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# ECONOMIC FOCUS

Bulletin of the Ethiopian Economic Association (EEA)

VOL.2 No.1  
February 1999

Economic Focus is published bi-monthly by the Ethiopian Economic Association and partially sponsored by Friedrich Ebert Stiftung of Germany.

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Readers and contributors are encouraged to submit short articles (not more than 5 pages in double space with 12pt font size) preferably accompanied by an electronic version. If accepted, an edited version of the article will be sent to the author before publication. If the author does not respond within a week, the edited version will appear in the bulletin.

Unaccepted articles will not be sent to the author(s). We accept articles in both English and Amharic. Views expressed in the Bulletin are those of the authors and are not necessarily of the institution's in which the author(s) work or the EEA.

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# Editorial

## EEA Has Lost Another Vibrant Member

Dr. Eshetu's loss was a shock to EEA. Two weeks ago, we were faced yet with another shock and tragedy of losing Ato Mekonnen Tadesse. Mekonnen was a devoted member of EEA. He has spent days and days to strengthen EEA. He was the secretary of the EEA, a member of the EEA's Editorial Board and was greatly involved in the editing of EEA's publications. As Chairman of the Department of Economics of AAU for the past four years, he helped EEA to forge a strong linkage with the department. Mekonnen was sensible, carrying and considerate. The EEA wants to extend its condolences to his families and friends.

## LESSONS FROM ASIA

Much has been said about the 'Asian Miracle' and lately about the Asian crisis. In this issue of Economic Focus, we have examined the relevance of the Asian experience to Ethiopia. Most of the papers which appear in this issue of Economic Focus were presented on a round table discussion organized by EEA at Ghion Hotel.

Although we were not able to get the representatives of those Asian countries from whom the experience is being sought, we were fortunate enough to have His Excellency Takehisa Nogami, Japan's Ambassador to Ethiopia. His Excellency the ambassador argues that although Japanese experience (upon which most of the newly industrialized countries believed to have drawn their lesson) is unique, compared to the conditions in Ethiopia, still there are some lessons that can be drawn. His Excellency, Dr. Mulatu Teshome, Deputy Minister of the Ministry of Economic Development and Cooperation, and who has first hand experience in the region, presents us with an excellent account of the experiences and lessons that can be drawn for Ethiopia.

Dr. Befkadu argues that there is no single model of Asia. However, in his opinion, the Korean experience seems to be relevant to Ethiopia. He warns us, however, that we need not copy such experience as such. Rather, Dr. Befekdu argues, we need to examine each country's experience on its merit and formulate our own by drawing relevant experiences from each of them. This requires, according to Dr. Befekadu, not only serious study about the experiences of the countries involved but also a conducive political environment in Ethiopia. Mr. Nigel Robert, resident representative of the World Bank in Ethiopia, will take us to the other dimension of the Asian Experience – the Asian financial crisis and its implication at least at the African level. Alemayehu's piece is also designed to introduce Focus's readers to the Asian financial crisis.

On top of this, we have the regular features of Economic Issues/Information and Economic News. In the Economic Issues column, Ato Fasil Tasew has a piece on a wrong accounting practice customarily employed in Ethiopia. We have included also an entertaining piece of an economist's view of the UN-Iraq conflict by Professor Seymour Patterson. Our News column of this issue, alongside the economic news, contains commentaries on two bills passed by the Ethiopian parliament and on forestry resources.

As usual we count on our readers' comments and participation to make Focus the best medium for economic and policy issues. So, do write us. Enjoy your reading.

# OBITUARY

**Ato Mekonnen Tadesse**  
**(1945-1991 E.C.)**  
**(1953-1999 G.C.)**



Born in Addis Ababa in June 1945 E.C., Mekonnen received his BA degree from the Addis Ababa University in 1972 E.C. Based on his excellent performance, he was recruited to engage in teaching and research in the Department of Economics. Later he received his second degree from Leeds University in 1977 (E.C.). After he came to Ethiopia, Mekonnen was active in the Department of Economics where he was the chairperson for four years and also served as a devoted member of EEA.

Mekonnen was very active in doing research on Ethiopian Economy which is currently undertaken by the Department of Economics. In particular he was actively engaged in the study of poverty in Ethiopia. Just before his untimely death, he had been working in Sweden on the same topic. We lost him even before he finalized his findings. Moreover, Mekonnen was active both at the African Economic Research Consortium (AERC) and the Organisation for Social Sciences Research in East and Southern Africa (OSSREA).

Once again the EEA wants to extend its condolences to his family and friends.



# THE RELEVANCE OF THE EAST ASIAN EXPERIENCE TO ETHIOPIA

By  
Takehisa Nogami  
Japan's Ambassador to Ethiopia

11 December, 1998

Today, some of the East Asian countries are suffering from severe economic situation as a result of the currency crisis that started in May last year. Japan's economy is also in a prolonged slump and faces considerable difficulties.

The focus of my remarks today is not on the economic difficulties of Asia. I would rather focus on the economic achievement of the East Asian countries until recently to see if we can learn any lesson from their experiences. They all achieved rapid economic growth in the past twenty to thirty years.

The World Bank study published in 1993 is titled "East Asian Miracle" to describe the economic achievement in eight East Asian countries. This study pointed out that among the main factors of the "miracle" were sound macroeconomic fundamentals, significant development of human resources, and market-friendly policies.

It is indeed a tremendous success that they have overcome underdevelopment in a relatively short period of time. Their remarkable performance provides new perspectives on ways of achieving economic development.

Japan was also a developing country until the late 1930s. During the seven decades before World War II, Japan has made desperate efforts to modernize its economy.

Japan's economy grew faster than any other country in the world and succeeded to graduate from underdevelopment to more advanced stage of economy.

The applicability of the late nineteenth century Japanese development model to Ethiopia is limited because of the unique historical conditions Japan was placed during this period. But, some of the factors are still relevant in considering earlier stages of industrialization.

## ECONOMIC GROWTH

The experience of East Asia shows that economic growth is an effective means to reduce poverty. Growing economic pie produces higher per capita income. If the benefits of growth is shared among all the people of a country, it will raise the income of the poor.

It is generally true that economic growth promotes changes in industrial structure. South Korea, Taiwan, Malaysia, Thailand, and Indonesia experienced rapid structural changes during the period between 1965 and 1990 with significant rise in the share of manufacturing output in GDP and the falling share of agriculture. With the increased share of manufacturing, wages have increased in each of these countries.

Over two decades between 1970 and 1990 the East Asian countries have experienced much higher growth in wages than in other developing countries. Especially, South Korea and Taiwan have recorded the most rapid growth in wages averaging about 8% a year.

As a comparison, during these two decades, Sub-Saharan Africa's growth in wages remained almost zero.

## EDUCATION

Although there are substantial

variations among countries, the fast growing East Asian countries share several common factors that seem to suggest ways of achieving high economic growth.

First, education was the key to the rapid economic growth since it is crucial for human capital formation. All of the East Asian countries have heavily invested in education, focusing on primary and secondary schooling. The higher enrollment rates in basic education helped to increase the number of skilled workers and improved human capital.

South Korea's experience is notable. After the Korean War, the government has put much emphasis on expansion of basic education. In early stages of industrialization, Korea stressed labor-intensive manufacturing as a means to increase job opportunities and expand exports. As the industries reached more sophisticated stages, educated work force was able to meet the changing demands of industries.

It is also true from Japan's experience that education was crucial in its early stages of economic modernization. More precisely, Japan's high literacy rate contributed to acquisition of skills and modern technologies. Early Japan gave a high priority on education and invested large amount of government spending into primary, vocational, and technical education, which helped



in improving skills and promoting the acquisition of modern technologies.

## INFRASTRUCTURE

Economic and social infrastructure is essential for sound development of a country. Compared with other developing countries, the East Asian countries have stressed public investment and government efforts in developing infrastructure.

No one can deny the importance of infrastructure for development. Water and electricity are crucial for industrial activities as well as for human life. Roads, bridges, and airports are essential for providing access to markets. Telecommunication is indispensable for doing business. Improved health and medical facilities are also crucial for human capital development and poverty reduction.

Government effort to develop economic and social infrastructure have played a vital role in early Japan's economic modernization. Government actively invested in infrastructure to develop roads, irrigation systems, railroads, bridges, ports, electricity, water supply, postal services, and telegraphy. The government also invested in ship building, cement, iron and steel, mining, and other heavy industries. As a result, in the late nineteenth century, the government accounted for about half of the industrial investment.

I would say that this is not applicable to Ethiopia because of the different historical background, and also because of some negative consequences of the this approach such as excessive capital concentration, and inequality of income. Nevertheless, the experience tells us that the development of infrastructure is crucial at the early stages of economic development.

## LABOR-INTENSIVE MANUFACTURING

With regard to adapting technology we can learn useful lessons from the East Asian model. In earlier stages of industrialization, South Korea, Taiwan, and other East Asian Countries concentrated on the production of labor-intensive

commodities. The industry absorbed growing number of workers, helped reducing unemployment, and ensured expanding exports. Skills improvement was gradually, not jumping at once to the most advanced technologies. This enabled business and labor to learn through experience and was less disruptive to social and economic systems.

Japan also learned in its early modernization stages that importing capital-intensive technology may not conform to the local conditions if the country lacks capital and skills. While Japan lacked resources, labor was abundant. Japan therefore substituted appropriate labor-intensive technology for imported modern techniques. Thus, as a major industrial policy before World War II, Japan specialized in labor-intensive industries like textiles, clothing, wood, leather, and simple consumer goods. It was sensible because these industries required large amounts of unskilled labor, and little capital and skills.

## SMALL-AND MEDIUM-SIZED INDUSTRIES

In order to promote the private sector, most of the East Asian countries strongly encouraged small-and medium-sized industries. Because of the difficulties of obtaining bank credits, better technology and skills, and penetrating into markets, these industries desperately needed state assistance. Japan and South Korea have introduced an extensive support systems for these enterprises. Especially Taiwan was extremely successful in promoting small-and medium-sized enterprises, which compose more than 90% of enterprises and producing about 60% of the total export value.

## RURAL DEVELOPMENT

Rural development is essential for eradicating poverty. To achieve a nation-wide prosperity and equitable distribution of wealth, it is necessary to create jobs in the rural areas. In this context, Indonesia's rural development programs in 1970s were successful in reducing poverty. The government implemented successive five-year plans to develop the rural areas,

initially focused on rice production and irrigation facilities, and at the later stage, added development of social infrastructure such as roads, bridges, schools and medical facilities. These programs were instrumental in creating income-generating opportunities for the rural poor, and by 1980, the programs produced tremendous results of reducing poverty.

## HUMAN RESOURCES DEVELOPMENT

Here, I would like to stress the importance of human resources development, which is regarded as a key to nation-building and economic development. In October last year, a major International Conference on African Development (TICAD II) was held in Tokyo with participation of 80 countries from Africa, Asia and development partners, and 40 international organizations. Ethiopia has played a leading role to make the conference a success. The Conference addressed the ways to help African development, and adopted a concrete program of actions to be taken in certain key areas such as social development, economic development, and basic foundation for development like conflict prevention.

The action program specifies, as a cross-cutting approach, South-South cooperation and Asia-Africa cooperation in particular with emphasis on human resources development. The participants are aware of the great potential that can be realized through the sharing of Asian experiences by African countries. Since 1993, various networking among research and training institutions between the two regions has been growing. Under the new action program, it is planned to expand training programs for Africans, which will be held in Asian and other countries.

## ASIAN ECONOMIC CRISIS

In view of the economic crisis in East Asia today, people may question about the effectiveness of the success factors I described earlier. Indeed, discussions are being made on the causes of the success and failure of East Asia.



Some people may say that the current crisis show the failure of the Asian way of economic management, and that the Asian model of economy does not work any more.

But, I do not associate with this too simplistic theory. It is recognized that Asian countries' economic fundamentals are basically sound. The Asian countries registered a remarkable economic growth until recently. The basic factors behind this achievement were high savings rates, strong work ethic, well-trained and educated work force, and hard-working people. These fundamentals of the economy are still there.

Given the significance of Asia in the world economy, the international community provided financial support to those economies most heavily affected by the economic crisis.

And when we take account of rich natural resources and huge domestic market, the Asian countries have a big potential of growth. If Asian countries make

serious efforts to solve the problems and carry out the necessary reforms, there is a good chance of returning to the high growth path in the medium term.

### Ethiopia's potentiality

Ethiopia has a big potential. The country is endowed with natural resources, and big potential market. But there are many hurdles this country must overcome in order to realize the potential opportunities and achieve sound development of the economy. Poverty remains to be a serious problem. Also problems to be solved are unemployment, infrastructure, health and medical facilities, education, housing, and so on.

