidity of contracts, certain human fundamental rights, and the like.

principles, which lend themselves to the transposition of international legal order, to be applied to inter-state relations and to relations between subjects of international law.

There are jurists who consider that Article 38 (c) has reference only to general principles of international law, and that principles pertaining to the municipal laws of the various States are not applicable, or only secondarily so. (1) Other writers believe that this section of Article 38 has exclusive reference to principles or private law as found within national states. (2) It might be argued that the reference is to both. But since in an International Court, principles of international law would clearly be applicable, any mention of them would be unnecessary and redundant. Therefore the provision could only refer to principles obtaining in municipal law. This is the generally accepted view. (3)

Following the same phraseology in the Statute of its predecessor, Art. 38 of the Statute of the International Cour of Justice provides for the law that the Court is apt to apply. According to this provision, the sources of applicable rules of law are divided into: original and subsidiary. The primary three sources of international law are original and successively classified into order a, b, c. These original sources are themselves divided into specific sources (conventions and customary rules), and general sources (general principles of law). It is a truism to say the specific prevails over the general and it is therefore, that these general principles of law do not come into play unless the specific methods of determining rules of law applicable to the case are lacking. The subsidiary means provided for in sub-section (d) (4) may or may not come into play with the other sources as supplementary methods of interpretation or factors to help ascertain the applicable rules.

The latent complexity of these "general principles of law recognized by civilized nations," has given rise to a serious conflict of views. The only requirement in these principles, being the

(1) Hudson, "The Permanent Court of International Justice," (1920).
(2) Lauterpacht "Private Law Sources and Analogies of International Law (1927), p. 71.
(3) Cheng, General Principles of Law as applied by International Courts and Tribunals, (1953).
(4) This sub-section stipulates: "subject to the provisions of Art. 59, judicial decisions and the teachings of the most highly qualified publicists of the various nations..."

element of recognition on the part of civilized nations, serves to clarify the line of demarcation between these principles and international custom which needs in addition, to be generally practiced. The legal nature of these principles is intrinsically inherent in them rather than being the outcome of an analogous practice. (1)

Justice Lauterpacht has explained that the infrequency or lack of articulation in using the general principles of law, does not affect its being an ultimate safeguard against the possibility of a *non liquet*. (2) Thus experience, he said, shows that the main function of it has been that of a safety-valve rather than a source of law in the proper sense of the word.

## — III —

## THE PLACE OF GENERAL PRINCIPLES IN TRANSNATIONAL RELATIONS.

In some cases, general principles of law are called upon to govern certain legal relations, that, while not international in character, should not be governed by municipal laws because of their special status. Such relations are called by Philip Jessup "transnational relation." These are, as Lord McNair (3) emphasized, agreements relating to economic development of a capital-importing state to which the other party is usually a foreign investor.

Due to the fact that a party to such an agreement is a private investor and not a state, no international court or tribunal could have jurisdiction to decide on the dispute that may arise upon his agreement. Normally, there should be an arbitration clause inserted in every agreement of this kind.

The arbitrator never accepts to apply the municipal law of the contracting state. (4) The latest incident of this kind is the

(1) Cheng, op. loc. p. 22.
(2) On the problem of *non liquet*, see Julius Stone, Legal controls on international conflict, p. 153 (1954) and Article in 25 B.Y.I.L., p. (1959).
(3) Lord McNair, General Principles of law recognized by civilized nations, B.Y.I.L., p. 1 (1957).
(4) Relying on the precedent of the *"Lena Goldfields Arbitration"* between the U.S.S.R. and a British corporation with respecting to mining concessions. The Award was given in that case on September 3, 1930.

arbitration between the Government of Saudi Arabia and Aramco, where Professor Sauser-Hall, the Referee stated: "Insofar as doubts may remain on the content or on the meaning of the agreements of the Parties, it is necessary to resort to the general principles of law and to apply them in order to interpret, and even to supplement, the respective rights and obligations of the Parties." (1)

