

(France) or IMF-imposed (Italy) austerity conditions.

True, according to the latest financial figures, *Italy* seems to be in a relatively stable situation: during the last month, currency-reserves increased, the foreign trade deficit declined and Treasury bonds sold well. But this is the calm before the storm. The effect of the IMF austerity conditions is not yet reflected in the available figures, and according to a Citibank estimation, Italy's medium and long term foreign debt is around \$20 billion. According to other banking sources, if the short-term debt were to be added to the figures, the result would be a \$40 billion total foreign debt.

On top of this, Italy's financial needs will be "enormous" this year if the government wants to maintain investments at a satisfactory level, develop nuclear energy according to plans and yet pay its foreign debt. Chase Manhattan and Citibank refuse to give precise figures, but they say that the Italians are trying to replace the money they have pledged not to print by various foreign loans for their public sector.

According to Citibank, the nuclear program of the Italians represents an additional \$15 billion over the next few years. Sources in Washington mention \$10 billion as the Italian need for foreign financial resources this year. Citibank commented that "this figure seems to make a lot of sense" if you add debt payments, maintenance of public and private investment and Italy's nuclear program.

But within the present monetary order, the snowball effect of all these expenses cannot be maintained indefinitely. As Chase Manhattan put it, "something has to go." Of course, Chase and the IMF target the public sector, Italy's base for industrial development, as the portion to be triaged, and gloat about its "inefficiency,

inadequate social goals," and so forth. Their weapon is the destabilization operation unleashed against the Andreotti government to pit the pro-development forces in the Christian Democracy and those of the Italian Communist Party linked to the public sector against each other.

France

France's economic situation is "objectively" not so bad. This country's foreign debt is estimated by New York at around \$15 billion, a relatively "tolerable" amount compared to the total French foreign reserves of about \$18 billion (\$4 billion in foreign currencies and \$14 billion in gold at market value).

But the French situation looks much worse in terms of recent indebtedness: the French foreign debt increased at three times the pace of its foreign reserves during the last available six-month period according to the last report published by the Banque de France. That's twice as fast as during the same period last year. Citibank estimates that France is borrowing much more on various off-shore markets than appears in official statistics, and that this country is not far from the situation of Italy. Basically, the Barre government is feeding the public sector with foreign loans and thus trying to maintain the economy afloat, but the limits of such a policy are "about to be reached," according to a French banker in New York.

Politically, the Barre-Giscard regime is not in control of the situation, and France seems ripe for a "Union of the Left" confrontation with Giscard's "presidential majority", provoked by the New York banks. French bankers expect a "run against the franc" and capital outflow in preparation for this "left-right" confrontation.

Algerian Economy Recovering From Hudson Institute Plan

ALGERIA

The failure of the Algerian economy to feed its growing population of 16 million people is the direct result of incompetent planning by the Hudson Institute. The decision to embark upon an ambitious industrialization program without integrating agriculture into the overall schema has led to increased indebtedness, a critical shortage of labor power and the traditional bottlenecks in services and distribution due to overcrowded cities and high rates of unemployment. Lacking in 1970, the beginning of the first development plan, was a national policy toward agriculture which would provide the necessary credits and technological incentives for the integration of the traditional or peasant sector into the state sector.

Instead, Algeria took the advice of Hudson Institute "advisers" and implemented a short-sighted crash plan

for heavy industry, including unusable amounts of capital goods imports, without agricultural back-up. This stratification in the economy has begun to take its toll on the pursestrings of the government. Declining productivity in the late 1960s and early 1970s led to the disastrous crop failure in 1975, when a full \$1.5 billion or 33 percent of oil revenues were eaten up in wheat imports. Although 1976 produced a record crop of 2.2 million metric tons, this year's wheat importation will exceed 1975 figures mainly because of the nutritional needs of an expanding and increasingly youthful population, and secondarily because of the deleterious although secondary effects of the current drought. Wheat imports for 1977-78 will reach approx. 2.0 million metric tons.

The Algerian government, acutely aware of this dichotomy has taken measures to eradicate stagnation by launching the Agrarian Revolution. Although initiated in 1971, its take-off only began late last year. At last, agriculture will be one of the main areas of concentration in the upcoming four year plan of 1978-81. The recent gov-

Table 1

	Agricultural Production (THOUSAND METRIC TONS)					
	1961-65 (AVERAGE)	1971	1972	1973	1974	1975
WHEAT	1.25	1.4	1.9	.920	1.2	1.0
FERTILIZER PRODUCTION NITROGENOUS AND PHOSPHATE		38.0	55.0	88.0	125.0	
FERTILIZER CONSUMPTION NITROGENOUS AND PHOSPHATE	34.3	86.0	142.0	161.0	177.0	
TRACTORS IN USE (THOUSANDS)	27.6	31.7	32.0	32.6		

SOURCE: USDA AND UII

ernment reorganization also betrays the importance of solving the agricultural crisis. The Ministry of Agriculture and the Agrarian Revolution will be strengthened with two newly created subsectors, one for animal and the other for vegetable production. Also, the department of irrigation has been given ministerial status and will include land development and the environment.

