

APPENDIX 5

Dramatic balance of the economic and social situation in 1965

The government has proposed to us a so-called Three-Year Plan for the 1965-67 period.

A plan has the purpose of offering solutions to a situation in need of improvement. A plan is analyzed from the viewpoint of priorities, routes and actions to improve or modify an existing situation.

—What is the existing situation?

—What are the priorities, the routes, the actions proposed by the Three-Year Plan?

I shall deal with only the first point in this report.

THE EXISTING SITUATION

In the beginning of 1965, the country's general situation is characterized by extremely disturbing conditions, which can be summarized by two facts:

1) A general and constant decline in the living standards of the immense majority of the population.

2) An accentuation of economic and social underdevelopment, unprecedented in the recent history of Morocco.

a. THE GENERAL DECLINE IN THE LIVING STANDARDS OF THE IMMENSE MAJORITY OF MOROCCANS

The general decline in living standards is, partially, a result of the constant rise of prices and partially, a result of the decrease in income and the freezing of wages and salaries.

1) *Price increases*

Prices, especially of some basic commodities, have soared skyhigh:

—The price of sugar nearly *doubled* in some months and from August 1963 to May 1964, the price of a sugar loaf increased from 106 to 191 francs per kilogram. Well known is the importance of sugar in the diet of Moroccan families, particularly in the countryside: at present, sugar now absorbs around 60% of the peasant's monetary budget.

—Meat prices have increased so much that consumption of this food, which was already minimal, is now prohibitive for families of workers or artisans.

—The indices drawn up by private organisms show a very violent and generalized price increase. One of these indices reveals that from March 1964 to January 1965, the cost of living rose by 11.5%.

—Official indices also registered substantial price hikes.

Thus the general cost of living index, determined by the Central Department of Statistics of the Ministry of National Economy and Finance, reveals that after the legal salary increases of January 1962, the officially recorded cost of living rose by 22.8% (the index rose from 109.1 in December 1961 to 131.9 in February 1965).

2) *Freezing and decrease of income*

Meanwhile, despite the considerable increase in the cost of living, the government continues to freeze wages and salaries.

Salaries are still frozen at 1956 levels in spite of government affirmations and the need of forming and promoting cadres.

In addition, certain indirect measures tend to reduce the salaries of teachers, as has recently happened in the field of secondary education.

As to wages, the government is ignoring its legal obligations and has refused to apply the law on the sliding wages scale by which it must increase wages when the cost of living index rises by 5%. Nevertheless, the government has been freezing wages since 1962, despite the officially recorded cost of living increase of 23%.

On the other hand, because of the increase of workers' families (3% annually) the population that must be fed has grown by *at least 10%* since 1961. As a result, the working family's standard of living in the beginning of 1965 has dropped by *at least 30%*, as compared to 1960.

Likewise the stagnation of production means a considerable lowering of the living standards of the peasant population. To measure this deterioration, we have:

—the rise of prices, especially of sugar, a basic market commodity, a product that the peasant cannot supply himself with because he does not produce it: sugar accounts for 60%, instead of 35%, of his monetary budget, that is, it represents a 25% increase, *in regard to sugar alone*, and around 8% *of his entire income*, including self-supply.

We know, on the other hand, that the basic crops of peasants, cereals, have undergone the following changes:

Production of the 1959-60 harvest:

26 600 000 quintals

Average production of the four following harvests:

25 400 000 quintals.

In other words, production *dropped by 5% in relation to 1960.*

In short, demographic growth in the rural areas, 3.2% annually, has increased the population by 15%.

All these factors have lowered the living standards of the Moroccan peasant by 30% since 1960. Thus it should come as no surprise that starvation and contagious diseases have reappeared in the countryside.

Such a great decline in the purchasing power and living standards of workers, peasants, small and medium functionaries, whose salaries are frozen at 1956 levels, has also similarly affected the small businessmen and artisans, whose clients are mainly the workers and peasants.

So, in conclusion, we can say that today, in the beginning of 1965, the decrease in the purchasing power of the immense majority of the population in relation to 1960 has reached large proportions: the standard of living during the last five years has dropped by *approximately one-third* for the immense majority of Moroccans, more than twelve of thirteen million inhabitants.

