cept anything unless it is clear and distinctive. This means that any idea with any degree of ambiguity is subject to examination and if its ambiguity persists after examination, then the idea is to be discarded. When Taha Husayn tried to penetrate the ambiguity engulfing [our] heritage, he was thrown out of the university. This means that the sentence to reject Husayn's thought was similar to the sentence against Galileo. It also means that we were content to copy the university concept from Europe without understanding the principles of the secular university. We have thus approached the secular universities as if they were religious universities. This is still our position, as proven by the sensitivity toward any new thought.

Then came the rash of detailing [professors to foreign universities] to create a deadly drain on the university's intellect--a drain which is about to kill this intellect because the professor's eyes are now focused on the petrodollar countries even after he returns from them.

New Spirit

The policies of the Egyptian university education are based on no philosophy, are not stable or convincing and have no decisive and specific goals. They have also lost every connection with the national plan and with the comprehensive and complete dimensions of the human and cultural development.

GOVERNMENT'S ECONOMIC POLICIES DISCUSSED

Khartoum AL-SAHAFAH in Arabic 22 Dec 82 pp 4,5

[Article by Yusri Muhammad Jabr: "The Road to Correcting the Balance of Payments"]

[Text] Domestic savings have not contributed to the process of development.

Sudan's economy has experienced a growth of 2.6 percent.

Before answering this question [discussing these facts] it is necessary to clarify what is meant by currency devaluation, the theories held concerning it, the circumstances which necessitate resorting to it, and the degree of success which this policy has in correcting the deficit in the balance of payments. Then we can deal with the economic situation in Sudan as it has been during recent years in order to become familiar with the motives which have, more than once, necessitated modifying the rate of exchange and in order to learn to what degree this policy has succeeded or failed to achieve the objectives hoped for.

"Currency devaluation" means decreasing the price of a given currency unit in relation to other currencies or increasing the number of units which one must have of this currency in order to purchase given amounts of other currencies.

Currency devaluation is considered to be one of the most difficult economic policies that one can resort to in view of the difficult conditions which may result from this policy. In spite of this, the current international monetary system principles stipulated in the paragraphs of the IMF agreement encourage this policy in cases of so-called "fundamental disequilibrium," regardless of the sources of this state of imbalance--that is, whether this state of imbalance is due to domestic or foreign factors.

When analyzing a currency devaluation policy, it is necessary to determine the primary nature of the imbalance and to determine exactly what phase it is in. In order for me to make it clear what I mean, let us assume that we have a nation whose currency rate is so high that this does not permit its international payments to achieve a balance with the level of its domestic economic activity. As a result of this this nation continually finances the deficit

from its foreign capital. This is something which cannot go on forever. Let us also assume that we are not dealing with a case where domestic demand for production is so great as to be undesirable--that is, it results in inflation. Although domestic expenditure exceeds domestic production since it is necessary to maintain full employment, correcting the imbalance in the balance of payments by means of decreasing total demand (the rate of monetary expenditure) will lead to unemployment. For this reason some people feel that there is an alternative to currency devaluation. There are three theories which deal with currency devaluation, and they are the following:

I. The Flexibility Approach

Let us answer the question: What is the effect of currency devaluation on the balance of trade? According to this approach it is necessary to take a close look at the circumstances of supply and demand in the nation which is pursuing a policy of currency devaluation, and it is also necessary to scrutinize the circumstances of supply and demand as far as the rest of the world is concerned.

It is always assumed that currency devaluation leads to a decrease in the prices of the nation's exports which exactly corresponds to the currency devaluation, that this consequently leads to an increase in foreign demand for these exports, and that the increase in demand for these exports causes a gradual rise in the prices of these exports until they reach the price level which existed before devaluation.

In this case, increasing revenues from exports depends upon the following:

1. Flexibility of foreign demand for the exports.

2. Flexibility of domestic supply of exportable goods.

In the same manner, the effect of currency devaluation on imports can be summed up as being a rise in the domestic or local prices of imports, and consequently a decrease in demand for them. This depends on flexibility of domestic demand for imports and flexibility of foreign supply of imports (merchandise exported from other nations). From the above we conclude that the effect of currency devaluation on the balance of trade depends on flexibility of foreign demand and domestic supply of exports as well as flexibility of domestic demand and foreign supply of imports.