Ethiopia can learn useful lessons from the experiences of the East Asian countries, although we must select components depending on the differences in development stages and the local conditions. Among the success factors of East Asia, basic education, development of infrastructure, improving skills

and human resources development, promotion of labor-intensive industries, diversification of production and export promotion are considered to be relevant and helpful for the future development of this country.

Practically speaking, Ethiopia's economy depends heavily on agriculture. The share of manufacturing in GDP is only 7.5%. As a result, this country has to rely on the supply of most of the manufactured goods from imports. Major export items are mostly coffee, hides and skins. To improve the conditions, it is important to diversify the production and exports by developing the manufacturing sector.

I strongly hope that, with the appropriate combination of policies, this country will be able to overcome the state of underdevelopment and achieve the better life for the people of this nation. ■

## THE RELEVANCE OF THE EAST ASIAN EXPERIENCE TO ETHIOPIA

By

Mulat Teshome

Vice Minister for Economic Development & Cooperation

11 December, 1998

Mr. Chairman, Distinguished discussion Participants, Ladies and Gentlemen:

I have been invited to address on the important issue of: "The Relevance of the East Asian Experience to Ethiopia". Needless to say, we are all concerned to discuss this matter in the context of what has to be done by the government to respond to the challenges of Ethiopian economic development.

I believe it would be correct to say that all, or at least most of us here, would support the notion that as demonstrated by the successful examples of the East Asian development experience, the backdrop of development success lies in the combination of a strong commitment by the leadership and the people to economic prosperity, appropriate long-term development strategies and functional government administration to pursue these strategies coherently. This assertion implies that the

developmental policies of East Asia cannot be copied in entirety as they are, to any developing country, but can serve as reference to formulate economic policies of a developing country, including Ethiopia.

Accordingly, I believe we would also all agree that with the remarkable development behind and before them, East Asian Countries have often been referred by developing countries to provide them with a menus of policy and institutional reforms that might



contribute to greater success in sustaining their own economic development. The structural adjustment programs of the Bretton Woods Institutions in Africa have not been as successful as hoped. In fact, the unsuccessful performance of IMF/World Bank SAPs was one of the major reasons forcing developing countries to look for other alternatives of developmental philosophies.

In other words, policy prescription from external forces imposed on developing countries without taking into account the objective realities and socio-historical factors of each individual nation was a failure. Trying to replicate an East Asian development model or models to Ethiopia without assessing the objective realities of the country and the international environment we are in today will be difficult too.

I will therefore restrict myself to more general remarks covering certain elements of what, in reality, could be introduced in our development policy formulation.

What is the relevance of East Asian experience to Ethiopia? To address this question, I would rather prefer to take you back to the history of development. It took Great Britain over 150 years, the United States of America over 100 years, Japan over 50 years, and East Asian Countries only 30 years to reach at the Stage of Industrialization.

What is interesting, though, is the fact that it was in the 1960's, some years after gaining political independence, most of East Asian Countries began their economic development process through industrialization. In May 1961, when General Park seized power, South Korea was one of the World's poorest countries, much poorer, for instance, than Nigeria. In the shambles left out of the Korean War, a third of its people spent their winter scavenging for grass and bark to eat. South Korea had little cultivated land, no significant middle class, few educated people and only a few thousand industrial workers. Its society was ideologically polarized and its politics unstable. South Korea till then was labeled as a basket case, and almost all East Asian Countries shared the same with the Korean socio-economic and political

situation. By 1996, South Korea was the World's 11<sup>th</sup> largest economy, a leading producer of ships and steel, autos and semiconductors, and proudly joined the rich-countries' Club, the OECD.

The South Korean example clearly shows that, over the past three decades, in contrast to Africa, the countries of East Asia have achieved high rates of economic growth and subsequently high rates of per capita income. The performance of East Asian economies and the rapid pace of development also suggests that lessons may be taken from the Asian experience. However, it should be noted that an Asian development model is not one but a group of approaches, based upon specific circumstances and access to large capital markets from Japan, and large extended family groups of ethnic Chinese throughout East Asia.

What the Asian models are having in common is the idea of market-friendly development; i.e., government policies that promote macroeconomic stability, human capital formation, openness to international trade, markets and competition. These government policies sometimes led to significant state intervention at a particular economic juncture, and their purpose was to defend and assist private business. While each East Asian country had varied policies, all were aimed at rapid export growth and integration into the world economy through their respective industrial policies.

In drawing lessons from the East Asian development, a point which should be noted is that, the East Asian development experience, though not identical among all East Asian Countries, exhibits certain common features. As late comers to a world market already dominated by the industrialized countries, they have had to accelerate their economic modernization and industrialization programs to become equal partners with the early starters which is called the catch-up strategy.

East Asian countries share more or less similar values, work ethics, and cultures, particularly when compared with the West. It is neither the regional nor the cultural

characteristics of these East Asian countries but their late comer status in the world business community that has led them to adopt the so-called East Asian approach to national development.

Theoretically, Ethiopia is different from East Asian countries with values, work ethics, and culture. But Ethiopia can adopt a development approach similar to that of East Asia as late comer in world development in order to catch-up with the early starters in the shortest possible time.

In view of the differing international and internal conditions no one model of development can be simply transferred from one region to another. Nevertheless, we have to acknowledge some elements of relevance of the East Asian experience for Ethiopian development. This is because of the fact that the very diversity of successful East Asian countries gives hope that lessons can be drawn for our development.

What lessons to be drawn? Not all lessons which contributed to the East Asian development, but lessons which are fundamental and indispensable for economic and social development. These are:

### 1. Investing in Human Resource Developments and Physical Infrastructure

The steady increase in human capital and institutional and physical infrastructure investment have enabled the East Asian Countries to induce both domestic and foreign investors to invest in their development process.

In this connection, the provision of basic education for all, making people literate and capable of adjusting more easily to changing external economic conditions, and the reorientation of the educational system toward a greater emphasis on sciences and technology and skill development, have been vital.

In physical infrastructure, the most critical development has been efficient networks of energy supply, transportation including harbors and airports, and telecommunications.



## 2. Sustained Political Stability

In most of East Asian countries, government social policies developed against a backdrop of political stability, full employment, high household savings, and strong community ties. These factors proved among the most critical factors underlying rapid industrialization. East-Asian countries would not have been successful in economic development and restructuring had it not been for sustained political stability they enjoyed over three decades.

## 3. Firm Political Commitment to Development

Most of East Asian governments took a firm political commitment to development, particularly to high growth with equity under monetary and fiscal discipline. Lacking this commitment, Indonesia during the Sukarno regime, and the Philippines during the Marcos regime suffered not only a slowdown in economic growth but also economic and social chaos. The open-door policy of most other East Asian Countries from the 1970s onward, however, has compelled them to revert to the high-growth path.

In the process of rapid industrialization and economic modernization of East Asian Countries, the positive role of government has always been recognized as vital, not only in putting in place economic infrastructures and social infrastructures, but also in providing legal, administrative, and competitive market frameworks within which the private sector can operate efficiently and effectively. Government's supportive role in accelerating the development and expansion of export-oriented industries, industrial restructuring to favor growth sectors, and the development of new technologies and production processes through appropriate macro-economic policies and fiscal and financial policy intervention were accorded priority as government's regulatory role in promoting the private sector development.

This development approach of East Asian Countries has been termed as a developmental market economy approach, as opposed to the liberal market-economy approach adva-

nced by the IMF and the World Bank in their SAPs.

## 4. High Rates of Domestic Savings and Investment

High rates of domestic saving and the entrepreneurial spirit have been very important for the success of East Asian development. Equally, the rapid pace of investment in human capital and institutional and physical infrastructure was also important. High rates of domestic saving and the entrepreneurial spirit have acted as additional incentives for foreign investors to invest in East Asian countries since they present golden opportunities for joint undertakings. In this connection, the presence of ethnic Chinese business community, with the emphasis on competition and innovation and its vast and effective network all over East Asia and the Western world has contributed to the success of East Asian economic development.

## 5. Fiscal and Financial Incentives

A number of fiscal and financial incentives introduced by the governments of East Asian Countries have also been quite effective in mobilizing private savings from domestic and foreign sources for investment in "pioneer" or "promoted" sectors.

Fiscal and financial measures oriented towards export promotion, selective technology imports, and research and development of new technologies and products have had a similar impact in creating a favorable investment climate.

Furthermore, realistic exchange rate policies, by speedily adjusting the value of national currencies in the international currency market, have been significant factors not only in expanding exports, particularly of manufactured goods, but also in restraining unnecessary imports, such as the luxury consumer goods seen for example in many Latin American Countries.

In East Asian countries, fiscal and administrative measures in favour of greater equity in income and asset distribution have also been effective in helping savings mobilization and utilization.

## 6. Efficient and Effective Bureaucracy

A relatively efficient, effective and clean bureaucracy has also been pivotal, though to a varying extent in different countries, not only in making appropriate macro-economic policies but, more important, in implementing those policies effectively. Rapid industrialization and economic modernization programs have required these countries not only to have technical knowledge and professional expertise, but also to apply them with good judgment, accountability, transparency, and fairness.

## 7. Favourable International Economic Regimes

In pursuing rapid industrialization and economic modernization programs, nearly all East Asian Countries adopted an import substitution policy pattern from the late 1950s. However, most of them reversed their industrialization policies and adopted an export-promotion policy, or an export-led industrialization. In addition to this positive role played by governments, it was fortunate for these East Asian Countries that their industrialization programs have coincided with the ongoing liberalization of the international trading regime under the Kennedy, Tokyo, and the Uruguay rounds of multilateral trade cooperations.

These relatively favorable international economic regimes and political environments during the cold war favored East Asian trade, investment, technology transfer, and aid, particularly during the 1960s-80s, and this process induced East Asian countries to promote export oriented industrialization programs and thus accelerate economic development.

## 8. Foreign Direct Investment (FDI) Inflows

Investment climate, political stability, and profit opportunities are the major factors affecting FDI inflows, and East Asia is endowed with these three factors. Beyond political stability, there are some lessons we can derive from the Asian experience in promoting investments:



a) **FDI friendly and pro-growth industrial policy:** FDI's will not correct one's policy mistakes but instead exploit them at first and perhaps leave one for other locations when such mistakes prove to be costlier to them.

b) **East Asian competitiveness in attracting FDI:** One of the lessons from East Asia is that investment incentives matter less than the fundamental factors such as output growth, openness, and the relative stability of real effective exchange rates which studies found as crucial for attracting FDI in sub-Saharan Africa. Similarly, many studies show that East Asian Countries are generally competitive even before the grant of such incentives as tax holidays and other fiscal carrots which forego revenues that could be used for infrastructure projects instead.

c) **The presence of export processing zones and industrial estates:** FDI's are bound to stay clustered in these geographic confines despite the elimination of tariffs and the adoption of other liberalization measures in regional and international groupings. This answers in part the concern that long-term development plans must be prepared so that resources can be allocated efficiently by both local and foreign capital in well-defined geographical locations.

d) **The will of the private business entities to implement government policies:** From the history of the development of investment promotion in East Asian countries, it is clear that no matter what

initiatives, protocols and complementation schemes governments agree to, the ultimate success depends on the implementers from the private business entities. They will invest and employ people, produce goods and services that are traded across borders only in profitable opportunities.

The experience of the Association of South East Asian Nations (ASEAN) is worth mentioning in the government-business relationship. In ASEAN, the saying goes as "Governments can lead the horse to the water but can not force it to drink". The role of the Private business in implementing government policies is the lesson that ASEAN learned painfully over the past decades. Besides implementing domestic policies of governments, business entities are instrumental and the main actors to implement regional agreements and protocols entered into between countries. Just to mention a few, the following Agreements and protocols are implemented by business entities:

- Agreement for the Promotion and Protection of Investments,
- The Protocol to Enhance Investor Confidence for Investing in ASEAN,
- The ASEAN Free Trade Area,
- The Asian Industrial Cooperation Scheme,
- The ASEAN Industrial Joint Ventures,
- The ASEAN Brand-to-Brand Complementation Scheme, etc.

APEC ( Asia Pacific Economic Community) recognized this with the creation of an APEC Business

Advisory Council (ABAC) which counsels economic leaders on trade and investment liberalization, business facilitation and economic and technical cooperation.

Finally, I may summarize the relevance of East Asian development experience to Ethiopia as follows:

1. Maintaining political stability for a sustained period and strengthening political commitment to economic development and human development policies, with the emphasis to enhance the quantity and quality of human capital and physical infrastructure development.
2. Maintaining monetary and fiscal discipline and improving macro-economic stability, consistency, and flexibility, with the emphasis to increase domestic savings and improving the entrepreneurial spirit.
3. Reinforcing good governance at all levels and improving the institutional mechanisms and working of government-private sector partnership.
4. Constant upgrading of technology, productivity and international competitiveness through strengthening FDI inflows to acquire dynamic international competitive advantage and eventually integrate into the world economy.