A similar decision is found in the Arbitral Award given by Lord Asquith of Bishopstone, in August 1951, in the case of Abou Dhabi. Looking for the law to be applied, the Arbitrator noted that the law of Abou Dhabi was applicable *prima facie*, as an oil concession was involved, but that this law did not contain any rules on the subject. Having, on the other hand, excluded the application of English law, as unwarranted, the arbitrator held, therefore, that he had to resort to the general principles of law, as a sort of modern law of nature. (2)

Dr. Mann, (3) however, submits that it would at any rate be inexact, to speak of the application of the general principles of law recognized by civilized nations. These general principles, in his view, are not a law or a legal system that can be applied or referred to. If it was only the application of those principles that was being envisaged, then the internationalization of a contract, i.e. applying public international law as the law that the parties chose to govern their contract, would not be different in character from a contract which the parties have submitted, say, to Roman Law or to a law that is already abrogated. Dr. Mann concludes his critical statements by saying that Lord McNair must allow the *jus cogens* of the proper law to override the general principles which are merely incorporated into it.

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(1) Award given in 1958.

(2) Petroleum Development (Trusial Coast) Ltd. v. the Sheikh of Abou Lhabi, International & Comperative Law Quaterly, Vol. I (4th series), 1952, p. 247.

(3) The proper law of contracts concluded by international persons, 35 B.Y.I.L., 34 (1959).

— IV —

## MEANING OF THE PHRASE "GENERAL PRINCIPLES OF LAW RECOGNIZED BY CIVILIZED NATIONS."

The phrase in its reference to "civilized nations" has brought in a condition that is difficult to justify. It may be said that such reference connote the countries which have achieved statehood and are admitted to the family of nations, i.e. the political entities which have passed the stage of primitiveness. The French text reads, "les peuples civilisées" which means, peoples rather than nations. The difference in the wording between the English and the French texts, is not deemed, however, to entail any change in the conclusion that primitive societies are excluded.

Some theorists and practitioners of international law are agreed on the proposition that the phrase "recognized by civilized nations" does not mean that they must be recognized by all nations. Dr. Mann, in his search for the content of a "commercial law of nations," expounds such view and sides with Professor Gutteridge in that only the main legal systems should be consulted. (1) Thrusting aside views to the contrary, Dr. Mann says that it is the generality of the application of the rule (or principle) not the generality of the legal idea underlying it, that determines whether or not it is a general principle. He, like Professor Schlesinger, sees little distinction between rules and principles and states that even a technical rule may be a general principle.

It is true that it is possible to speak of general principles as being "generally accepted," but the converse is not true; that neither "a generally accepted rule may well be described as a general principle"; nor is Mann's thesis that "A principle of law is a general one if it is being applied by the most representative systems of municipal law. Such reasoning may be particularly satisfying to a comparatist, but it ignores the fact that a technical rule applied in many, or a majority, or even *all* legal systems, is not by virtue of its broad application transformed from a narrow rule into a general principle. Its nature has not been changed.

And it can be further shown in negation of the position taken by Mann and Schlesinger that their conclusions are etymologically incorrect. The discussions of the Committee of Jurists, who drafted

(1) Gutteridge, Comparative Law, Cambridge, 1946, Chap. 5.

the Statute of the International Court and are therefore responsible for the inclusion of reference to "general principles of law," clearly indicate that "general" was meant to qualify 'principles' and not their acceptance. It would have been a simple matter to insert "generally" before "recognized" if general recognition or general acceptance was intended. But this was not done. What is more, whenever there was reference in the discussion to the extent of acceptance contemplated, the word "universal" was used.

That the principles alluded to must be "general" in nature has just been alluded to. This, of course, implies breadth of scope. Justice Cardozo has spoken of the value of "generality" in the American Constitution, which, he says, states "rules not for the passing hour but principles for an expanding future" and which has "a content and a significance that vary from age to age." He notes that "today there is a growing tendency in political and juristic thought to probe the principle more deeply and formulate it more broadly." These words have significance here as indicating the nature and importance of general principles of law recognized by civilized nations, have a similar breadth of meaning suited to the particular time and place.