II. The Absorption Capacity Approach

The basic concept here is that any improvement in the balance of trade requires some increase in the gap between total production and total domestic expenditure. This concept can be clarified by means of the following equation:

Total domestic expenditure on goods and services plus total foreign expenditure on goods and services (exports) equals capacity to absorb goods and services which a nation has - exports.

If we reverse this equation, we have the following:

Total foreign expenditure on goods and services (exports) minus imports equals capacity to absorb goods and services minus total domestic expenditure on goods and services.

The equation makes it clear that any trade surplus reflects an increase in production over domestic expenditure. Vice versa is true in the case of a trade deficit which must be decreased by means of decreasing the gap between production and expenditure, regardless of flexibility.

This analysis makes it clear that currency devaluation must be accompanied by deflationary monetary and financial policies in order to improve the balance of payments.

Below we will attempt to concentrate on the relationship between real expenditure and real income as well as the relationship of these two things to price levels--as opposed to the traditional approach which concentrates on analyzing supply and demand.

We know that the net balance of trade equals the difference between the total goods and services produced in a given nation and the total goods and services utilized domestically, that is, those which are taken out of the market by means of consumption. On the basis of this it is possible to say that if currency devaluation affects the balance of trade, then this must take place by means of the following:

1. Change in the production of goods and services in the nation. This change will be accompanied by a change in the capacity to absorb goods and services since the balance of trade changes in accordance with the difference between the change in income and the income resulting from the change in the absorption capacity.

2. The change in the volume of real absorption which is inseparable from any level of real income.

In order to briefly clarify the above, we shall overlook the other factors which affect the balance of trade apart from those which are related to dealing in goods and services. Let us assume that no trade barriers exist, although this assumption is not necessary for our subsequent analysis to be correct. In order to make the matter simple, let us take a single price and represent the change in the level of that price by means of the letter "S" and the change in total net production of goods and services (national income) by means of the letter "Y," and lastly, in order to complete the picture, we will deal with the relationships in a nation which has undertaken currency devaluation.

The starting point could be the letter "B" which represents the balance of trade and which is equal to the difference between the total production of goods and services ("Y") and the total absorption of goods and services ("A"). We then have the following:

$$B=Y-A$$

This equation indicates that the change in the balance of trade equals the difference between the change in production and the change in absorption of goods and services, that is, it shows the nature of the effect which currency devaluation has on "A" and "Y" (real or monetary).

Moreover, we should take one important fact into consideration. This is the fact that the capacity to absorb goods and services depends at least partially on real income (which is equal to the production of goods and services). It also depends on the price level or other factors which are not related to currency devaluation. The result is the following:

$$A=SY-D$$

"S" equals the propensity to absorb (it equals the propensity to consume plus what resembles the effect of income on investment, which could be called the "propensity to invest."

"D" equals the direct effect of currency devaluation on absorption. It can be concluded from this equation that the change in absorption of goods and services in terms of real value which results from currency devaluation is composed of two parts. The first part is "SD" which represents the change in consumption plus the real investment which results from the change in real income resulting from currency devaluation. The second part is "D" which represents the change resulting from factors other than income.

If we attempt to link these two equations in terms of function, we arrive at the following equation:

$$B=(A-S)Y+D$$

This leads us to the following questions:

How does currency devaluation affect income? How does change in the level of income affect absorption on any given income level? That is, what is the extent of the magnitude of "S"? How does devaluation directly affect absorption on any given income level? That is, what is the extent of the magnitude of "D"?

In order to answer all of these questions, it is necessary to take into consideration the total structure of a nation which is engaging in devaluation of its currency and it is necessary to take into consideration the rest of the world. In view of the fact that to do this would be enormously complicated, we will content ourselves with presenting a summary of the principal ideas involved.