Such a decrease of an already small purchasing power has produced a *completely new* phenomenon in Morocco's economic history: for the first time there has been a decline in the purchase of not only non-essential products, but also of *basic commodities*:

- sugar sales in 1964 dropped by more than 9%;
- tea sales dropped by 15% and seed oil sales by 25%;
- textile and cereal sales fell off similarly, in spite of a more than 3% population increase.

This decline continues and has been growing worse in early 1965.

"This is not a chance or transient phenomenon, since this trend has been accentuated in the first months of 1965," states a report published recently on Morocco's economic situation.

Nevertheless, these are the conditions, indicative of a general pauperization, which the government plan contemplates as a supreme objective: should the so-called Three Years Plan be carried out completely, it would, at best, mean maintaining, at status quo, *per capita* production, present economic and social levels, and in reality, the concomitant worsening of underdevelopment.

b. MOROCCO IN 1965 IS IN THE PROCESS OF UNDERDEVELOPMENT

Morocco is in the process of a general underdevelopment, socially, economically and financially.

Regression to underdevelopment is revealed in all sectors of the country's economic and financial life, an evolution that places Morocco, now and in the future, at the vanguard of the few countries in the world that are in the process of absolute retrocession.

1) *Regression to underdevelopment*

The regression to underdevelopment is manifested in all spheres of the economy, in national production, investments, economic structures and financial dependence.

a) *Per capita decrease of national production.* Gross internal production grew from 820 000 million francs in 1960 to 910 000 million in 1964, that is an increase of less than 11%. During the same period, the population increased at a rate of 3.2% annually, or *by more than 17%*

Per capita production dropped by *more than 6%* from 1960 to 1964. Since the modern sector of the economy (from 500 000 to 600 000 persons, counting foreigners, who participate in this sector) seems to have suffered little during this period, it is the traditional sector, that is, the economy of 12 400 000 Moroccans, that has seen its production, and therefore income, grow worse: keeping in mind the unequal levels of income and production between both sectors, the economy of the immense majority of the population has been directly affected by the decline in production and income, much larger than the national average of 6%.

b) *Keeping productive investments below necessary amortizations.* Total gross investments increased from 92 000 million francs in 1960 to 120 000 million in 1964 (at 1960 francs).

This means that in Morocco the rate of invested savings, that is, the relation between investments and the gross internal product, is less than 13%, an extremely low rate, and at present, one of the lowest in the world.

Let us turn to statistics taken from international publications which reveal that:

—in developed countries this rate is high. In 1962 it was 25.4% in Germany, 19.6% in France, 23.6% in Italy, 22.9% in the European Community as a whole, 17% in the United Kingdom, 16.1% in the United States, 21.6% in Canada. (Statistical Office of the European Community, base statistics, 1964).

—also in the case of underdeveloped countries, international statistics reveal that since 1960 no country in the world, except Morocco and Jordan, has had a rate of invested savings lower than 13%. This is confirmed by the UN Statistical Yearbook of 1963.

Moreover, some underdeveloped countries have a rate higher than 17%: Colombia with a savings rate of 19%; Ghana, 18%; Niassa, 18%; Perú, 17%; Syria, 17%; Sudan, 20%.

Only Morocco, together with Jordan (12%), is in the vanguard on the road to underdevelopment.

However, since these investments include non-productive ones (construction, a large part of investments is in public works), we should briefly turn to productive investments, that is, those in machinery and equipment.

This type of investment increased from 36 000 million in 1960 to 48 000 million in 1964 (at constant francs), that is, by an annual average of 41 000 million francs.

However, in reality, some of these gross investments do not correspond to productive investments: the great rise in 1963 was due to the purchase of a Caravelle airplane and an increased number of parts for road vehicles.

Moreover, other investments have been considerably overestimated; thus the Safi Chemical Complex, which should have cost some 12 000 million francs, has been listed in the inventories at a cost of more than 20 000 million.