This is not the place to delve deeply into the distinction between principles, rules, doctrines and standards. This has been ably done by Rosco Pound. But it may be appropriate to indicate some differences between them. A principle, being a general truth, is a much broader concept than a rule, which is limited and rigid and more strictly applied. A "general" principle is a still broader concept. Being twice general (the generalization of a general truth) its expanse may be almost limitless serving as the theoretical basis for many varieties of phenomenon. Of course, Article 381 (c) is restricted to general principles of law and does not include other cognate social disciplines.

"*Universality*" *and* "*General Principles*"

There are few general principles of law that are recognized by civilized nations according to many writers. This is the view of de Visscher and of Gutteridge, who adds that "there are almost none" that are universally recognized. (1) Professor Seidl-Hohenveldern after engaging in an extensive research project designed to study the application of "general principles of law" concluded that "comparatively few 'principles' " would emerge as being even *generally* recognized. (2)

(1) Gutteridge, ibid, p. 61.
(2) American Journal of International Law, p. 853 (1959).

In Hans Kelsen's view, "the general principles of law recognized by civilized nations" have little value as a source of law because it is doubtful that such principles common to the legal orders of civilized nations exist at all in view of the ideological antagonisms separating the communist from the capitalist, and an autocracy from a democracy.

Others, however, are more hopeful. Dr. Wilfred Jenks in his new concept of international law as "the common law of mankind" (1) seeks to embrace all the countries of the world in a movement away from the narrow confines of international law as originally conceived by civil and common law countries of western Christendom. But it would appear even more doubtful that universal general principles of law will be found in this all-encompassing concept of a world legal order. Jenks sees this "universal law of a world community" as only in the first stages of its development and believes that in order for it to continue its expansion, it must be in the future draw from all nations and thus include a range of legal systems. In his own words he says: "We must learn to think instinctively in terms of a group of major legal systems including Latin American, Islamic, Hindu, Chinese, Japanese, African and Soviet law. We must seek to develop from the common elements in these legal systems, all of which are still in process of evolution, a universal legal order which gives reasonable expression to our sense of right and justice." (2)

Jenks stresses the interdependence of progress in overcoming political rivalry, fostering economic development, and achieving a universal system of international law. Therefore, it is necessary to seek advance on each of these frontiers to assure the establishment of an international legal order adequate for our times. (3)

But Jenks shies away from approaching a systematic review of the content of international law, for as he states, "it lies altogether beyond the possible range of the leisure-hour speculations of a harassed international civil servant."

(1) The London Institute of World Affairs, p. 106 (1958).

(2) Jenks, ibid, p. 169.

(3) An impressive effort to blueprint such an interconnected program in relation to the problem of peace maintenance is found in Clark & Sohn, World peace through world law (1958).

This optimistic approach, however, has been profoundly criticized by Falk and Mendlovitz. (1)

Yet, such criticism does not negative the worth-studying approach of an international law based on a universally-recognized system of law.

Another writer who calls for a universal approach, only in somewhat different terms, is Professor F.C.S. Northrop of Yale who in reliance on Ehrlich's dictum that any positive law to be effective must be sustained by the living law, and correspond to it, makes a plea for a world legal order based on the living legal and cultural norms of the major peoples and cultures of the world. (2)

The growth of world organizations, and, in particular, the progress of the United Nations' power and its capability in enforcing peace in many international incidents, gives credence to these global views, no matter how difficult they may be of realization.

## THE STRUCTURE OF THE GENERAL PRINCIPLES OF LAW.

The late Professor Ripert (3) defined a general principle as a rule, a general and controlling rule, that regulates human conduct. In his view, the principles of law are the essential rules on which other secondary rules depend for their application and their technique.

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(1) Some criticisms of C. Wilfred Jenks' approach to International law, 14 Rutgers Law Review, p. 1-36 (1959).