The Effect of Devaluation on Income

The principal effect of currency devaluation on income occurs by means of increasing the nation's exports and the resulting stimulation of domestic demand by means of the multiple, provided that there are unemployed resources. In addition to the multiple there are other factors which determine the process of the increase which occurs in production, and they are the following:

1. The extent of the increase anticipated in the production of goods and services, without great increases in prices.

2. The degree of absorption by the rest of the world of the increase in exports resulting from the decrease in the foreign prices of exports.

We must emphasize the fact that the effect of income and production on the balance of trade is not the volume of the additional total production created, but rather the difference between this volume and the increase which occurs in the absorption capacity. This difference between real production and income and real expenditure on goods and services could be called the "real accumulation," and the balance of payments equals the total accumulation of the economy as a whole.

The change which occurs in the balance of trade ("B") as a result of the change in income, in accordance with this, equals the change which occurs in the real accumulation as a result of the change in income. That is, the change in income ("Y") is multiplied by the propensity to accumulate ("A-S").

Moreover, it is not possible for any improvement to occur in the balance of payments if it equals "S" or is more than "A." Under all of these circumstances it is possible for currency devaluation to be effective in bringing about stimulation [of the economy], and not in improving the balance of payments, with the exception of possible improvement via the direct effects which we will be talking about.

Under circumstances of less than full employment, currency devaluation is expected to have a positive effect on production and employment. This fact was proven during the thirties, before the Keynes theory became widespread.

Terms of Trade

Usually it is assumed that currency devaluation leads to a decrease in the prices of exports in foreign currencies which is greater than the decrease in the prices of imports in foreign currencies. This assumption is based on a nation's exports being more specialized than its imports, the result being that the prices of the exports become more vulnerable to the effects of currency devaluation than do the prices of the imports. Perhaps there is some compensation--although small--if imports are far greater than exports during the period of time which precedes currency devaluation.

Some people believe that the deterioration in terms of trade resulting from currency devaluation leads to an improvement in the balance of trade as long as it leads to a decrease in a nation's real income and consequently in its demand for imports. The decrease in income resulting from the deterioration in terms of trade leads to a decrease in demand for imports and for local goods.

The decrease in income ("B") resulting from the change in terms of trade causes a decrease in absorption capacity corresponding to "ST" which permits a corresponding improvement in the balance of payments partially by means of the direct

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decrease in imports included in "ST" and partially by means of diverting the resources that were utilized in the production of local elements ("ST") to the production of alternative imports or exports. Consequently, the effects of the deterioration of terms of trade leads to a decrease in the balance of payments ments since the change in terms of trade leads first of all to a decrease in "T" and then leads to an improvement of "ST."

The Direct Effect on Absorption Capacity

Assuming full employment, or if "S" approaches "A" or is more than "A," the effect of currency devaluation on the balance of payments takes place by means of the direct effect on the absorption capacity. This direct effect is linked to the increase in the level of prices and to the decrease in consumption or investment on any level of real income. (This does not apply to monetary income.) In order to explain the nature of the forces which affect the absorption capacity ("D"), it is necessary to make some assumptions in order to neutralize the other effects. For example, we must assume that a nation which devalues its currency enjoys full employment and that the real income which is produced cannot be increased as a result of currency devaluation. We must also assume that foreign supply of imports and foreign demand for exports enjoy total flexibility and that the prices of imports and exports in foreign currency, and consequently the terms of trade, will not change--that is, there will be no effect on income either through an increase in production or through a change in terms of trade.

The increase in the prices of the imports and exports in local currency as a result of currency devaluation will lead to individuals and establishments in nations resorting to switching their demand for imports to demand for local goods and increasing exports. The resulting increase in the demand for local goods (domestic production) will lead to an increase in local prices and monetary incomes up to the point where there is an end to this increased demand by virtue of the direct effects of the absorption capacity and less difference in the prices between the domestic and foreign markets. In the absence of the effect of absorption capacity, local prices will continue to increase until there is no more desire to replace imports with domestically produced goods or an increase in exports, and consequently there occurs no change in the balance of payments as a result of currency devaluation.