Nevertheless, in spite of all this, total investments in machinery and equipment do not account for more than 5% of national production and do not even cover annual amortization payments of the equipment existing in 1960 (43 000 million francs), so that in regard to its power to produce, Morocco is in 1965 more underdeveloped than it was in 1960: during this period of five years it has advanced on the road to underdevelopment.

c) *Regression of economic structures.* A country is all the more underdeveloped the more it is a nearly exclusive producer of raw materials and agricultural products. The more a country has developed its processing industries, the more the country advances along the road to progress, and vice versa. Now then, during the last year, while mining production and exploitation developed greatly, especially in phosphates, we see that the metallurgical and machine processing industries, on the contrary, suffered from stagnation and even retrogression in certain branches.

Therefore that part of the economy corresponding to the processing industries is retreating in favor of the mining industry: this is a typical characteristic of a country in the process of underdevelopment.

d) *Financial dependence.* Control of transfers had produced a certain monetary and financial recovery that greatly mitigated the results of the termination of French aid after 1957: in 1960 the recovery of national monetary and financial means made foreign aid secondary not only to finance current needs, but also to finance the equipping and development of the country. In 1960 the country had enough financial reserves for the internal financing of the major part of its equipping; its financial independence was reaffirmed in a decisive manner with the launching of the Five-Year Plan.

In effect:

—available monetary funds increased notably at the beginning of 1960: “the increase of available monetary funds continued in 1960, principally during the first seven months of the year.” (*The Economic Situation of Morocco in 1960*, p. 97). The funds fluctuated as follows (in thousands of millions of francs):

	<u>1959</u>	<u>1960</u>
1) Paper currency	84.2	95.3
2) Drafts, checks, etc. ¹	161.9	191.7
TOTAL	<u>246.1</u>	<u>287.0</u>
¹ Bank deposits	141.4	170.9
Deposits in the CCP	14.2	15.4
Treasury deposits	6.3	5.5
TOTAL	<u>161.9</u>	<u>191.8</u>

In one year deposits increased by 20%, time deposits have almost doubled from the end of 1959 to the end of 1960.

On the other hand, if we compare the growth of available monetary funds with that of the national product, we can see that the means of payment has increased much more than the national product.

Taking 100 as a base, we have:

	<u>1959</u>	<u>1960</u>
National Product	100	100
Available monetary funds (monthly average)	100	123

Therefore the national economy possessed enough means to cover the financing of the Five-Year Plan, especially because the funds were derived from a considerable increase in foreign assets which amounted to 50%, rising from 851 000 million francs in 1959 to 130 900 million in 1960.

At the end of 1960, foreign assets represented 40% of the total available monetary funds: the available funds in foreign exchange were more than sufficient to cover the payments for the import of equipment. Keeping in mind this financial well-being, Morocco preferred to pay cash for part of the equipment imported for the SAMIR refinery, refuse the furnishing credit that had been offered it in the beginning of 1960, and instead use domestic credit.

The same well-being existed in regard to available domestic funds: the treasury was in an excellent position in regard to the banks and the Institute of Emission. Here is the evolution of credits drawn on the treasury (in thousands of millions of francs):

	<u>1959</u>	<u>1960</u>
Institute of Emission	21.2	19
Private banks	24.6	28.9
Guarantees of the deposits in the CCP and the treasury	66.3	68.8

The monetary and financial situation was at the end of 1960 very favorable for financing the development foreseen by the Five-Year Plan, largely because of:

- the magnitude of accumulated foreign assets;
- the solvent state of the treasury and banking system. Nevertheless, what is the situation now, five years later?
- Foreign assets have dropped visibly: last November, Morocco did not have enough foreign exchange to pay for a shipment of a basic commodity: the Foreign Exchange bank had no more than 500 million francs in its vaults.
- The credits of the Institute of Emission drawn against the treasury jumped from 19 000 million in 1960 to 161 400 million francs in 1964, representing 42.5% of *total available monetary funds*, as against 6.5% in 1960, largely because of the largest monetary inflation since the granting of independence.
- As a result the volume of capital at the disposal of the economy has not increased at all, keeping in mind the price rises.