I thank you. ■

**THIS IS THE FIRST ISSUE OF THE SECOND VOLUME OF *ECONOMIC FOCUS*. WHILE WE ARE PROUD TO HAVE SUCCESSFULLY COMPLETED OUR FIRST YEAR, WE HOPE YOUR SUPPORT AND CONTRIBUTIONS WILL CONTINUE TO MAKE FOCUS AN EVEN BETTER MAGAZINE. SO PLEASE WRITE TO US ABOUT WHAT YOU THINK ABOUT OUR MAGAZINE AND WHERE IT NEEDS IMPROVEMENT.**



# THE RELEVANCE OF THE EAST ASIAN EXPERIENCE TO ETHIOPIA

By

**Nigel Roberts**

**Resident Representative - World Bank**

**11 December, 1998**

As I am very new to Ethiopia I thought it might be presumptuous of me to speak to this audience about the implications of the East Asian crisis for the Ethiopian economy. Instead, if you'll forgive me, I'll speak about the crisis itself: what we in the World Bank see as its origins, what impact it is having on the populations of the region, and something of the assistance we have been providing. I will then make a few remarks about the impact of the East Asian crisis on the African continent as a whole.

Until Mid 1997, East Asia had witnessed sustained growth for 30 years - growth of a type and duration never witnessed in any other region in recent history. The number of people living in poverty fell by about a half over the last 20 years, from some 720 million to about 350 million, with the pace of poverty reduction accelerating. From 1975-85, the number of the absolute poor fell by 27%; between 1985-95 the number fell by another 34%. All key social indicators registered major improvements - life expectancy, infant mortality, literacy. With education leading to higher productivity, the region achieved persistently high growth rates and significant welfare improvements.

This high-performing growth engine was characterized by very proactive governments that

- kept inflation low and exchange rates competitive, through conservative macro policies;
- invested in human capital through education and health expenditure;

- encouraged high savings rates by keeping real interest rates positive and protecting deposits in financial institutions;

- encouraged absorption of foreign technology, and

- avoided implicit taxation and other biases against agriculture, and limited price distortions in general.

In other words, a strategy of high savings rates, high investment rates in human development, stable macro-policies and a drive for exports.

So what went wrong? There is no final agreement on this - after all, the same economists who failed to predict the crisis are now endeavoring to make sense of it. Neither is the crisis over; nor have all of the remedies yielded success. This said, we can trace the main outlines of the crisis and point to some key ingredients.

There were certainly some emerging structural problems in East Asia before June 1997.

- rapid growth took place in the absence of sophisticated financial and capital markets, and with a large government presence characterized by increasing fiscal deficits;

- the corporate and financial sectors became unusually reliant on financing long-term investments with short-term debt capital;

- liberalized financial markets existed without adequate providential regulation and supervision - allowing banks and corporations to as-

sume unedged foreign borrowing positions that left them highly exposed;

- companies operated without the benefit of fully developed bond and equity markets, borrowing heavily from banks and becoming increasingly leveraged - and thus vulnerable to interest rate fluctuations;

- next, consistent rapid growth was undermining traditional community protection mechanisms for the unemployed, the sick and the elderly. East Asia came to rely on high personal savings and family assistance to provide social security; there were relatively few state protection mechanisms. In transitional countries like China and Vietnam, commune & state enterprise-based safety nets deteriorated. In the wealthiest countries, lifetime employment guarantees in the corporate sector proved increasingly out of step with modern economies' needs for rapid change and flexibility in their labour markets;

- another vulnerability was the extent of exploitation of the region's natural resources: overlogging, exploitation of fisheries, wasteful agricultural practices. National income accounts are hard to adjust for environmental damage, but some economists estimate that as much as 20% of Malaysia's GDP growth rate in the period would be discounted if allowance were made for natural resource depletion.

This said, there is little evidence that such growing pains were enough to halt or slow growth, let alone to precipitate crisis. Any slowdown associated with diminishing returns would probably, not



have occurred until well into the 21st century, using conventional economic forecasting models.

Three forces interacted to bring about a lethal cocktail and to precipitate financial crisis, leading to an economic crisis, leading to a social and in (some cases) ethnic and political crisis:

- the increasing availability of private capital chasing high returns;
- increasingly risky macro policies (especially capital account liberalization that permitted capital inflows to fuel a credit boom);
- insufficient regulation and governance in financial markets.

Domestic credit expansion manifested as an asset price bubble, particularly in Thailand, and in real estate. This, and the excessive debt of over-leveraged firms, led to a crisis of investor confidence and to a sudden withdrawal of investor capital. In Thailand in the mid-90s an investor could borrow yen at near-zero interest and could get annual returns of 20% in Thai baht by investing in skyscrapers in Bangkok.

In 1996, Thai exports hit a wall, and the 20% growth of 1995 fell to -1% in 1996. This was due to

- a loss of wage competitiveness associated with currency appreciation;
- a slump in world demand, especially for electronics exports;
- stagnation in the growth of Thailand's export markets, especially Japan.

Suddenly no-one was renting Bangkok property, and the supply of office space was outstripping demand. Finance companies began to experience difficulties in early 1997.

The Thai government responded by providing them additional liquidity, which only served to add to the supply of funds ready to attack the currency. Equity investors withdrew first. Capital began to seek safe havens, and finally on July 2, 1997 the Thai government yielded to market forces and abandoned its defense of the baht.

The Thai devaluation caused financial panic throughout the region. Investors started to worry about the health of the region's financial systems and the magnitude of short-term public and private debt. Fears were compounded by a lack of transparency in East Asia's financial and corporate sectors.

The lack of mechanisms for an orderly work-out of corporate and bank debt led to massive investor withdrawal. Within six months, capital outflows from East Asia erased the inflows of the first half of the year, leading to negative flows of \$12 billion in six months, and \$100 billion in a year.

The huge capital outflows required huge compensatory swings in current account balances, and new current account stability was achieved largely through import compression and a reduction in income, rather than through exports (which could not now be financed). Interest rates rose as governments attempted to increase the attractiveness of domestic assets to the holders of foreign currency funds. This, though, compounded the problems of the indebted corporate sector, and with falling profits many could not service their debts. This led to progressive stress on the region's financial sectors.

Tight fiscal policy only served to compound the contractionary cycle. As a result, Thailand, Korea, Indonesia and Malaysia have fallen into deep recession, though Thailand and Korea now seem to be bottoming out.

What are the human results of all this? Tens of millions have been thrown into poverty and many recent social gains have been reversed.

In Indonesia for example, school enrollment has fallen from 78% back down to 54%. Real wages have plummeted, and cities are filled with anxious, volatile groups of the unemployed. The middle classes and nouveaux riches have also been very hard hit - the decline in equity values exceeds \$400 billion since July 1997.

How has the World Bank handled this? Our basic strategy is to:

- reactivate growth on the basis of

structural reforms that will allow recovery to take hold sooner;

- protect the poor and ensure that they share in the recovery;
- mobilize capital to help jump-start the recovery.

We pledged nearly \$20 billion and disbursed \$8 billion in the year following the crisis, thereby helping to finance a more expansionary fiscal stance, and created demand to help revive employment. Our focus, though, is also very much on the quality of spending. We are helping governments to

- improve financial sector regulation;
- restructure the banking and corporate sectors. This means more open corporate and financial disclosure, better management of debt and contingent liabilities, and legal and regulatory reform;

- minimize the adverse environmental implications of new natural resource development projects;

- protect the poor and vulnerable; considerable support has been provided in recent months for basic education and health, targeted food subsidies and labor-intensive public works. We have financed improvements to social safety nets through labour market reforms, and through the targeted application of transfer payments to the elderly, sick and unemployed.

- as far as capital mobilization is concerned, we aim to use our own capital resources to bridge the gap until the return of investor confidence.

Is there any silver lining to this? Possibly. Certainly the last major international financial crisis (the Tequila Crisis in Mexico) led to fundamental shifts and modernization in that country's economic structure and competitiveness. Almost all countries in East Asia are undergoing dramatic change:

- companies that borrowed freely against the collateral of their unfolding growth, or through cronyism, are now being subjected to new discipline;

- banks borrowing in yen or US\$



and lending in local currency on a nod and a wink from their government are subject to greater supervision;

- ownership shifts are underway in the corporate sector. One possibility is that companies and banks will emerge with less concentrated ownership and greater accountability and flexibility;

- governments are shouldering greater responsibility for the welfare implications of industrialization, to the benefit of the most vulnerable;

- and there are signs of greater political openness, and a new concern for corruption and accountability.

Let me close with a few words on Africa. With respect to global capital flows, Africa's relative insulation - only \$3 billion in DFI (Direct Foreign Investment) came to sub-Saharan Africa in 1997 - will protect it from serious financial contagion.

The bad news is that this itself reflects Africa's economic marginalization.

The primary impact will be the trade effect. The growth in world trade is likely to slow by up to half this year - from 7.7% to 3.7% - and to recover only gradually. Commodity prices for oil, timber, metals & tea and coffee are falling sharply, leading to negative terms of trade. Competition from countries with falling currencies is increasing.

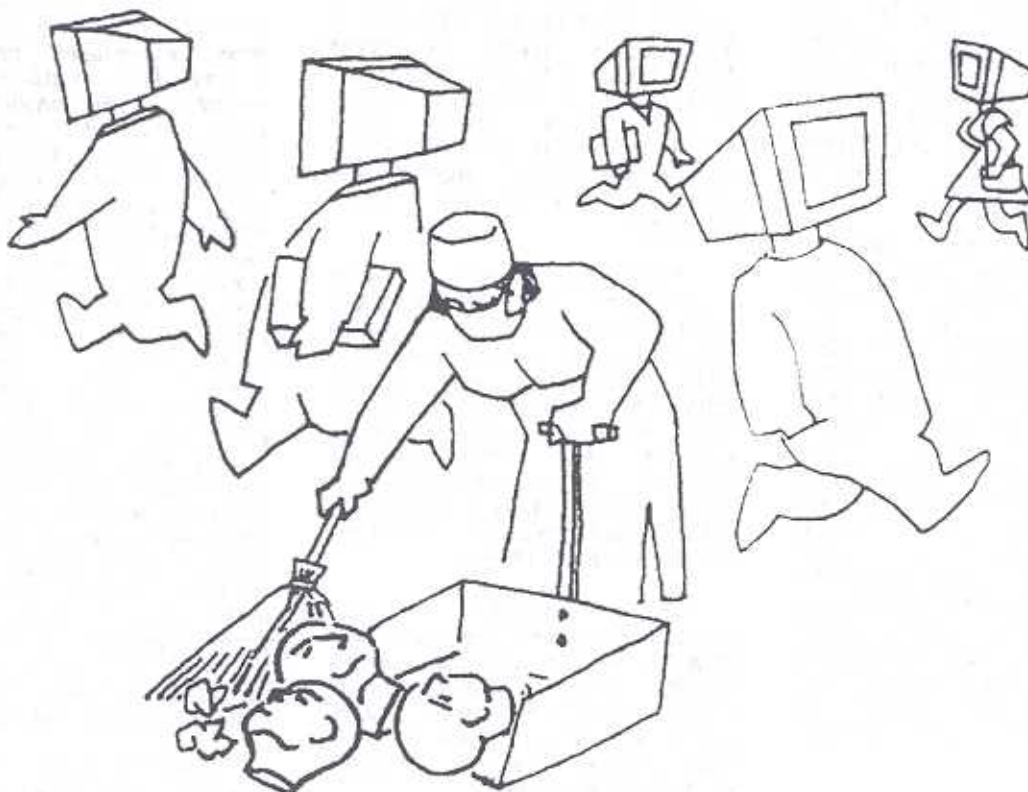
Our projections show a slow-down in African growth of about 1%, with positive growth of 3.8% still likely. But since this barely exceeds the continent's population growth, per capita real income growth will be sharply reduced.

The effects will vary greatly between countries. Oil importers will be cushioned by the fall in their imports bill - as is the case here in Ethiopia, where the fall in oil import prices is acting to compensate the

fall in coffee export prices. But oil-exporting countries will suffer large terms of trade losses.

The increase in perceived risk could also raise the cost of borrowing for Africa. Not until the world trading system recovers its momentum, hopefully in 1999 or 2000, is Africa likely to see the external environment improve.

Until then, Africa has to grit its teeth. The downturn, though, does not call into question the wisdom of recent reforms. The same factors that helped restore growth to many African countries in the last few years will help them weather the current storm - those factors being sound, conservative macroeconomics policies, liberalized pricing and the aggressive promotion of exports. ■



As society enters the scientific age, the human brain is displaced by computer.