There are three direct effects of absorption capacity, which are:

1. The cash balance effect
2. The income redistribution effect.
3. The money illusion effect.

Under circumstances of full employment it is likely that the effects of the absorption capacity will be weak, and it is advisable that the effect take place directly by means of financial and monetary policies (limiting government expenditures, private investment, and private consumption) provided that this does not affect incomes and employment.

III. The Monetary Approach

This theory is based on the demand for monetary capital. It shows that the increasing demand for goods, services, and banknotes which results from a deficit reflects an increase in the supply of money. It draws attention to the analytical similarity between currency devaluation and the decrease in the supply of money which affects the owners of capital to equal degrees.

According to this theory, the currency devaluation is equal to the decrease in the supply of money and the decrease in the value of other capital assets in local currency when measured against foreign currencies. Seen from another angle, one can say that the real value of the supply of money will decrease as a result of currency devaluation in relation to the increase in the local prices of goods and services. As a result of this, there will be less expenditure in order to maintain the real value of financial savings and other capital assets. This results in an improvement in the balance of payments. However, if the monetary authorities increase their extension of domestic credit directly after currency devaluation in order to meet the new demand, this decreases the effect of the devaluation on international payments.

Currency devaluation in developing countries is considered to be something more complicated than merely changing the rate of exchange, and it is necessary to take into consideration all of the other adjustments which are a consequence of it.

Currency devaluation takes on one of the following forms:

1. Currency devaluation.

2. Currency devaluation along with the setting up of a program to establish financial and monetary policies for the purpose of decreasing total demand or at least decreasing the rate of increase in demand.

3. Currency devaluation and liberal zation of imports and other international payments which were either prohibited or else subject to a quota system.

4. Currency devaluation and either partial or total standardization of rates of exchange.

Moreover, it is possible for a currency devaluation policy to include all of the above at one time, according to the nature of the particular case involved. However, it is necessary to take into consideration all of the economic consequences of devaluation because of the profound effects which they have on the distribution of resources and income in a nation.

Many apprehensions are felt concerning the usefulness of a policy of currency devaluation, and some of them are the following:

1. The necessary improvement is not achieved in the balance of payments because exports or imports do not enjoy the flexibility to respond to relative changes within a reasonable period of time after the occurrence of such changes.

2. It leads to a deterioration in a nation's terms of trade and consequently imposes real burdens on the nation.

3. There is an increase in domestic prices which may affect the nation's ability to compete.

4. Regardless of the economic effects, a policy of currency devaluation is undesirable from the political point of view.

5. The lack of flexibility in the demand for imports in the cases of raw materials, semi-finished goods, and capital goods, in addition to the liberalization of imports and standardization of the rate of exchange, will actually lead to a decrease in the prices of imports which were either prohibited or subject to a quota system, and consequently there will be more consumption of them.

6. Most developing nations specialize in the export of particular goods, and achieving an increase requires increasing their production or developing new exports--and this is something which cannot be achieved in the short run.

7. In the case of incentives for increasing production and expanding capacity, preference is given to the goods which are alternatives to imports and exports instead of domestic and foreign goods. This usually occurs to a relative degree because high customs fees and restrictions imposed on imports, as well as rates of exchange, are all incentives toward utilizing domestically produced goods. Also, there are some exports which are subsidized, and elimination of the subsidy in the case of currency devaluation linked to elimination of the subsidy does not allow producers any leeway to increase their production for export.

8. New investments for the purpose of expanding capacity for producing for export depend upon improving the situation for investors and not returning to policies which were followed before devaluation.

9. Currency devaluation leads to an increase in the costs of servicing the debt in local currency, and perhaps leads to some people going bankrupt.

10. When the balance of trade is not favorable to a nation, and when there is an absence of a correct monetary approach, the squeeze in domestic credit leads (as long as the suppliers and others pay to the Central Bank more than what is received by the exporters demanding foreign currencies) to a decrease in domestic expenditure.

11. If currency devaluation is expected to lead to a general increase in prices, the period immediately following the devaluation will start off with people purchasing and accumulating large quantities of goods, and consequently there will be a decrease in expenditure until these goods are consumed.