Consequently:

In view of the fact that no new factor has been introduced, and that, on the contrary, the economy marches down the road of underdevelopment, the country's productive capacity has in general descended, monetary and financial reserves have literally disappeared because they have been misspent to satiate the state's voracity, the consumption of luxury products, squandering and transfers abroad: Morocco, on the verge of financial and monetary bankruptcy, has been temporarily saved from immediate financial ruin because of foreign aid granted under the Draconian conditions of dependence, entailing particularly the promise that foreign colonized lands will not be seized for the time being.

Never before, unless we go back to the eve of the protectorate with the loans of 1906 and 1911, will we find in the history of Morocco such dependency occasioned by the need of covering the current functions of national finances.

However, this is the road that the government plan proposes, we take and indeed, accentuate and develop.

e) *Conclusions:* Since the end of 1960 Morocco has been retreating from the road to independence and development, taking the path of financial indebtedness and dependency: the country is spending more than it is producing, particularly to cover the consumer needs of a few hundred thousand privileged persons and state expenditures and squanderings. The deficit will then be covered during the first years by the reduction of accumulated foreign assets and more foreign loans; later, as foreign assets become depleted, by means of more urgent requests for foreign loans by our governments until total dependency is achieved, such as has characterized the French loan of last November and which will characterize in the future all government programs: the deficit of national resources reached 60 000 million francs in 1964, and since foreign assets have evaporated completely, future deficits will be covered by foreign loans which in 1967 will be twice as large as in 1964. Morocco will never have been in such great debt, and all for the sake of underdevelopment!

Therefore Morocco is at present one of the rare countries in the world in the process of underdevelopment; not only that, but it is leading them all!

2) *Morocco is at the vanguard on the road to underdevelopment*

In effect, Morocco is one of the first among the few countries in the process of retrogression. This can be easily confirmed by looking at international statistics, especially the documents published regularly by the United Nations.

Thus, the UN Yearbook of National Accounts Statistics of 1963, published a few months ago, states on pages 321 ff. that from 1958 to 1962:

- all the developed countries are becoming more developed; the per capita gross internal product increased continuously and in certain cases considerably, such as in Japan and the socialist countries.
- all the underdeveloped countries of Europe, Latin America, Africa, Asia are developing, with the exceptions of Morocco, Uganda, Costa Rica, Salvador, Guatemala, Ecuador and Venezuela.

In these seven countries the per capita gross internal product, expressed in dollars at the official exchange rate, developed as follows:

	<u>1958</u>	<u>1962</u>
Morocco	159	150
Uganda	65	62
Costa Rica	358	339
Salvador	198	193
Guatemala	164	162
Ecuador	179	178
Venezuela	975	901

In this sad category of regression, Morocco is in second place, after Venezuela, from among all the countries mentioned above. The retrogression is, in effect, one of 6% (5.66% exactly) in spite of the fact that 1962 was a relatively good year, particularly for agricultural production which greatly exceeded the average that year.

The regression documented in international publications has become accelerated after 1962 in the case of Morocco.

Thus per capita national production, in constant francs, went:

from 870 000 million: 12 360 million, that is
70 400 francs in 1962
to 910 000 million: 13 million, that is,
70 000 francs in 1964.

Now then, the most recent international statistics (Monthly Statistical Bulletin, December 1964) reveal that in the interim, other countries such as Uganda, Venezuela, Ecuador, Salvador and Guatemala have recovered, countries where the gross internal product increased by 12%, 5%, 9% and 8% respectively, from 1962 to 1963.

So that in 1965 Morocco should become the extremely rare case of a country in the process of underdevelopment and probably outdistance by far any country behind it.

In conclusion:

The present situation of Morocco is extremely serious and disturbing.

This year begins by:

- a dangerous accentuation of the deterioration of the people's social level which has already affected the consumption of basic commodities, such as sugar, tea, oils and cereals, a fact denoting the future presence of starvation and disease which have not plagued our country for several decades.
- an increase in economic regression with the shutting down or decrease of the activities of factories, mass dismissals, the end of prospects for agricultural production.
- and finally, the proclamation of the government to increase national indebtedness, upon resorting to foreign aid in a generalized way.

All this for the sake of the supreme ambition of the so-called Three-Year Plan, consisting of maintaining the status quo of misery and degradation until 1967:

Never before in the history of Morocco, save on the eve of the protectorate, has the nation faced such grave dangers.