(Cartoon from Satire and Humor, September 20, 1998)



# ኢትዮጵያ ከምስራቅና ከደቡብ ምስራቅ እስያ አገሮች ምን ልትማር ትችላለች?

ከበሬታዬ ደግሬ

★ ዶ/ር በሬታዬ ቀደም ብሎ በአዲስ አበባ ዩኒቨርሲቲ የኢኮኖሚክስ ት/ክፍል ተባባሪ ፕሮፌሰር የነበሩ ሲሆኑ፡ በአሁኑ ጊዜ በአፍሪካ ኢኮኖሚክ ኮሚሽን ይሠራሉ።

## 1. መግቢያ

በኢኮኖሚ ልማትና አስተዳደር፣ የምስራቅና የደቡብ ምስራቅ እስያ አገሮች (ካሁን በኋላ ምድራዊ ብለን የምንጠራቸው) ባለፉት 40 ዓመታት አለማችንን ያስደነቁና እንደተለዎቻቸው የተቆጠሩ ሁለት ሂደቶችን አስመዝግበዋል። አንደኛውና ቀዳሚው ዛሬ በልማት የመጨረሻውን እርከን ረግጠዋል የሚባሉት እንደ አሜሪካ፣ እንግሊዝ፣ ጀርመን፣ ፈረንሳይና በዚያ ደረጃ የሚገኙ የምዕራብ አገሮች ከነበሩበት የደህንነት ማጥ ለማውጣት ከወሰደባቸው ረጅም ዓመታት እጅግ ባህሰ ጊዜ አገሮቻቸውንና ህዝባቸውን ለማበልፀግ መቻላቸው ነው። ሁለተኛው አስደናቂ ነገር የምድራዊ አገሮች ከዚህ ሌላ ምን ተለምዶ ሊሠሩ ይችላሉ ተብለው ሲጠበቁ ኢኮኖሚያቸው ለከፍተኛ ቀውስ መጋለጥና ሲከሩበት የነበረው በራስ የመተማመንና በአገራቸው ተቀናቃኝ በሌለበት ምሉእ በኩል ህጻን የመኖር ባህላቸው ተንኮታኮቶ ሆኖ የምዕራብ መንግስታትና አለም አቀፍ የገንዘብ ድርጅት በነዚህ አገሮች ጋዳ ገብተው እንደልባቸው አሳኝ ለመሆን የመብቃታቸው ጉዳይ ነው።

ፈጣንና ሥርነቅል ማህበራዊና ኢኮኖሚያዊ ለውጥ ከሰመዘገቡት የምድራዊ አገሮች ኮሪያ፣ ታይዋን፣ ታይላንድ፣ ማሊዥያና ሲንጋፖር ዋናዎቹ ሲሆኑ እንደሌሎቹ ፈላጊነትም ከነዚህ አገሮች ስት ብለው በሁለተኛ እርከን ይመደባሉ። በመጀመሪያው የልማትና የአድገት ዘርፍ የተመደቡት አገሮች የልማት እንቅስቃሴያቸውን በጀመሩበት እንደ ፈረንሳይ አቆጣጠር በ1950ዎቹ ዓመታት የነበሩበት ደረጃ በዚያ ዘመን ኢትዮጵያ ከነበረችበት ሁኔታ ብዙም ልዩነት አልነበረውም። እነሱም ልክ እንደ ኢትዮጵያ ድህነት ሥር የሰደደበት፣ መሃደምነት ያንሰራፋበት፣ በተከናዎው ለጅም እጅግ ኃላ ቀር የነበሩ፣ በውጭ እርዳታ የሚተማመኑ ነበሩ። ሆኖም ግን አገራችን የኃላት ስትጋዝ እነሱ በልማቱ ጎዳና በከፍተኛ ፍጥነት በመገንባታቸው ዛሬ በመካከላችን ያለው ልዩነት የትየለሌ ሆኗል።

የመነሻ ጥያቄዎችን እነሱ ምን በያደሩት ነው እዚህ ደረጃ የደረሱትን የሚለው ሆኖ የዚህም መልስ እኛ ምን ሳናደርግ ቀርተን ኃላቀርና ደህ ሆነን እንደቀረን የሚጠቁም ነው። እንደነሱ

ለመሆንም ምን ማድረግ አለብን የሚለውንም ጥያቄ በማስከተል እነቃኛለን።

## 2. የምድራዊ አገሮች እንዴት ለከፍተኛ ዕድገትና ልማት በቁ?

ተለምዶ ወይንት ያስመዘገቡት የምድራዊ አገሮች የተከተሉት ዘዴ እንደ አደነት ሳይሆን እያንዳንዱ አገር ባለው የተፈጥሮ ሀብት፣ የህዝብ ብዛት፣ መሠረተ ልማት፣ ባህልና ከነዚህም በፊልቁ ቁሳዊ፣ አእምሮአዊ፣ አካላዊና ኢኮኖሚያዊ ባህርያትን ያገናኘውን አገርን ሊያለግና ህዝብን ከድህነት በአጭር ጊዜ ሊያወጣ ይችላል ብለው ያመነበትን የአድገት ፈላጊ ነድፈው ይህንንም ተግባራዊ አድርገዋል።

ለምሳሌ የኮሪያ መንግስት የህዝቡ ድህነትና አጠቃላይ ኃላቀርነት ህዝብን መሠረተ ያደረገ የልማትና የአድገት ጎዳና በአጭር ጊዜ ከችግር ሊያወጣቸው እንደሚችል በማሰብ ይመስላል በአገሪቱ ያሉትን ከአሥር የማይበልጡ ሃብታም ባላባቶችን መርጦ ያላቸውን ሀብት ለልማትና ለአድገት በሚሆኑ የሥራ መስኮች እንዲያሰማሩ ሲያደርግ ለስኪታማነታቸው ያልተቆጠበ መንግሥታዊ ድጋፍ ያደረገላቸው።

እነዚህ ልዩ ድጋፍና እንክብካቤ የሚደረግላቸው ድርጅቶችም በፈንታቸው ለህዝቡ ሥራ እንዲፈጥሩ፣ ለህዝቡ አዳዲስ ያሠራሩ ባህሎችን በማጸበር ሠራተኛውን ህዝብ እንዲያሰለጥኑ ሙሉ ኃላፊነት ተጠባባቸው። እነዚህ የዛሬ አርባ ዓመት ገደማ በመንግሥት እርዳታና ድጋፍ ፈታቸውን ወደ ልማት እንዲያዞሩ የተደረጉት ባላባታዊ ድርጅቶች ዛሬ ዝናቸው በአለም የገነቱትን ሃይሉን ያደገ፣ ዲዎን፣ ለኪንጋድሰታርን፣ ሳምሱንግን፣ አስኪንና ሌሎችንም ያካትታሉ።

ከእነዚህ በተጓዳኝም መንግሥት ብዙኃኑ የተሰማራበትን የግብርናን ዘርፍ ለማልማት መሬትን በማከፋፈል አዳዲስ የምርምር ወጠቶችን በሃገ ለገበሬው በማደል፣ የምርት ማሳደጊያዎችን አስፈላጊ በሆነበት አካባቢና ተጠቃሚዎች በአነስተኛ ወለድ በብድር በመንግሥት ምርቱንና ምርታማነቱን አመነደገው።

በአንጻሩም የታይዋን የልማት ጎዳና ሲመረመር ከኮሪያው እጅግ የተለየ ሆኖ እናገኘዋለን። በኮሚኒስቶችና በብሔርተኞች መካከል ሲካኼድ በነበረው ጦርነት ሽንፈት

የጠመው ከበርቱና ንዑስ ከበርቱ ብሔራዊ ወደ ታይዋን ደሴት ሲሸሽ ሃብትና ንብረቱን ጥሎ ቢወጣም ስውቀቱን፣ በተግባር የዳበረ የሥራ ልምዱን የአደረጃጀትና የአስተዳደር ብልህቱን፣ ለሥራ ያለውን ፍትህና ዲሲፕሊንን በአጠቃላይም ለልማትና ለአድገት አስፈላጊ የሆኑትን አእምሮአዊ ብቃትና ሥነልቦናዊ ባህርይ ይዘው ነው።

ኃላቀርና ደህ በሆነው አዲሱ ደሴታዊ አገራቸውም የሚተግራቸው ድርጅት ስላልነበረ እያንዳንዱ ገለሰብና ቤተሰብ ለራሱ የሥራ ዕድል የመፍጠር ግዴታ ስለነበረበት ያለውን ስውቀትና ልምድ በመጠቀም በየቤቱና በየደጃፉ ሥራ ጀመረ። በየቤታቸውና በየደጃቸው የጀመሩትን ሥራ በማስፋፋትና በማሻሻል በአጭር ጊዜ ደሴቱን በትናንሽና በመካከለኛ ኢንዱስትሪ አጥላቀላቃት።

የማሊዥያ ልምድ ከኮሪያና ከታይዋን በጣም ይለያል። አገሪቷ ከግብርናው ዘርፍ ውጭ የምትመካበትና የምትተማመንበት የተፈጥሮ ሀብት ያልነበራትና ህዝቧም ደኅ፣ መሀይምና ኃላቀር ስለነበር በዚህ ሁኔታ አገርን ማልማትና ህዝብን ማበልፀግ የማይቻል መሆኑን የተረዱት የማሊዥያ መሪዎች በመጀመሪያ ደረጃ ለአድገታቸው ሞተርና የሰልጣኔአቸው መሠረት ያደረጉት የውጭ ኢንቬስተርን ሲሆን በሁለተኛ ደረጃ የአገራቸው ህዝብ ከነዚህ የውጭ ሰዎች የሚቀሰሙትን እውቀትና ብልህነት በመጠቀም ራሱን እንዲጠቅምና ብሎም ሀገሩን ሊያለግና ሊያሳደግ የሚችልበትን ሁኔታ በማመቻቸት ነው። ለውጭ ኢንቬስተር አመቺ የሆኑ ቦታዎችን በመምረጥና በእነዚህ አካባቢዎች የኃይል፣ የውሃ፣ የመንገድ፣ የሰልክና ሌሎችንም መሠረተ ልማት አውታሮችን በማስፋፋት፣ ከዚያም ዘልቆ በነዚህ አካባቢዎች መዋዕል ንዋያቸውን ለሚያፈሱ የውጭ ድርጅቶች ኮማንዳውም የመንግሥት ግብርና ቀረጥ ነገ በማድረግ የውጭ ኢንቬስተሮችን ጋበዙ። ፖለቲካው የተረጋጋ፣ አስተዳደሩ የሰከነ፣ ጠንካራ መሪዎች ያለበት አገር በመሆኑ የውጭ ኢንቬስተሮች እምነት እድርባቸው ሃብታቸውን በገሩ በማስገባታቸው ማሊዥያ በአጭር ጊዜ ከኃላቀርነት ወደ ኢንዱስትሪ ማዕከልነት ልትለወጥ በቅታለች።

በማሊዥያ መዋዕል ንዋይ የሚያሰገቡ ባለሃብቶች የነበረባቸው እንደ ማዕቀብ የሚያመርቱት ምርት ሁሉ በውጭ ገበያ የሚሸጥ እንጂ ለአገር ውስጥ ፍጆታ መዋል እንደሌለበት መደረጉ ነው። ለአገር ውስጥ ፍጆታ የሚውለውን ማንኛውንም ምርት



የማምረትና የማከፋፈል ተግባር ያለተቀናቃኝ ለአገራዊ ህዝብ ብቻ ተከለሎ የተቀመጠ የሥራ መስክ ተደረገ። በመሆኑም የአገሩ ህዝብም ለአገር ወስጥ ፍጆታ የሚሆን ምርት በማምረት ተግባር በመሠግራቱ እራሱንም ጠቅሞ አገሩንም ሊያለግና ሊያስከብር በቅቷል።

በተቀሩት የምደምእ አገሮች ተግባራዊ የሆኑት የልማት ስልቶች ከዚህ በላይ ከተዘረዘሩት አንዱን ወይም ሌላውን የተጠጋ ነው።

3. ከእድገት ወደ ውደቀት

የምደምእ መሪዎች ህዝቦቻቸውን ከደህነት ለማውጣትና ሀገራቸውን ከተመዘገቡትና ከጎረቤቶቻቸው አላቆ ዘመናዊውን ሥልጣን የሚያገናኝላቸውን ዘዴ ሲቀይሱ የተነሱት የራሳቸውን ችሎታ በመግምገም፣ ያላቸውንና የሌላቸውን በማስተዋወቅ፣ የጎደላቸውንና የሚያስፈልጋቸውን በማጠናኘት ለዚህም ተስማሚውን ስልት በመቀየስ እንደነበር ከላይ አስተውሏል። የመረጡትም ጎዳና ደህና እስኪጻፉባቸው፣ ባዎር ጊዜ ከደህነት ነፃ ከመውጣትም አልፎ ሃብታሞቹን የምዕራብ አገራትንም ለስጋትና ለውጥረት ዳርገዋል። ታይቶና ተሰምቶ በማይታወቅ እጅግ ፈጣን እድገት የሚገኝላት የምደምእ አገሮች በዚህ ሁኔታ ከቀጠሉ ሃብታሞቹን የምዕራብ አገሮችን በልጠው በመጀመሪያ የኢኮኖሚው ቀጥሎም የፖለቲካ ኃይሉ ወደዚያ ሊያዘነብል ይችላል ተብለው ተገምተውም ተፈርተውም ነበር። ሆኖም ግን ከእንደ ፈረንጆቹ አቆጣጠር ሰኔ 1997 ዓ.ም ጀምሮ በሃይለኛ የቀውስ ጥገድ ተመተው የእድገትና የልማት ፈራቸውን ለቀዋል። ይህ እንዴት ሊሆን ይችላል?