12. Currency devaluation leads to a redistribution of income among society's individuals.

Deterioration in the balance of trade occurs during the period which directly follows currency devaluation in relation to foreign currencies if the liberalization of imports leads to increasing them and if the increase in exports is delayed or if the expansion in imports and exports is simultaneous and the economy is confronted with deflation as a result of this. In addition to this, the lack of flexibility of demand for imports indicates that the sharp increase in their domestic prices will lead to an increase in expenditure on them, even if there is a decrease in the quantity and value of the foreign currency.

For all of these reasons the primary effect of currency devaluation in developing nations is one of deflation and a decrease in purchasing power available for expenditure on domestic production.

Since 1970 the government has expanded its realm of investments. This has led to an increase in the importation of both capital and semi-finished goods. This has occurred at a time characterized by a decrease in exports as a result of concentrating the investment program on new projects which have not directly contributed toward increasing the volume of exports and because the necessary appropriations were not made available for the maintenance of existing projects.

As a result of this there was an increase in the gap between exports and imports, and there was a great increase in the incurrence of foreign debts. Furthermore, the problems which accompanied the implementation of the new projects included in the investment programs prevented the participation of these projects, with their revenues, at the times determined for this. This led to the government being unable to meet its increasing obligations and to the accumulation of payments overdue.

The production of peanuts increased from 340,000 metric tons in 1970/71 to 900,000 metric tons in 1979/80 as a result of the development in rainfed agriculture. Exports of peanuts increased from 60,000 metric tons in 1970/71 to 280,000 metric tons in 1975/76. However, there also occurred a great increase in domestic peanut consumption. The result was that exports decreased to 20,000 metric tons in 1979/80. The loss in revenues from exports was large in light of the peanut prices which prevailed at that time. As a result of the decrease in revenues from exports, there was a decrease in the share of exports in the GDP from 17 percent in 1972/73 to 8 percent in 1977/78.

In view of the unfavorable circumstances regarding exports and imports during the last 10 years, the deficit in the balance of trade increased from $10 million, or less than 1 percent of the GDP, in 1972/73 to $470 million, or 11 percent of the GDP, in 1974/75, and then it went up to more than $700 million in 1980/81.

With the increasing deficit in the balance of payments, the authorities resorted to taking out loans from foreign sources, and foreign debts increased from $10 million in 1972 to $290 million in 1973, and then this figure increased to $500 million in subsequent years. In spite of the fact that the problems which accompanied the implementation of the projects, and the consequent decrease in the taking out of loans, affected the volume of loans taken out in subsequent years such that they totalled between $570 million and $610 million annually in 1978, the size of the debt soon began to increase again. At first the government had a certain ability to mobilize foreign resources on easy terms.

But with the increase in the foreign deficit and with restrictions put on borrowing from sources providing easy terms, the government resorted to taking out loans on commercial terms. This led to complication of the problem of meeting its obligations by the deadlines set for them--in spite of the fact that some of the loans were transformed into grants--until the government thought of rescheduling the debts via the Paris Club.

During the period from 1970/71 till 1980/81 the Sudanese economy experienced a 2.6 percent annual growth. However, due to the dire scarcity of foreign exchange during the last 3 years, the volume of imports in 1980/81 decreased by about 80 percent from what it was during the 3 previous years. This deflation in imports constituted a problem as far as agricultural production was concerned, and was a problem for the economic activity of the country as a whole --such that gross domestic production in terms of real prices came to a halt in 1977/78. With the 2.8 percent annual increase in population, there was a decrease in average individual income.

Domestic savings did not contribute to any significant degree to the process of development because they were on such a small scale. They totalled about 8 percent of the GDP during the last decade, as compared with 15 percent in the case of nations in similar circumstances. Furthermore, the government's surplus equalled only 2 percent of the GDP during the first half of the seventies, and it decreased to where it was less than that by 1978/79.

The gap between exports and imports grew and began to steadily increase until the value of imports in 1980/81 totalled $1.9 billion as compared with exports, the value of which totalled $800 million. This means that there was a gap which equalled about 20 percent of the GDP.