(2) The Complexity of legal and ethical experience, p. 8-19 (1959).

(3) Ripert (George), Les règles du droit civil applicables aux rapports internationaux, 44 Recueil des cours, p. 569 (1933) Contra Cheng. ibid, p. 24 where he distinguishes a principle from a rule. He refers to *Genini* case Where the umpire quoting from Bourguignon & Bergerol's Dictionnaire des Synonymes, says:

"A rule... is essentially practical and, moreover, binding; there are rules of art as there are rules of government, while a principle expresses a general truth, which guides our action, serves as a theoritical basis for the various acts of our life, and the application of which to reality produces a given consequences."

See Black's Law Dictionnary in which a principle is defined as a fundamental truth or doctrine, as of law; a comprehensive rule or doctrine which furnishes a basis or origin for others.....

By successive eliminations, Professor Ripert came to the conclusion that these general principles should be searched for in positive law. His argument in excluding the notion of equity, natural law and human reason, is based on the assumption that the Judge cannot decide according to these broad notions in violation of positive law. a) Equity, to him, is too simple a notion — it almost amounts to saying nothing to propose that the general principles of law are based on equity. Positive law, a legal rule, has precedence over equity. The Judge cannot disregard it under pretext of satisfying equity. b) General principles are also not to be confused with a general belief in the existence of natural law. (1) Positivists, deny that principles of morality and rules of reason can qualify as legal rules. Even the jurists who recognize the existence of a natural law reduce the concept to the idea of justice, (2) and admit that the content of natural law is variable in time and space. (3) It is argued that if the international judge could decide in accordance with such a concept of natural law, he would, in fact, legislate, which he is forbidden to do.

c) The same is true as to reason. The rationalist doctrine is the oldest. It has been revived on a sociological basis by considering natural law as the law of a rational human race — that of *homo sapiens*. While it must be admitted that judicial logic is indispensable, the rules of logical reasoning are not to be confused with rules of law. Logical reasoning serves only as a method of decision and not as the rule of decision. The mode of decision is subjective. It depends solely upon the legal education and common sense of judges. But the rule of decision is derived directly from either the rules of law laid down by the Legislature or from the authority of precedent or publicists — its limitations are objective.

It is respectfully submitted that a generalization to the effect that municipal laws as such cannot be the source from which general principles are derived for application in international tribunals is unacceptable because a principle which is common to all the major systems of civilized nations, derives from the very

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(1) Wolff, Les principes généraux du droit applicables dans les rapports internationaux, 36 Recueil des cours, p. 494.

(2) Gény, Science et technique en droit privé positif, 1915.

(3) Saleilles, Etude historique et droit naturel, Revue Trimestrielle de droit civil, p. 80 (1912).

nature of law and thus, should be accepted by the international judge. (1)

Nevertheless, it is necessary to distinguish positively between the technique of domestic law and the general principles which are to be found at its base. One must dig deep to arrive at the general principles upon which the whole system of positive law is constructed, and *thereby gain a truer idea of the living law.* It is a matter of extreme importance also to take account of both the theoretical arguments and practical solutions as found in the case law in the various legal systems comprising "civilized nations." (2)

Professor Von Verdross, like Professor Ripert, concluded that the recognition of general principles in the internal legal systems of civilized nations does not assure their applicability on the international plane, because such recognition merely constitutes proof of their objective existence. (3) Yet, the fact that a particular rule of domestic law may not be directly applicable in an international court, does not mean it has no application through analogy. (4)

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(1) Dr. Elfried Hârle wrote in his article on the general principles of law and international law, 16 Revue de droit international et de législation comparée, p. 663 (1935),

"Car, afin de combler les lacunes de l'organization juridique internationale, les tribunaux internationaux ont conclu du fait que certains principes de droit généraux ne sont faits jour et ont été reconnus dans la législation de l'ensemble des Etats, que ces principes sont valables en droit international, tout en tirant de circonstances la conclusion que la communauté des Etats entend les appliquer aussi dans les situations ressortissant au droit international, la confirmation de cette volonté a du reste été effectivement fournie par la reconnaissance toujours plus générale de la validité des principes précités."