ለነገሩ የነዚህ አገሮች እድገትና ልማት ያስፈራቸው የምዕራባውያን አገሮች በተለይም የአሜሪካን ሽርና ተንኮል አለበት የሚሉ ብዙ ናቸው። ሆኖም ግን እኛ እዚህ ጉዳይ ውስጥ ሳንገባ የሆነውንና ከዚህም ምን ትምህርት ልንማር እንችላለን የሚለውን እንቃኛለን።

የምደምእ አገሮች የህዝባቸውን እውቀት አዳብረው፣ አገራቸውን በኢንፎርሽን ቴክኖሎጂው መስክ አጎልብተው፣ የውጪ ንግዳቸውን በከፍተኛ ደረጃ በማሳደግ በአለም ገበያ ኃይለኛ ተርካካሪና ተወዳዳሪ በመሆን የዳበሩትን የምዕራብ አገሮችን ኢንፎርሽን ቴክኖሎጂ ለማገዝ በቁ። በአንጻሩም የራሳቸውን ቤት ከውጭ ከሚገቡ ለገዢዎቹ ጥቅምና ለቅንጣት ብቻ ከሚውሉ ሸቀጦች በመከላከል፣ በትግልና በመከራ የሚገኘውን የውጭ ምንጫ ለአገር ጥቅም በሚውሉና አስፈላጊ በሆኑ በአብዛኛው ለኢንፎርሽን ቴክኖሎጂው ማንቀሳቀሻ የሚሆኑ የጥሬ ስቃዎችን ብቻ ከውጭ በመሸመት፣ የተረፈውንም ለመጠበቅያ በማከማቸታቸው በቀላሉ የማይበገሩ ሆኑ።

እነዚህ በኢኮኖሚ መስክ ኃይለኛ እየሆኑ የመጡትን አገሮች ለማስተካከል ይመስላል የአለም የገንዘብ ድርጅት መጀመሪያ ገበያዎቻቸውን ለሌሎች አገር

ምርቶች ከፍተኛ እንዲያደርጉ ግፊትና ጫና ተደረገባቸው።

ቀጥሎም በዚህ ድርጅት ንትጋችነትና ተዕዕኖ የምደምእ አገሮች የአገራቸውን የገንዘብ ገበያ ለሁሉም አገሮች ከፍተኛ እንዲያደርጉ (capital account liberalization) ይደረጋል። ይህንንም በምደምእ አገሮች እንደ ፈረንጆቹ አቆጣጠር ከ1990 ዓ.ም ጀምሮ ተፈጻሚ ይሆናል። በሩ ያለአንዳች ገደብ የተከፈተላቸው የውጭ ባንኮችና ባለሀብቶች በብዙ ቢሊዮን የሚቆጠር ገንዘብ ወደነዚህ አገሮች ያፈላሳል። በምደምእ ያሉ ባንኮች ዶላር በዶላር ይሆናል። በዚህ ተቀማጭ ገንዘብ የምደምእ ባንኮች ወለድ ስለሚከፍሉበት እነሱም በተፈቸው ያበድራሉ። ከባንኮች ውጭ ወደ ምደምእ አገሮች የገባው ገንዘብ በድርሻ (አ)ኪዲን) ገበያው ድርሻ (አ)ኪዲን) ለመግዛት በመሞሉ የድርሻው ዋጋ እንደፊት ተነሳ። በባንኮች በኩልና ከባንክ ውጪ የገባው የውጭ ምንጫ መድረሻ ቢያጣ ወደ መሬት መግዛትና ህንፃ መገንባት ሥራ ተሰማሪ። የመሬት ዋጋም እጅግ ናረ። ግን የተገኘው ህንፃ ተከራይ አጣ።

ይህ ሁሉ ባልከፋም ነበር። ሆኖም ግን ገንዘባቸውን ወደነዚህ አገሮች ያስገቡ ሰዎች፣ ድርጅቶችና መንግሥታት መጀመሪያ ከታይላንድ ከሆሎም በመቀጠል ከኮሪያ፣ ከእንዶኔዢያ፣ ከፊሊፒንስና ከማሊዢያ ሁሉም በአንድ ጊዜ ገንዘባቸውን ግጥሞች ጀመሩ።

በድርሻ ገበያ የገዙትን እክሲዮን በአንድ ለመሸጥ ሲፈልጉ ሁሉም ሻጭ በመሆኑ የድርሻ ገበያው ዋጋ ወደቀ። ከፍተኛ ወለድ ለማግኘት በየባንኮቹ ገንዘብ አስቀምጠው የነበሩትም ገንዘባቸውን ለማውጣት ፈለጉ። ባንኮቹም በተቀማጭ የተቀበሉትን የውጭ ምንጫ ስለበደሩት መክፈል አቃታቸው። በዚህ ቀውስ የተነሳ ለውጭ ምንጫ ያለው ፍላጎት እጅግ በመናፋፋይ የአገሩ ገንዘብ ዋጋ ወደቀ። በዚህም የተነሳ ብዙ ባንኮች ተዘጉ። በባንኮች ተማምኑ ገንዘባቸውን ያስቀመጡ ሁሉ ከሰሩ። ምርታቸውን ወደ ውጭ እየላኩ የሌሎችን አገር ፋብሪካዎች ሲያሰጩንቁ የነበሩትና ለአገር ወስጥ ፍጆታ የሚውሉትን ምርት ያመርቱ የነበሩ ድርጅቶችም የሚሠሩበት የአገር ውስጥም ሆነ የውጭ ምንጫ ለማግኘት ስለተሰናቸው ተዘጉ። ሃብታም የነበረው ሁሉ ባንዲ ደሀድ፣ ሥራ አጥነትም ነገሩ። በዋጋ መናፋፋይ ምክንያትም የአገሩ ህዝብ የሚበላውን መሸመት አቃተው። የፖለቲካ አልመረጋታቸው የገለበተ ሂደት ለሌሎችም በእንዶኔዢያ የነበረውን አመራር ለማስወገድ በቃ።

ቀውሱን ለማርገብ አለም አቀፉ የገንዘብ ድርጅት የወሰደው እርምጃም ወገናዊነቱን ገደቀ አወጣው። የሚያቀርባቸውን ግዴታ ከተቀበሉ ችግር ላጋጠማቸው አገሮች ገንዘብ ሊያበድር ቃል ገባ። ምርጫ ያልነበራቸው አገሮች ግዴታውን ተቀበሉ። ግዴታዎቹም መንግሥት ውጭውን እንዲቀንስ፣ ባንኮች የሚያበድሩበትን ወለድ እንዲያንፋ፣ የውጭ ዜጎች በተከለከሉበት ከፍተኛ ኢኮኖሚዎች ሁሉ እንዲሳተፉና የፈለጉትን እንዲገቡ

በአጠቃላይም በኢኮኖሚው ሙሉ ባለቤት እንዲሆኑ የሚያስችሉ መብቶችን የሚያስደርጉ ነበር። ይህም ችግሩን አባባሰው። መንግሥት የተቸገሩትን እንዳይረዳ እጅ እግሩ ታወረ። ፋብሪካዎችና ገበሬዎች ተበድረው እንዳይንቀሳቀሱ አበዳሪም የለ፣ ቢኖርም ወለዱ የማይቀመስ ሆነ። ለምሳሌ ያህል የኢንዶኔዢያን ሁኔታ ብንመለከት እንደ ፈረንጆቹ አቆጣጠር በ1996 ዓ.ም 14 በመቶ የነበረው ወለድ በነሃሴ 1998 ዓ.ም ወደ 81 በመቶ አሻቀ። የሃገሩ ገንዘብም ዋጋ እንዲሁ ወደቀ። ለምሳሌ አሁንም የኢንዶኔዢያን ሁኔታ ብናይ በ1996 አንድ የአሜሪካን ዶላር በ2383 ሩፒያ ሲመነጠር ከግጥም በኋላ ወደ 14900 ወደረ። በዚህም ምክንያት የውጭ ሰዎች ለመግዛት የሚፈልጉት ነገር ሁሉ ረከሰላቸው። የገንዘብ ግሽበት ከሚጋጠሙ በፊት 14 ሚሊዮን ሩፒያ የሚያወጣ ፋብሪካ ለመግዛት አንድ የውጭ ሰው ወደ ሰባት ሚሊዮን የአሜሪካን ዶላር ያስፈልገው የነበረው ገንዘብ ከጋሽበ በኋላ ያንኑ ፋብሪካ ለመግዛት የሚያስፈልገው ገንዘብ ወደ አንድ ሚሊዮን የአሜሪካን ዶላር ወደረ።

ይህም ባልከፋም ነበር። ሌላ ችግር ባያጋጥማቸው ኖሮ፣ እነዚህን ግዴታዎች ለገቡ አገሮች የአለም የገንዘብ ድርጅትም ገንዘቡን አበደራቸው። ግን አበደርካቸው ያለውን ገንዘብ ለችግራቸው መውጫ ለተበደሩት አገሮች እንደመስጠት ላበዳሪዎች ነው በቀጥታ የከፈለው። በዚህ ሁኔታ ነው ሁለተኛ ተአምር በምደምእ አገሮች የተከሰተውና በቤታቸው ባይተዋር፣ ባመራቱት የበይ ተመልካች የተደረጉት።

4. ከመደምእ ምን እንማራለን?

ቀደም ሲል እንደተገለጸው ከምደምእ አገሮች ስድገትም ሆነ ውደቀት ብዙ የምንግረው አለ። መጀመሪያ ከችግራቸው እንግር። ቀጥለንም ከልማት ዘዴ አቀጥ።

ዛሬ የምዕራቡ አለም ታዳጊ አገሮችን የሚመክረው ምክር ለሰድገት የማይመችና ዘለአለም የነሱ ጥገኛ ሆነን እንድንቀር የሚያደርገውን ዘዴ ነው። በወኪላቸው በአለም የገንዘብ ድርጅት አማካይነት የሚመክሩና ካንገራገርን እንድንቀበል የሚያስገድዱን ስልት የምትለሙት ከኛ ጋር በሁሉም ገበያ በመኖራቸውና በመወዳደር ስለሆነ የአገራቸውን በር ሁሉ ከፍተኛ አድርጋቸው እንወዳደር የሚል ነው። የአገሩን ገንዘብ ካረከሱ በኋላ የመንግሥት ድርጅቶችን ሸጡ ነው። አገራው ለገቢ ስለማይችል ገዥዎች እነሱ ይሆናሉ። ሽሩና ተንኮሉ ያልገባውን የአገራቸውን ሰው ለዚህ አይነቱ ተግባር ደጋፊ ያደርጉታል። በዚህ ሁኔታ እድገትና ልማት ሊኖር ቀርቶ የማይታሰብም ነው። ምን ማድረግ እንደሚገባና እንደምናደርግ የሚነግረን የአለም የገንዘብ ድርጅት በመሆኑ።

መንግሥታችን በዚህ በኩል ከፍተኛ ትግል ታግላል። ግን የማያሸንፉት ባላንጣ ስላጋጠመው ሊያደርግ የያልው ማከየትና ደንቃራ መፍጠር ብቻ ነው። የዓለም የገንዘብ ድርጅት ሊያደርግ የሚፈልገውና የሚጠራው አገራችን የባለድ መናኸሪያ



ልሳነ ኢኮኖሚክስ

እንድትሆንና እኛም የነሱ እሸከር እንድንሆን በመሆኑ ይህ እንዳይሆን መታገል ይኖርብናል። ለራሳችን ነፃነት ባንቆረቆርም የአባቶቻችን አጥንት እንዳይወጋጋ። ከልማት ስልታቸው ለመማር ለግንዛቤ እንዲረዳን ከምደምለ አገሮች ለሰቱ የተከተሉትን ስልት ማየቱ ጠቃሚ ነው። ከኮሪያ የልማት ዘዴ የምንማረው ትምህርት ጥቂት ሃገር በቀል የሆኑ ድርጅቶችን በመፍጠርና መንግሥትም እነዚህ ድርጅቶች በጀመሩት የሥራ መስክ ለማሳደግም ሆነ ወደ አዳዲስ የሥራ መስኮችም ለመሰማራት የሚያስችላቸውን ያልተቆጠበ እገዛና ድጋፍ ማድረግ እንደሚገባው ነው።