The government did not simply stand helpless in the face of the deterioration in economic activity, but rather took a series of measures in order to increase productivity and stimulate exports. These steps could be summed up as being the following:

1. A program of revival of agriculture.

2. A program of creating exports.

3. Decreasing the tax on exports of peanuts, sesame seeds, edible oils, meats, and cattle.

4. Concerning the exchange rate, as of 9 November 1980 the government started evaluating all imports at a standardized exchange rate of 90 piasters to the dollar.

5. Customs fees on some selected items were increased.

In view of the economic situation mentioned above, the government began to deal with the IMF in order to bring about some changes in the economic policies such as those dealing with exchange rates and bank credit. In accordance with the agreement which was reached, the Sudanese pound was devalued, as of June 1978, from $2.50 per Sudanese pound to $2 per Sudanese pound, and this was one of the standby measures.

In May of 1979 the IMF offered easy terms, within the framework of which agreement was reached concerning the limits to which [the Sudanese government] could expand in its bank credit, including sublimits, when the government takes out loans from the banking apparatus in order to reinforce exchange rate measures, restrict foreign borrowing, and create changes in the system of setting prices and incentives in the irrigation sector in order to stimulate farmers to increase cotton production.

On 16 September 1979 the following policies were implemented:

1. Devaluation of the Sudanese pound from $2.50 to $2 for official transactions (public imports and most exports).

2. Introduction of the equivalent rate system for non-vital imports and private remittances.

3. Elininations of the tax on remittances.

4. Elimination of the premium rate system as far as remittances from Sudanese working abroad are concerned.

5. Elimination of the development tax on imports.

The government began to gradually evaluate exports and imports according to the equivalent rate until these measures were completed in November of 1981 by means of standardization of the exchange rate through devaluation of the Sudanese pound from 80 piasters to the dollar to 90 piasters to the dollar. The government has also recently reached an agreement with the IMF to devalue the Sudanese pound from 90 piasters to the dollar to 130 piasters to the dollar. During recent times the Sudanese economy has been characterized by a deterioration in productivity and an imbalance in the balance of payments, causing the government to adopt a series of financial and monetary policies in order to correct the course of the economy and eliminate its state of imbalance. Let us now pause to consider the policy of the devaluation of the Sudanese pound in order to learn what effects it has had on the balance of payments.

During the seventies domestic savings were not enough to cover the government's investment activities. For this reason the government resorted to taking out loans from the banking apparatus, and this has contributed toward increasing inflation in the country.

During recent years there has been an increase in imports as a percentage of the GDP, whereas exports, as a percentage of the GDP, have decreased to the point where there is a gap of 12 percent between the two. Foreign loans increased by more than $3 million, that is, more than 4 times the revenues received from exports. Servicing the debt has accounted for approximately 40 percent of the revenues received from exports.

The period from 1972/73 to 1973/74 witnessed an increased in the volume of investments which amounted to 50 percent in real prices, or 5 times what is was in nominal prices. These investments were represented by the first 5-year plan

of 1970/71-1974/75, the period of which was extended till 1976/77, and the 6-year plan of 1977/78-1982/83, which was changed into the Triple Investment Program with appropriations totalling $1.57 billion in terms of 1976/77 prices --or more than twice the real level of the 6-year plan in terms of real prices.

The sector of transportation and communications received large investments, and they were reflected in the implementation of a number of projects. The most important of these projects was the Port Sudan-Khartoum road, the length of which is approximately 1,600 kilometers. The sector of industry also received a high percentage of the investments during the seventies, whereas the percentage received by the sector of agriculture was a rather modest one.

Expansion of the public sector investment program in the early seventies and the great increase in expenditure on imports--an increase of about 250 percent during the period between 1972/73 and 1974/75--led to a fundamental increase in the percentage of the GDP which constituted imports. The increase in oil prices was not the basic factor concerning the increase in expenditure on imports before 1975 because it constituted only 10 percent of the value of the imports. However, imports of capital goods increased to the point where they accounted for one-third of the total value of imports instead of one-fourth of their value, as had been the case previously.