Dr. Hærle is one of the main spensors of the theory of reception with regard to general principles of law. These general principles constitute, in his view, a separate source of international law. The reception of these general principles into the international legal order is specific and tacit. It is effected, moreover, by virtue of customary law.

(2) Gutteridge, Comparative Law, p. 65 (1949) where he states, "It is unwise to draw hasty conclusions from the *li'era scrip'a* of any system of law, because the provisions of a code or a statute which lay down a principle may be misleading unless they are read in the light of judicial interpretation or are considered together with other principles."

(3) Von Verdross, Les principes généraux du droit dans la jurisprudence internationale, 52 Recueil des cours, p. 195-205 (1935).

(4) Prof. Anzilotti, a positivist, suggests that the application of the general principles referred to in Art. 38 was a derogation, in favour of the jurisdiction of the Permanent Court of International Justice, of the principle that prohibits the extension, through analogy, of the application of legal norms "when such process does not seem, explicitly or implicity, to be intended by the parties."

(Cited in De Visscher, Contribution à l'étude des sources de droit international, 14 Revue de droit international et de législation comparée, p. 395, 407 (1933).

In considering the application of the general principles found in municipal legal systems, care must be taken to draw a line of demarcation between what relates to the essence of the principle and what is merely an application of it in a particular case under the legal system concerned. Envisaged in their essence, general principles of law, due to the very fact that they are common to the legal systems of all civilized nations, have a character of universality which justifies considering them as appertaining to the international as well as the national legal order. In this regard, there is no place for an analogy, in the sense of a borrowing from a source that is foreign to international law. The particular principle is law in both spheres — national as well as international. But the adaptation of these general principles to the conditions of international life may call for an elaboration of domestic law by the international tribunal. (1)

Thus, the general principles of law recognized by civilized nations cannot be viewed as separate norms having special character, but rather as a group of principles composing a body of law of a general nature, having continuous existence in the international field as well as in the national, and carrying in each nation, and among nations, the same inprint.

This, however, is by no means unanimously accepted among international lawyers. Professor George Scelle is the main exponent of the theory that denies every autonomous character to the general principles of law. In his view, these principles are merely general customs in contrast to international custom referred to in subsection (b) of Art. 38 which signifies special custom. (2)

Justice Lauterpacht (3) seems to favor this view. His thesis is that the two primary sources of law enumerated in Article 38 — treaty and custom — have provided a sufficient basis for decision. "The very comprehensiveness of the power inherent in the authorization to resort to general principles of law has counselled mode-

(1) This is another explanation of the theory of reception. In applying these principles, Prof. Verdross finds that the judge does not accomplish a legislative function but renders a judicial act; viz, applying a rule of law to a concrete situation. This presupposes that the general principles of law have been "received" in public international law — this reception is express and general, conventional and customary (Verdross ibid; Siorat, Le problème des lacunes en droit international, p. 262 (1959) ).

(2) Scelle, Droit international public, Manuel élémentaire, p. 40 (1944).

(3) The development of international law by the international court, p. 166 (1958).

ration in its use." Thus, in his opinion, resort to these general principles constitutes no more than an interpretation of existing conventional and customary law.

— IV —

## METHOD OF ASCERTAINING GENERAL PRINCIPLES OF LAW.

Having established that municipal laws of the civilized world is the proper place where the general principles of law are to be searched for, it remains to ask the real problematic question. What is the method that should be followed in ascertaining these general principles?

International law, as it has developed, is an immature system of law," (1) uncertain in content and generally incomplete.

General principles, therefore, have a special significance in this sphere since there is need for rather more frequent application of them. A need lightened by the differences among national legal systems.

To ascertain these general principles underlying the normative structure of legislative enactments of the various civilized nations, recourse must be had to comparative process.