ከታይዋን የምንማረው ትምህርት የተማሪና በሥራ ልምድ የዳበረ የሰው ኃይል ያለው አገር ሁኔታዎች ከተመቻቸሉት በአጭር ጊዜ ውስጥ አገርን በማልማትና ከፍተኛ እድገት በማስመዘገብ የህዝቡን የኑሮ ደረጃ ለማሻሻል መቻሉን ነው። ከማሌዢያ የልማት ዘዴ የምንማረው ቁምነገር በእውቀት ያልታነሰ ህዝብ ወይም የዳበረ የተፈጥሮ ሀብት ልማቱን ለማፍጠን የሚችለው ለውጭ ባለሀብቶች ሁኔታዎችን አመቻችቶ በመጋበዝና ከዚህም በሚገኝ እውቀት ገንዘብና ብልሃት ህዝብ ሊያድግና ሊደራጅ የሚችልበትን መንገድ መንግሥት ሲያደራጅና ሲቀይስ መሆኑን ነው።

ሌላው ከምደምለ አገሮች የምንማረው ትልቅ ትምህርት የተለያዩ የልማት ጎዳናዎች እንደመኖራቸው ከነዚህም መምረጥ ያለብን የተፈጥሮ ሃብታችንንና የህዝቡን ችሎታ በአጠቃላይም አቅማችንን የሚመጥነውንና ሊጠቅመን የሚችለውን መሆን እንደሚገባው ነው። ከዚህም በመነሳት ከላይ የዘረዘርናቸውን ስልቶች ከኛ ሁኔታ አኳያ ስንገመግም የታይዋን የሰለጠነና ልምድ ያዘበተ የሰው ሃይል ስለሚያስፈልገውና እኛም ይህን ስለሌለን ተስማሚ ሆኖ አይታዩም። የማሌዢያው የውጭ ኢንቨስትሜንት ደፈልጋል። ይህንንም ሞክረን አቅቶናል። የኮሪያው በጥቂት ሃብታዎች ላይ የተመሠረተ ነው። የአገራችንን ሁኔታ ስንዳስሰ ስለኮሪያው እንመለስበታለን። እኛ ሃብታዎች ነን። አለን ባዮች በአገራችን ባይጠፉም በአጠቃላይና በአገር አቀፍ ደረጃ ለዚህ ስልት የሚመጥኑ ሰዎች የሉንም።

ታይዋን ምን ልንሆን ነው? ጥያቄው ተገቢና አንገብጋቢ ነው። ለዚህም መልሱ አጭር ነው። ይህም ከተለያዩ አገሮች የተለያዩ ልምድ በመትሰም ሳገራችን ተስማሚ የሆነ ዲታላ ለመፍጠር መሞከር ነው። ይህ ይመስለኛል ለአገርና ለህዝብ በጎ አሳቢ ዜጎች ሃላፊነት። በተለይም ተማርኩ የሚለው ክፍል። በዜ በኩል ከምንገኝበት ሁኔታ በመነሳት ለዛሬው ለውይይት የሚሆን ሀሳብ እንደሚከተለው አቀርባለሁ።

**5. ያለንበት ሁኔታና ልናደርገው የሚገባን።**

ዛሬ ኢትዮጵያ ያለችበት ሁኔታ በጣም አስከፊ፣ አሳፋሪና አስፈሪም ነው። እራስዋን መመገብ ያልቻለች፣ በፈረንጆች ቃላት ለችጋር ተምሳሌት ሆና የቀረበች፣ በደህነት በዓለም የመጀመሪያዋን ደረጃ

የያዘች አገር ነች።

ዛሬ ሀብታም የሆኑት አገሮች ለከፍተኛ እድገትና ልማት የበቁት በመሪዎቻቸው አርቆ አስተዋይነትና በሰጡት ወሳኝ አመራር በመሆኑ ለመመስገን በትዕዛድ፣ መመስገንም ይገባቸዋል። በአንጻሩም ደሃ አገሮችን ከደህነት ማጥ እንዳይወጡ ያደረጋቸው መሪዎቻቸው ስለሆኑ በዚህ ውጤታቸውም የሚወቀሱበትና ለውቀሱም ይገባቸዋል። የሃገራችንም ሁኔታ ከዚህ የተለየ ሊሆን አይችልም። እንደ መንግሥት ከወደቀ በኋላ የተተካው የሚነግረንም ይህን ነው። ደርግ የቀዳማዊ ኃይለሥላሴን መንግሥት ለመጣልም ሆነ የመንግሥትን ሥልጣን ከያዘ በኋላ ለሃገራችን ደህነትና ለህዝቡ ኃላፊነት ዋቢ ያደርግ የነበረው የፈጣሪ ቡርሃውን መንግሥት ሆኖ በበኩሉ ሁኔታዎችን እንዳመቻቸና መጪውም ዘመን ብሩህ እንደሆነ ሲነግረን ከርሞ ሼደ። ኢህአዴግም ሥልጣን ከያዘ በኋላ ደርግን በመርገምና አሁን ግን ሁኔታዎች መመቻቸታቸውን ጧት ማታ እየነገረን ነው።

ሙት ወቃሽ ባህላችንን ትተን ያለጧን የልማት አቅጣጫ እነቃኝ።

አገራችንም በሰፊው አዲሱ አስተዳደር መሠረት አካባቢን የማልማት ኃላፊነት የተሸከሙት የክልል መንግሥታት ናቸው። የማዕከላዊ መንግሥት ኃላፊነት በዝርዝር ጉዳዮች ውስጥ ሳይገባ አጠቃላይን ሁኔታ የሚያመቻች ነው። ታይዋን ክልሎች የቱን ዓይነት የልማት ስልት ነው የተከተሉት?

ከዘጠኙ ክልሎች (አዲስ አበባንም እንደ ክልል ቆጥረው) ሁለቱ ብቻ ናቸው የልማት እቅድ ያላቸው። እነዚህም አዲስ አበባና ትግራይ ናቸው። የአዲስ አበባው ዓላማንና ግብን በመዘርዘር ምኞትን ያነገቡ ለተገባራዊነት ተጨባጭ ስልት የጎደለው፣ እንዲያው ለሰው ልማት መርገጥር አለኝ ለማለት ከልሆነ በስተቀር ፋይዳ የሌለው ስለሆነ በዚሁ እናልፈዋለን።

ሁለተኛው የትግራይ ክልል ስልት ነው። የዚህ ክልል የልማት ስልት የክልሉን ችግር ያገናኘውና ለችግሩም ተግባራዊ የሚሆኑ ዘዴዎችን ያቀፈ እንደመሆኑ በቀላሉ በሥራ የሚተረጎምና በመተርጎምም ላይ ያለ ነው። ህዝቡ በዲሲፒሊን የታነሰና ጎበዝ ሠራተኛ ቢሆንም ክልሉ ድርቅና በረሃማነት ያጠቃው በመሆኑ ለደህነት ዳርጎታል። ይህንን ህዝብ በአጭር ጊዜ ከደህነቱ ለማላቀቅና ለማበልጸግ የሚቻለው ካገር ውስጥም ሆነ ከውጭ የሚገኘውን እርዳታና ፈሰስ በማሰባሰብ ቅደም ተከተል በተሰማቸው ተግባራት ላይ በማዋል መሆኑን የተረዳው የክልሉ መንግሥት ለዚህ ተልዕኮ ጠቃሚ ሆኖ ያገኘው የኮሪያን የልማት ስልት ይመስላል። የትግራይ እርዳታ አሰባሳቢ ድርጅት በባለቤትነት የሚያስተዳድራቸው ጥርፍ ሊያሰጡ የሚችሉና እነሱም በሚያገኙት ትርፍ ትግራይን ማልማት ብቻ ሳይሆን እራሳቸውን በማጎልበት ለክልሉ የዘመናዊ እርሻና የኢንዱስትሪ መሠረት ለመጣል የሚያስችሉ ከፍተኛ ካፒታል ያላቸው ድርጅቶች አቋቁሞ በሁሉም የሥራ መስኮች አሰማርቷል። በዚህም አመርቂ ውጤት

ማስመዝገቡ የታወቀ ነው።

የቀሩት ክልሎች እንደ ትግራይ ሁሉ የልማት ስልት የመንደፍና ተግባራዊ የማድረግ ግዴታ ቢኖርባቸውም ለፋይዳም ባይሆን እንደ አዲስ አበባው እንኳን አለን የሚሉትን አላዘጋጁም። ዛሬ በክልሎች አካባቢ የሚወራው ስለእንዱስትሩ ሳይሆን በማዕከላዊው መንግሥት ግዴት ስለሚከናወነው የኤክስቴንሽን መርሃ ግብር ብቻ ነው።

ይህንን ጉዳይ በተመለከተ የተለያዩ ጥያቄዎች መነሳታቸው የሚቀር አይደለም። የመጀመሪያው ክልሎች ለምን አካባቢያቸውን ያገናኘው ፍላጎታቸውን የሚያስተጋባ የልማትና የእድገት ስልት አልቀየሱም የሚል ነው። ለዚህም መልሱ ብዙ ክልሎች የራሳቸው ጎሳ የሆኑ በእውቀትና በሥራ ልምድ የተካኑ ለክልላቸው የሚሰማማ የእድገት ስልት ሊያዘጋጁ የሚችሉ የሰው ሃይል አለመኖር ወይንም ማነስ ሳይሆን አይቀርም። ታይዋን ይህ ችግር መኖሩን ያውቀው ማዕከላዊ መንግሥት ተገቢውን መፍትሔ ሳያደራጅ፣ በተለይም ለፖለቲካው መረጋጋትም ሆነ ለሰላም መስፈን በክልሎች መካከል የተመጣጠነ ልማት የማካሄዱን ግዴታና አስፈላጊነት እየተገነዘበ ክልሎችን በልማቱ መስክ እራሳቸውን ቻሉ በማለት ለውጡት የማይችሉትን ኃላፊነት ለምን አሸከማቸው? በክልሎች መካከል የተቀራረበ ልማት የማካሄዱን አስፈላጊነት መረዳት ያለብን የኢህአዴግ ፖለቲካ ባገራችን ያፈራውን በጎሳና በክልል ላይ የተመሰረተ የፋክክርና የውድድር ስሜትና ይህም ሊያመጣ የሚችለውን ጠንቅ በመገንዘብ ነው። በአሃዳዊ ሥርዓት በነበረንበት ዘመን ይህን መሰሉን ውጥረት የሚያረጋግጡ የተለያዩ ሁኔታዎች ነበሩ። የመጀመሪያውና መሠረታዊው የጎሳነት ስሜት እየለዘበ ባንጻሩም የኢትዮጵያዊነት ስሜት እየጎለበተ የሼደበት ዘመን ስለነበር የኃላፊነትና የደህነት ቁጭት ይገለፅ የነበረው ከጎሳነት አኳያ ሳይሆን በአሃዳዊ ብሼርተኝነት ስሜት ነበር። ህዝብን በጎሳ የከፋፈለው ፖለቲካ ይህን ብሼራዊ ስሜት አጥፍቶ አገራዊ ደህነትና ኃላፊነትን ክልሎች አገሮች ጋር ከማንጻፀርና ከማዳደር ፈንታ መለኪያውንና መፍከከሪያውን በክልልና በጎሳ ደረጃ ስላወረደው ውድድሩ ቅናቄና ከማን እንሼኑቱ የሚንጸባረቀው በዘር ላይ ሆኗል። በዚህም የተነሳ ክልሎች በተመጣጠነ ደረጃ እንዲያድጉና እንዲለሙ ካልተደረገ ለችግር ሊዳርግ ይችላል የሚል ሥጋት አለኝ።

ከዚህ ከእትም ጋር የተያያዘ ይህንን አሉታዊ አዝማሚያ የሚያጠናክር ሌላም ችግር አለ። ማዕከላዊ መንግሥት የልማቱን ኃላፊነት ለክልሎች ካሰረከበ በኋላ እነሱ የልማት እቅዶቻቸውን ሳያዘጋጁ፣ ለማዘጋጀትም አቅሙና ብቃቱም እንደሌላቸው እያወቀ በየመቶ ለዚህ ክልል ይህን ያህል ሚሊዮን ብር የካፒታል በጀት የመያዙ ጉዳይ ነው። ባለባቸው የተማሪና የሠለጠነ ሰው አጥረት ምክንያት ገንዘቡን በቅጡ እንደማይጠቀሙበት እየታወቀ በጀት መመደቡ ከእንዳያምገህ ጥራው። የሚያልፍ ሆኖ አላገኘውትም።