On the other hand, the increase in exports was not at all something which was encouraging. It amounted to a 10 percent annual increase in terms of nominal prices during the period 1973-78, in spite of the decrease in the quantities exported. The deterioration in exports is attributable to the decrease in cotton production from 1.4 million bales in 1970/71 to less than 600,000 bales in 1980/81, and the effect of this decrease did not stop here. The decrease also affected exports of oil-bearing seeds, in particular peanuts, the export of which was halted in order that the domestic market's requirements for edible oils be met.

As we know, Sudan, like other developing nations, relies on a limited number of cash crops in its foreign trade. Cotton constitutes a high percentage of its volume of exports. But cotton has suffered a severe deterioration as far as its productivity is concerned, and this has affected Sudan's total volume of exports. This being true, we do not believe that currency devaluation can affect Sudan's volume of exports and consequently its foreign currency revenues in view of the fact that, in the short run, it is not possible to increase production either vertically or horizontally.

If we examine the imports, we find that most of them are raw materials, semi-finished goods, and capital goods, and they constitute important factors of production in the production process. One can say that the imports are characterized by the fact that they are not flexible and that pursuing a policy of currency devaluation in order to limit them will only have the effect of raising the end product prices of the goods which are produced by using these materials.

Moreover, in spite of the repetition of the process of currency devaluation during the last 3 years, this has had no clear effect in terms of improving the balance of payments situation as has always been anticipated. The indication of this is the steadily increasing deficit and the fact that loans are

continually being taken out from foreign sources. In fact, the effects have been intolerable inflation and redistribution of income which have not been favorable to people with fixed incomes.

There are numerous policies which could serve to make it unnecessary to resort to currency devaluation, and they involve means which enable one to decrease absorption capacity as related to production. The general alternative in this case is deflation. However, this term "deflation" constitutes a concept which is narrower than is desirable in order for it to provide the necessary alternatives. The absorption capacity can be influenced by means of monetary policies. This could involve decreasing the volume of investment and consumption by means of squeezing bank credit or by means of exercising direct control, as is the case with issuing licenses or controlling consumption. The policy could be applied throughout the national economy, as is the case with the sales tax and income tax, or it could be applied only in particular realms such as the granting of investment licenses or the regulations for controlling imports. There are many ways to influence absorption capacity. All of them are internal measures, the purpose of which is to change the relationship between absorption capacity and income, and consequently to influence the balance of payments. However, an analysis of the policy of currency devaluation and alternative policies depends upon the general inflexibilities in the economy and the price rigidities. It is very important to determine and to change all of these factors.

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INFORMATION MINISTER DISCUSSES ROLE OF OPPOSITION

London AL-HAWADITH in Arabic No 1373, 25 Feb 83 p 32

/Article by 'Adil Malik: "A Dispute over the Succession in Tunisia"/

/Text/ In Tunisia there is a political groundswell today'.

Some people call this groundswell a dispute over the succession and the ation for the post-President Bourguiba stage, after his long life. Sou call it something akin to a process of alleviation and tempering--'the ic game."

Whether the current stage in Tunisia assumes the character of an ordina political struggle or goes beyond that on occasions, and turns into an confrontation between the government and the opposition, the door to in ual interpretation is wide open to the groups that belong to the variou ments, which means that the polarization process will be going on, unti ther notice.

The opposition is trying to express its views by various means, by hold meetings or symposia, even in a limited or closed context. When the v of the opposition rises and its doses become stronger, the authorities to intervene directly by confiscating certain publications speaking in name of this opposition, because "Tunisian democracy" has limits which not permissible to cross.

However, an observer can only record that a climate of freedom does pre Tunisia, permitting one at least to learn about the presence of more th political viewpoint in the country. That in itself is a noteworthy phe for the Arab East, the Maghreb, or the third world in general.

AL-HAWADITH brought some questions to the Tunisian minister of informat Tahar Belkhodja, in an attempt to obtain convincing answers to the ques that are being raised in Tunisia.

AL-HAWADITH: There are worries over the course of the democratic exper in Tunisia. What do you say to the people who are worried about this experiment.