But, how should we proceed in this process is another problem that we have to face. All legal systems could be built in one of two ways: either to proceed from the general to the particular or vice versa. It is believed that the dratters of the first book in

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(1) Lauterpacht, The Development of International law by international courts, (1958) p. 158. There is no dearth of authority to the effect that international law is deficient. Hallack refers to "the present imperfect state of international law" in (Elements of international law), 1874 sec. 17, p. 35; and Dickinson states that international law is still in "a very rudimentary stage of development," "The analogy between natural persons and international persons in the law of nations," 26 Yale L.J. 564, 587 (1917).

More recently Prof. Friedmann wrote:

"Contemporary international society is still loosely organized; it lacks legislative adn executive organs with power to make decisions, other than by consent of the member states. Substantive international of rules governing the conduct of nations in their mutual relations," law is still a collection of fragments rathe rthan an integrated system Friedmann, Law in a changing society, 1959) p. 56.

the German Civil Code of 1896 which comprises the general principles applicable to all legal relationships, have started by collecting the cases of the German courts and therefore they deduced the broad principles they inserted in the Code. This is the same method used by the Cornell Project in the field of the law of contracts. It was decided to use the factual approach. The law of consensual obligations was divided into "instalments," to be taken up one after another. On the basis of actual cases decided by American and Continental courts, and systematically arranged into sections of a "Working Paper," the study endeavours to find on what points the legal systems under consideration agree, and what the scope of disagreement is. And it is here that the participation of scholars from different countries becomes indispensable.

It is believed that such process is more effective in establishing a type of common core of legal systems which would be the layer of the general principles in question.

Yet, the danger of the outlining of principles, lies in that they are apt to cause rigidity in a field "where a certain amount of pliability in the application of law is essential." (1) As general principles of law should embody the living law of the civilized world rather than the book law or the *litera scripta* of the different legal systems, there is always fear that through the use of the comparative method the seal of recognition would be placed on a principle that in fact is not everywhere recognized. Prof. Gutteridge reminds us of the fact that in different private law systems, similar principles are interpreted in different ways and assume varying degrees of importance. Besides, similar terms do not necessarily convey the same ideas in the various systems.

Yet, these doubts and fears are merely inducive to proceed with great care and not to deplore any attempt to outline these general principles because by real and earnest research seeming disagreements may be reduced or eliminated by recognizing the often complex ways in which different legal theories may bring about a similar result.

It is my opinion, moreover, to establish a permanent board of qualified legal experts to be selected from the various parts of the civilized world, to help the judges of the international court of justice in making this needed quest in the general principles of law recognized by civilized nations.

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(1) Gutteridge, Comparative law, ibid, p. 67-68.

# ECONOMIC DEVELOPMENT AND PLANNING IN THE SUDAN (*)

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This article comprises three parts dealing successively with development policy, the 1961-62 budget and the industrial movement.

The introduction shows that in 1955/56 the Gross Domestic Product (at factor cost) in the Sudan was estimated by output method at LS. 284.2 mn. In 1959/60, it was LS. 338.6 mn. At 1955/56 prices, the Gross Domestic Product in 59/60 becomes LS. 320.9 mn. This means an average yearly increase in real gross domestic product of the order of 3.2% in the past five years.

Agriculture remains the most important sector of economic activity, but its relative importance decreased from about 61% to 57% (including forestry). The highest increase in the value added was contributed by "building and construction" and by "manufacturing including public utilities".

It is to be noticed that cotton is the main cash crop, then comes gum arabic.

Part I, about economic policy, distinguishes three main periods. From 1898-1927, from 1927-1946, and from 1946-1962. The central government plays an important rôle in all periods, notably in agriculture, engineering works and buildings. In the sector of modern industries, private capital is, at present, assuming the main responsibility, inspite of some newly established state industries.