ልሳነ ሊኮናሚክስ

የሠለጠነና በሥራ ልምድ የዳበረ የሰጪ ኃይል እጥረት ያለባቸው ክልሎች ከሌሎች ጎሳዎች የመነጨ ሊትዮጵያውያንን በመቆጣጠር በክልሉ ተገቢና ጠቃሚ የሆነ ስልት እንዲቀይሩና ተግባራዊ እንዲያደርጉ፤ እገራ መንገዳቸውንም የክልሉን ህዝብ እንዲያሰለጥኑ ለምን አልተደረገም? ምናልባትም ይህ በጎሳው ፖለቲካ ምክንያት ተከልክሎ ከሆነ ወይም ተቀባይነት ከሌለው በየዓመቱ በሚመደብላቸው የካፒታል በጀት ለምን ከውጭ ፈረንጆች ቀጥረው ልማታቸውን እንዲያፋፍሙ አልተደረገም? የሚለው ሌሎችም ጥያቄዎች ሊነሱ ቢችሉም ይህንን ወደጎን በመተው የድህነትና የኃላቀርነትን አገራዊ ችግር ሊቀርፍ የሚችልበትን መንገድ እነታኝ።

6. የዕድገት ፈር ቀዳጅ፡

በማናቸውም አገር የዕድገት ፈር ቀዳጅ መንግሥት መሆኑ ግንዛቤ የሚያስፈልገው ነገር ነው። የመንግሥት ሚና ወሳኝ የሚሆነው ለአንድ አገር ተስማሚውን የልማት ሥልት ከመቀየስ ጀምሮ ተግባራዊ ሊሆን የሚችልበትን ሁኔታ የመፍጠሩ ኃላፊነት የሱ በመሆኑ ነው። ከምደምለ አገሮች ልምድ የምንግረው ትልቁ ቁምነገርም ይህንን እውነት የሚያረጋግጥ ነው። መንግሥት ይህንን ኃላፊነት ሊሸከም የሚችለው ምን ባህርይና ችሎታ ሲኖረው ነው? በመጀመሪያ ደረጃ ግንዛቤ የሚያስፈልገው ጉዳይ የመንግሥት ሥርዓት፣ ወግ ባህልና ህግ መሆኑ ነው። በሁለተኛ ደረጃ ይህንን ሥርዓት ወግና ባህል እንዲሁም ህግ ተግባራዊ የሚያደርጉት ለዚህ ሥራ የተቀጠሩ የመንግሥት ሠራተኞች ናቸው። በመሆኑም ህዝቡም በሚያውቀው ባህል ወግም ሆነ ሥርዓት ለማስተዳደርና ለመምራት የሚችለው ህጉን ባህሉንና ሥርዓቱን በቅጡ ያውቁና ይህንንም የሚያከብሩ መሪዎችና ተከታይ ሠራተኞች ሲኖሩት ነው። ከዚህም አልፎ የህዝቡን አቅም ያገናዘበና ለልማቱና ለዕድገቱ ይበጃል የሚሉትን ዘዴ ቀይሶ ለተግባራዊነቱ ህዝቡን አደራጅተውና አስተባብረው ለመምራት የሚችሉት በመጀመሪያ ዕውቀቱ ሲኖራቸው ነው። ከቀበሌ አንስቶ እስከ መደበኛው እርከን ድረስ ያሉት መሪዎቻችን ህዝብን ከድህነት ወደ ብልጽግና ለመምራት የማይችሉ ወይም የማይፈልጉ ከሆነ ለህዝቡም ሆነ ለራሳቸው አይበጁም።

የመደምለ መንግሥታት ህዝባቸውን ከድህነት ወደ እድገት ያሸጋገሩት በተለያዩ እርከን ያሉ የመንግሥት ሠራተኞች ህዝብን ለመምራት የሚያስችል ከፍተኛ ዕውቀት ችሎታና ብቃት ያላቸው መሆን እንደሚገባው በመገንዘብ ለተለያዩ ደረጃዎች የሚታዩ የመንግሥት ሠራተኞች እጅግ በጣም ጎበዝ የሆኑት ብቻ ሆነው። በዚህም ሳይወሰኑ ብቃታቸውንና ለመንግሥት አገልግሎት የሚመጡ መሆናቸውን የሚለካ ፈተና በመስጠት በአጥጋቢ ሁኔታ ያለፉትን ብቻ ቀጥረው ህዝብን የመምራትና አገርን የማስተዳደር ኃላፊነት ሙሉ በሙሉ በመስጠታቸው ነው።

ህዝብም ይህን ባህርይ የተላበሰውን መንግሥት ነው የልማት አለጎታ አድርጎ የሚወስደው። ይህን ግዴታ ለመወጣት የማይችል መንግሥት ከሆነ ግን ትርፍ ደካሙና ውድቀት በመሆኑ ሥልጣኑን እጅግ

አስፈላጊ በሆኑ ተግባራት ብቻ በመወሰን ወይም ህዝቡ ከመንግሥት በመለየትና በመሸሸ የዕለት ተዕለት ኑሮውን ለማስተካከል ያለአንዳች ረዳት እንዲማሰን ያስገድደዋል። በአገራችን በተለያዩ የሥልጣን እርከን ላይ የተቀመጡት የመንግሥት ሠራተኞች ህዝብን ለማስተዳደር በልማት ገዳና ለመምራት የሚፈለገው ብቃትና ችሎታ የሌላቸው ናቸው። በመሆኑም ተግባራቸው ለልማት ማነሳሳትና መምራት ሳይሆን ደንቃራ መሆን ነው። ይህም ችግር የመነጨው ከከፋት ሳይሆን ለኃላፊነታቸው የመጸመጥን ዕውቀት በማጣታቸው ይመስለኛል። ይህ መለወጥ ያለበት ጉዳይ ነው። የሚያደርጉትን ነገር ለምን ሥልጣን እንደተሰጣቸው ለማያውቁ ሰዎች ሥልጣን መስጠት ህዝቡንም አገርንም ብሎም ሥልጣኑን የሰጣቸውንም የመንግሥት ባለሥልጣናትን ለጉዳት ስለሚዳርግ ነው።

ኃላፊነቱን የተረዳ መንግሥት ለህዝብ ልማት ተገቢውን አመራርና ዕርዳታ ይሰጣል። ይህ ሲባል ምን ማለት ነው? ይህን ለመረዳት ያገራችንን ህዝብ በአምስት ክፍለን ልናይ እንችላለን። አንደኛው ክፍል የሚሰሩትን የሚያውቁና ለመሥሪያም ገንዘብ ያላቸው፣ ሁለተኛው የሚሰሩትን የማያውቁ ግን ገንዘብ ያላቸው፣ ሶስተኛው የሚሰሩትን የሚያውቁ ግን ገንዘብ የሌላቸው፣ አራተኛው ከጉልበታቸው ውጭ ገንዘብም ሆነ ዕውቀት የሌላቸው ሲሆኑ የመደበኛው ክፍል አቅምም ዕውቀትም ገንዘብም የሌላቸው ናቸው። ታዲያ መንግሥት ለእነዚህ የተለያዩ የሀብረተሰብ ክፍል ምን ሊያደርግ ይችላል? በመጀመሪያው ደረጃ ያሉት የልማት ምንጭ ሊሆኑ የሚችሉ ስለሆኑ እነዚህ ሰዎች ገንዘባቸውንና ዕውቀታቸውን ሥራ ላይ ሊያውሉ የሚችሉበትን ሁኔታ ማመቻት ይኖርበታል። ሁለተኛ መደብ ላይ ያሉት ሰዎች ምናልባትም በሶስተኛው መደብ ካሉት ጋር የሚገናኙበትን መንገድ በማመቻቸት ወይንም በሌላ ዘዴ ገንዘባቸውን በሥራ ላይ ሊያውሉ የሚችሉበትን መንገድ መፈለግ ይጠቅማል። በሶስተኛ መደብ ያሉ ሰዎች ገንዘብ በተላላ አግኝተው ዕውቀታቸውንና ብልህነታቸውን ተግባራዊ የሚያደርጉበትን መንገድ መፍጠር ያስፈልጋል። በአራተኛ ደረጃ ያሉት እራሳቸውን ሊረዱ የሚችሉት በመጀመሪያ ሰበት ደረጃ ያሉት ዕውቀታቸውንና ገንዘባቸውን ወደ ተግባር ሲለውጡ በመሆኑ ዕድላቸው በእነዚህ ሰዎችና መንግስት እነሱን ለመርዳትና ለማገዝ በሚያደርገው መርሃግብርና እንቅስቃሴ ጋር የተሰሰረ ነው። በአምስተኛ ደረጃ ያስቀመጥናቸው የሀብረተሰብ ክፍሎች በህይወት ለመኖር የሚችሉት በቀጥታም ሆነ በተዘዋዋሪ መንገድ በመንግስትና በሀብረተሰቡ እርዳታ በመሆኑ ይህ ሊሟላ የሚችልበትን ሁኔታ መንግስት መፍጠር አለበት። ከዚህ በላይ መንግስት ስርተጣጥ ለማሰራት የሚችሉትን የሀብረተሰብ ክፍሎች ችሎታቸው ተግባራዊ ሊሆን የሚችልበትን ሁኔታ ማመቻቸት አለበት ብልጠና። ይህንን ሃላፊነት መንግስት እንደት ነው ለመባ የሚችሉት? እነዚህን ከዚህ በታች እጠቁማለሁ።

1. ሆኖ ሥርዓትን ማክበርና ማስከበር። ይህ መሠረታዊ ጉዳይ ነው። ሠላም መረጋጋትና የግል ሀብት በማይከበርበት ሰዎችና በድርጅቶች መካከል የሚደርሰውን አለመግባባት በአፋጣኝ የሚጻጻፍ ፍርድ ቤት በሌለበት ልማትን ማካሄድ

የማይታሰብ በመሆኑ።

2. ሠርቶ ለመብላት የሚችለውን የሀብረተሰብ ክፍል ማገዝ። በተለይም ከላይ በመጀመሪያ ሶስት ክፍል የመደብናቸው ሰዎች ሀብታቸውንና ዕውቀታቸውን በሥራ ላይ እንዲያውሉ ሁኔታዎችን ማመቻቸት። ይህንን በተመለከተ ከላይ በአንድ ቁጥር ሥር ከተጠቀሱት ጋር አስፈላጊ የሆኑ ሁለት ሌሎች ጉዳዮችን ለመጠቀም እወዳለሁ። አንደኛው የባንኮችን አሠራር የሚመለከት ሲሆን ሁለተኛው የትምህርትና የሰልጠና ጉዳይ ነው።

የባንኮች ዋና ጥቅም ህዝቡ ያለውን እናሳ ጥሪት አስባለሰ ለልማት ሥራዎች ማዋል ነው። በዚህ በኩል ባንኮቻችን ደካማ ሆነው እግኝቱ እቸዋለሁ። የሚያበድሩት የሚያዝ ሀብትና ንብረት ላለው ብቻ ነው። ብድር ሲሰጡ ጥንቃቄ ቢያስፈልገውም ይህ ዓይነቱ አሠራር የሚጠቅመው ያለውን ወይም ሀብታቸውን ብቻ ነው። ልማትን ለማፋጠን ከፈለጉ ባንኮቻችን ማበደር ያለባቸው ለንብረት ላለው ብቻ ሳይሆን ትርፍ ሊያስገኙ በሚችሉ ሥራዎችና ተግባራት ሆኖ በዋስትና የሚይዙትም ገንዘብን ላበደሩት ሥራ ነው። በተለይም ዕውቀት ምረቃ፣ ለሀገር የሚጠቅም በቀላሉ ተግባራዊ ሊሆን የሚችል ሀሳብ ምረቃ፣ በገንዘብ ችግር የተዳፈኑትን ሰዎች ነው ማሳደድ ያለባቸው።

ሁለተኛው የተማሪ የሰው ኃይል ነው። በአገራችን ተማሪ ማለት ሬደላና ክፍል መቁጠር ነው ከተባለ ስህተት ነው። የአገራችን ትምህርት ጊዜ ያለፈበት፣ አገርን የሚጎዳ መሆኑን መቀበል አለብን። ትምህርት ዜጎቻችን ራሳቸውን በዕውቀት እንወው ከትምህርት ቤት ሲወጡ መተው ለመብላት የሚችሉትን ባለመሆኑ፣ ዛሬ በአገራችን ያለው ትምህርት የዛሬ አርባና ሃምሳ ዓመት በፊት ለነበረብን የመንግሥትን መሥሪያ ቤቶች መፃፍና ማንበብ በሚችሉ ሰዎች መሙላቱን ችግር ለመፈወስ የተዘረጋውን ዓላማ ያንገባ ነው። ግን ይህ አይነት ሥራ ከተማላ በኋላ ይህን ሥራ እንዲሰሩ ነው የምናስተምራቸው። ግን ሁኔታዎች ተለውጠዋል። ዛሬ ችግራችን ሠርቶ ለመብላት የሚያስችል ዕውቀት ማስገባቸው ስለሆነ የትምህርቱ ይዘት ተለውጦ ለዚህ ብቁ የሚያደርገው ዐይነት መሆን አለበት። ይህ ካልሆነ ትምህርት ቤቶቻችን የሥራ አጠቃላይ ፋብሪካ ሆነው ይቀራሉ።