State of Agriculture

Approximately 60 to 70 percent of the population derives a livelihood from the land. Out of a total labor force of 2.35 million people, about 60 percent or 1.3 million are directly salaried in the agricultural sector. Of this latter figure, only 150,000 are employed in the modern or state sector of nationalized farms. This sector, comprising a total of 2.3 million hectares, supports 1.14 million people. The traditional or private sector, on the other hand, supports approximately 5 million people and comprises 11.25 million hectares. Not all of the land is suited to farming, 5.2 million hectares is pastureland and 200,000 and 230,000 hectares are allocated to orchards and vineyards respectively.

The modern or state sector is an example of planning problems. Benefiting from the most fertile land, and a competent system of irrigation, this area is mainly devoted to the export of grapes for wine, citrus fruits and market produce. A total of 70 percent of the land is cash crop oriented while 30 percent of the land is allocated for wheat production. The state sector grain lands are, however, highly efficient due to their scale and use the bulk of Algeria's 32,000 tractors. An effort is being made to de-emphasize the wine industry particularly after the French government declared a ban on Algerian wine imports in 1970 in retaliation for the nationalization of French-owned oil companies. But because the modern state sector cereal lands are only a fraction of Algeria's total grains land, domestic production supplies less than two-thirds of Algeria's needs.

The "traditional" peasant sector consists of two activities: livestock breeding and subsistence farming. It is in

this area that the bulk of the population lives, hindered by the poor quality of the soil and the lack of irrigation and modern techniques. The major problem to be resolved in this area is the atomization of the peasant. In 1967, there were 587,000 landowners in the private sector; of these, 423,000 owned less than 10 hectares! Durum (hard) wheat and barley are the main subsistence crops; soft wheat and oats are produced for the market.

If the agricultural sector is to become productive, it is these subsistence farmers and the nomadic herdsmen who roam the 5.2 million hectares of desert land who must be introduced to the modernization techniques of the state sector.

Result of Poor Planning

The two consecutive plans of the Algerian economy (1970-1973 and 1974-77) have allocated only 15 and 11 percent respectively to agriculture. In the first plan only Algerian Dinars (AD) 4.2 billion (4 dinars equals \$1.00) out of the total budget of AD 27.7 billion was allocated to agriculture. The 1974-77 plan similarly earmarked just 16,600 million Algerian Dinars out of the total of AD 110 billion, although it increased emphasis somewhat on the development of irrigation and capital-intensive equipment.

This neglect of agriculture has led to a stagnation in the use of tractors and a net decline in the production of wheat. In 1968, there were 30,500 tractors in use. In 1975, this number had increased to only 32,600, only a one percent a year increase! The drop in wheat production shows the wretched state of agricultural production. Production fell from 1.245 million metric tons in 1961-65 to 1 million in 1975. The situation in fertilizer production manifests the other deficiency in the economy — mismanagement. Consumption of nitrogenous fertilizers jumped from 14.3 million metric tons in 1961-65 to 93.5 million metric tons in 1974. Phosphates climbed from 21 (1961-65 to 84 million metric tons in 1974. The agricultural index for 1975 was a meager 93 as compared with 105 in 1970. Per capita agricultural

and food production has declined on the index from 86 in 1970 to 64 in 1975 (see Table I).

The success of the Agrarian Revolution's new urgency depends on the willingness of the state to approach the traditional sector with a competent national policy for integrating the peasant population into a modern economy. Credits must be allocated for capital intensive development, mass education and the raising of labor power, the most important investment to assure productivity. The atomized peasant and nomadic herdsman must be integrated into the fully modern state sector.

The Algerian government has begun to address these question in the three phases of the program. In the first stage, begun in 1971, redistribution of government-owned land and the vast estates left by departing French colonials as well as the breaking up of privately-owned latifundia was enacted. A system of cooperatives was introduced to encourage the use of modern farming techniques, including fertilizers and machinery. The second phase, launched in 1972, set in motion the construction of 1,000 socialist villages. Each village will comprise not more than 400 housing units and will provide the necessary social services to the inhabitants: school, dispensary and market center. By 1974, one tenth of all cultivable land in Algeria was under the cooperative system in-

volving 50,000 farmers. The number of socialist villages completed was 200.

The third phase of the program is designed to raise the productivity of livestock breeding in the steppe area. Nomads will be settled in urban areas, pastures will be nationalized and large herds reduced in size. Twenty million hectares will be reclaimed for 170,000 herdsmen. Under this third phase, 110 service cooperatives, including veterinary medicine and 675 production cooperatives will be set up. The most ambitious program of the Agrarian Revolution is the plan of the desert. A barrier of trees 1500 kilometers long will be planted from the Moroccan to the Tunisian border, measuring five to twenty kilometers wide. Students, young people in national service and other volunteers are expected to complete 200 kilometers of this project by 1980.

The Charter of the Agrarian Revolution states explicitly that the peasant will be introduced to a technologically based system of agriculture. To assure a competent understanding of these advanced techniques, educational facilities will be greatly expanded along with the development of urban areas of resettlement. It is this commitment to the realization of increased levels of labor power which will assure the success of the industrial program.