Investment, during the first period, was financed through foreign loans and grants, from Egypt and Britain (the Condominium Powers). Egypt financed the first railways net in the northern part of the Sudan. By three loans, the United Kingdom financed the Sennar Dam and the major canalisation system in

(*) Summary of the article published in Arabic in this issue.

the Gezira area. The dam was completed in 1925, and it made possible the large-scale growing of cotton which has become the mainstay of Sudanese economy. Cotton, as the modern cash crop, took the place of gum, ivory, ostrich feathers, hides and skins.

In 1927, the Gash Board was created for cultivation in the Gash area.

During the second period, extending from 1927/1945, government investment was badly affected by the Great Depression and the resulting low cotton prices. Two schemes were however launched; the White Nile Schemes Board and the Equatoria Projects Board. The latter scheme, carried out in 1944, is a social as well as an economic project for the benefit of the Zande people in the far south.

As for the period 1946/1962, it is characterised by a series of investment programmes, for five years, or for one year. The development programme of 1946/51 totalled about LS. 14.6 mn. For 1951/56, the total provision was LS. 45.5 mn. Yearly programmes followed. In the current financial year, 1961/62, the total provision is LS. 38.1 mn. This is a record figure.

It is to be noticed that these programmes were mainly financed from budgetary surpluses before 1950. Now they are mainly financed from foreign loans. These are obtained from international financial institutions (IBRD-IDA) and from foreign governments (Federal Germany, Italy, U.K., U.S.A., Yougoslavia). The loans are medium and long-term. They are intended to finance vital projects like the railways net, the Managil Extension Scheme (Gezira area) and Roseires Dam.

It ought to be mentioned that a long-term plan, for seven years, is presently devised, covering the public sector (LS. 180 mn.) and the private sector (LS. 70 mn.) thus totalling LS. 250 mn.

Concerning the machinery of economic planning, it was created in February 1961. It is composed of the "Economic Council", the "Ministerial Commission for Development and Reconstruction", the "National Technical Commission" and the Secretariat. There are representatives of different ministries, departments, the Sudan Bank, the Agricultural Bank, the Gezira Board, Khartoum University. The Prime Minister presides over the Economic Council.

Part II of the article deals specifically with the 1961/62 budgetary estimates.

In the central budget, expenditure was estimated at about LS. 50.25 mn. and revenue at about LS. 57 mn. Revenue derives from three main sources; indirect taxes, sugar monopoly and government participation in agricultural undertakings. The first item is by far the most important, yielding about LS. 25 mn. (nearly 43 per cent). It includes the following; import consumption and excise duties, export duties and royalties. As for direct taxation, mainly the Business Profits Tax (B.P.T.), it yields around LS. 1.5 mn., that is a very small proportion of total government revenue. It is to be noticed that there is no income tax.

In addition to the central budget, there is the Development and Reconstruction Budget. This includes major agricultural and industrial schemes, such as Managil Extension Scheme, Roseires Dam and three important government factories for sugar, paper and leather. These projects will bring profound changes, inter alia; the large increase in cotton production, increased foreign exchange reserves and the diversification of the national economy leading to a more stable economy and better living standards.

Part III is especially about the industrial movement. Before 1955, the local industries were weak or primitive. The necessary stimulants were created by Independence in January 1956 and the Approved Enterprises (Concessions) Act which was promulgated in the same year. This law provides for reductions in the profits tax, reductions in railway rates, customs protection and other devices. The desirable or "approved" new industries are thus encouraged once the Advisory Committee so decides. More and more modern industries are being created to cope with a wide variety of local needs.

It is important to mention that the financing of these modern (mostly consumption) industries is helped by the formation of local savings, and is fostered by foreign loans. The recently established Sudan Industrial Bank, with government participation, will no doubt help the industrial movement and will give it a strong push.

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## II - REVUES LOCALES مجلات محلية

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**خطاب الرئيس جمال عبد الناصر** فى المؤتمر الاقتصادى للدول النامية

**السيد عبد اللطيف البغدادى** نائب رئيس الجمهورية يقدم أضخم ميزانية فى تاريخ الجمهورية العربية المتحدة

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