ከዚህም ሌላ የልማት መሠረታችን እንደሰብረ ስለሆነ ለዚህም ሁኔታዎች መመቻቸት አለባቸው። የግሉ ክፍል ሊሠራ የሚችለውንና የሚሰራውን ለሱ ትቶ በፍላጎትም ሆነ በአቅም ማጣት እነሱ ሊሰሩት የማይችሉትንና አስፈላጊ የሆኑ እንደሰብረዎችን መንግስት አቋቁሞ በባለቤትነት ማሰራት አለበት። ከዚህ ጋር ተጓዥኛ የሆነው አገር በቀል የሆኑ ጨቅላ እንደሰብረዎችን በአገራችን ገበያ ከውጭው ጋር ተወዳድረው ሊያሸነፉ ስለማይችሉ መንግስት ከዚህ የማይገባ ተጽዕኖ ሊጠብቃቸውና ሊከላከላቸው ይገባል።

መንግሥትና ህዝብ ተባብረው ለልማት ከተነሱ ድህነትን ድል የማያደርጉበት ምክንያት የለም። ከምደምለ አገር ችም የምንግረው ይህንን ሀቅ ነው።



# BASIC OPEN ECONOMY MACROECONOMICS AND THE ASIAN CRISIS

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This article attempts to briefly describe the Asian crisis. I have taken it from my lecture notes to the undergraduate program of the Department of Economics. The lecture note is basically a short compilation of different articles posted on the Internet. By outlining the signs (symptoms) of the crisis, by describing factors stated as the causes of the crisis and the debate about them, it attempts to introduce Focus's readers to the Asian financial crisis. The paper also attempts to link the financial crisis to some issues of open economy macroeconomics.

Those of you who are uncomfortable with national accounts identities in this article can consult Getachew Adem's Amharic article in the previous issue of Economic Focus.

## SIGNS OF THE CRISIS<sup>1</sup>

The end of the year 1997 witnessed one of the major financial crisis in the world. This time it was hitting the newly emerging Asian economies. The following were some of the major signs observed in the Asian countries.

### 1. Change in Nominal Exchange Rate

Table 1. Change in Nominal Exchange Rate (\$US per 100 local Currency)

Country	On 6/30/97	On 12/31/97	Crisis year End % change	On 11/24/98	Year End - Present % change	Cumulative % Change
Thailand	4.05	2.08	-48.7	2.76	31.1	-31.7
Malaysia	39.53	25.7	-35	26.32	2.4	-33.4
Indonesia	0.04	0.02	-44.4	0.01	-42.2	-67.9
Philippines	3.79	2.51	-33.9	2.53	1.1	-33.1
Hong Kong	12.9	12.9	0	12.91	0.1	0.1
Korea	0.11	0.06	-47.7	0.08	35.9	-28.9
Taiwan	3.6	3.06	-14.8	3.09	0.7	-14.2
Singapore	69.93	59.44	-15	61.18	2.9	-12.5

Source: Goldstein (1998)

### 2. Change in Equity Prices

Table 2. Change in Equity Prices

Country	On 6/30/97	On 12/31/97	Crisis year End % change	On 11/24/98	Year End - Present % change	Cumulative % Change
Thailand	527.3	372.7	-29.3	383.7	2.9	-27.2
Malaysia	1077.3	594.4	-44.8	489.7	-17.6	-54.5
Indonesia	725.0	401.7	-44.6	420.1	4.6	-42.1
Philippines	2809.0	1869.2	-33.5	1961.3	4.9	-30.2
Hong Kong	15197.0	10722.8	-29.4	10851.7	1.2	-28.6
Korea	745.4	376.3	-49.5	460.8	22.5	-38.2
Taiwan	9030.0	8187.3	-9.3	7435.8	-9.2	-17.7
Singapore	1988.0	1529.8	-23.0	1412.9	-7.6	-28.9

Source: Goldstein (1998)

<sup>1</sup> This and the next sections (I and II) are based on Goldstein (1998).



### 3. Economic Growth and Other Real Sector Performance

In general economic growth in the region has suffered dramatic decline. Growth rate which was 6-8 %

before the crisis has been markedly down. Moreover, export performance has also shown a marked slow down (see section II below). The GDP growth is shown in Table 3.

Table 3 Real GDP Growth Rate

Country	1996	1997	1998	1998
			As of May 97	As of Oct. 98
Indonesia	7.8	5.6	7.5	-15.0
Thailand	6.4	0.4	7	-8.0
South Korea	7.1	5.8	6.3	-7.0
Malaysia	8.6	7.4	7.9	-6.4
Philippines	5.7	5.1	6.4	-0.6
Hong Kong	4.9	5.4	5.5	-5.0

Source: Goldestin (1998)

## II. ORIGINS OF THE CRISIS

The Asian financial crisis obviously cannot be attributed to a single factor. The main reasons forwarded (much of them in Internet and newspapers and magazines), however, are:

### 1. Financial Sector Weakness

Credit boom, (especially growth of both bank and non-bank credit to the private sector which exceeds the high level of real GDP growth). A good part of this credit is also concentrated in the speculative (property sector) as can be seen from Table 4 below.

Table 4 Share of Bank Lending to the Property Sector

Hong Kong	40-50%
Singapore	30-40%
Thailand	30-40%
Malaysia	30-40%
Indonesia	25-30%
South Korea	15-25%
Philippines	15-20%

Source: Goldestin (1998)

The pressure to maintain exchange rate (with high interest rate) led to falling property prices and hence non-performing bank loans.

Moreover, loan was very lax and there was too much 'connected lending' (lending to bank directors, managers and their related businesses). Government ownership of banks also was turning banks to quasi-fiscal agents by providing government (off-budget) assistance to ailing industries. On top of this the quality of public disclosure and transparency was poor (Goldestin 1998). In general lack of prudent regulation of the financial sector was one of the major problems.

### 2. External Sector Problems

First, this is basically related to the current account deficit suffered by these countries (discussed in detail in the next section). Second, the exchange rate in much of these economies followed the US \$ down against Japanese Yen in the first half of 1990s but then followed the dollar up against Yen thereafter. This led to appreciation of their (trade-weighted) exchange rate, which leads to low competitiveness. Third, 1996 was a year where many Asian countries experienced a significant decline in merchandise exports, which was attributed to slow down in world trade growth, as can be shown in Table 5 below.



Table 5 Merchandise Exports: Annual Percentage Growth

Country	1995	1996
Thailand	23.1	0.5
Indonesia	13.4	9.7
Malaysia	20.3	6.5
Philippines	28.7	18.7
Hong Kong	14.8	4.0
Singapore	13.7	5.3
South Korea	30.3	3.7
Taiwan	20.0	3.8

Source: Goldestin (1998)

A *forth* factor given is the competition from China as well as over production in certain industries in the home country.

### 3. Contagion

The crisis has first hit Thailand hard. This has the contagion effect on the others not because Thailand is so much linked (through finance and trade) to the other Asians but mainly because its "wake-up call" effects which forced international investors to examine the creditworthiness of Asian borrowers. The assessment revealed that most of them had similar problems to that of Thailand [i.e. Weak financial sector where prudence supervision is missing, large external deficit, appreciating exchange rate, declining quality of investment, export slowdown and over-expansion of certain key industries]. The contagion effect also shows itself from the round of devaluation that took place country after country in the region. The countries that have not devalued experienced deterioration in competitiveness, which exposed their currency to speculative attack (Goldestin 1998).

## OPEN ECONOMY MACROECONOMIC AND THE ASIAN CRISIS<sup>2</sup>

In open economy macroeconomics, the important macro identity is the one which relates GDP and GNP.

$GNP = GDP - \text{factors payments to foreigners (dividends, interest, rent to foreign residents owning assets in Ethiopia and wages of foreign residents working in Ethiopia)} + \text{factor payments from abroad to Ethiopian residents (dividends, interest, rent to Ethiopian residents owning assets abroad and wages of Ethiopians working abroad)}$

The difference between GNP and GDP is not very large for countries such as USA but can be very large for countries such as Ethiopia that have a large amount of foreign debt on which it pays interest to foreigners and countries such as Ireland where a large fraction of the factories are owned by foreign multinationals that receive profits and royalties on their Irish operations.

$NFA = \text{Net Foreign Assets} = \text{Assets owned by Ethiopians abroad} - \text{Liabilities of Ethiopians towards foreigners}$   
 $= \text{Ethiopia's Foreign Assets} - \text{Ethiopian's Foreign Debt.}$

Assets (and liabilities) include stocks, bonds, loans from banks and other sources, real estate, firm ownership and so on.

If  $NFA > 0$ , the country is a creditor country.  
 If  $NFA < 0$ , the country is a debtor country.

If we define:

$i = \text{average interest rate (rate of return) on net foreign assets (foreign assets - foreign liabilities)}$

$i NFA = \text{Net factor income from abroad} = \text{interest rate times net foreign assets.}$

Then the GNP is :

$GNP = GDP + i NFA = GDP + \text{Net factor income from abroad}$

Given the above identity, it is easy to see that GNP will be greater (smaller) than GDP if the country is a net creditor (net debtor).

### Accounting Identities

The most common decomposition of GDP is

$GDP = \text{consumer expenditures} + \text{investment} + \text{government purchases of goods and services} + \text{net exports of goods and non-factor services (exports-imports)}$ , or, in a more compact notation,

$$GDP = C + I + G + NX.$$

Given the definition of net exports as  $X-M$ , we can also rewrite the national income identity as:

$$GDP + M = C + I + G + X$$

The left hand side of the expression represents the total supply of goods available in the country; such a supply is the sum of domestic supply (GDP or domestically produced goods) and foreign supply of goods (imports). The right hand side says that the total supply of goods

<sup>2</sup> This section is based on Nouriel (1998).



is purchased either by private consumers (C), firms for investment purposes (I), the government for its own public consumption (G) or foreign agents in the form of exports (X).

### The Current Account

We will now define a very important concept, the current account of the balance of payments, that is quite related to the trade balance (net exports, NX). Given the definition of GNP, we also get:

$$GNP_t = GDP_t + i_t NFA_t = C_t + I_t + G_t + (NX_t + i_t NFA_t) = C_t + I_t + G_t + CA_t$$

where:

$$CA_t = NX_t + i_t NFA_t$$

Current Account = Trade Balance + Net Factor Income from abroad

The subscript t refers to a period t variable (if we have unrequited transfer, its net value need to be included in the current account. This is specially important for developing countries such as Ethiopia). If we take data at a yearly frequency,  $GNP_t$  would be GNP in year t, say 1997. The difference between the trade balance and the CA can be very large if a country is a large creditor or debtor.

Example: Brazil in 1986. Ethiopia 1995/96 (Eth. Fiscal Year 1988, NBE, in Millions)

Brazil	Ethiopia
NX=+\$8.3b	NX=Birr. -6255.5b
CA= -\$5.3b	CA=Birr -3860
i NFA = -\$ 13.6b	i NFA = ?

In this example, Brazil had in 1986 a large current account deficit in spite of a trade surplus. In fact, Brazil was a heavy foreign debtor, having borrowed a lot in the 1970s and 1980s. By 1986 the total foreign debt of Brazil was above \$100bln and the net foreign interest payments on that debt (and profit repatriations of foreign firms owning assets in Brazil) equaled \$13.6b. Note in Ethiopian case, however, that despite negative trade balance the current account is less severe. This is attributed to the positive impact of net factor payment and current transfers, especially the latter, which by and large is aid.

As the table below shows, in Asia large current account deficits (as a share of GDP) were prevalent in the 1990s. They resulted from very large trade deficits ( $NX < 0$ ) and, in some countries, large interest payments on foreign debt ( $i NFA < 0$ ); such large current account imbalances are one of the reasons behind the currency crisis of 1997.

Current Account Balance (% of GDP)

	1990	1991	1992	1993	1994	1995	1996
Korea	-1.24	-3.16	-1.70	-0.16	-1.45	-1.91	-4.89
Indonesia	-4.40	-4.40	-2.46	-0.82	-1.54	-4.25	-3.41
Malaysia	-2.27	-9.08	-4.06	-10.11	-11.51	-13.45	-5.99
Philippines	-6.30	-2.46	-3.17	-6.69	-3.74	-5.06	-5.86
Singapore	9.45	12.36	12.38	8.48	18.12	17.93	16.26
Thailand	-8.74	-8.61	-6.28	-6.50	-7.16	-9.00	-9.18
HongKong	8.40	6.58	5.26	8.14	1.98	-2.21	0.58
China	3.02	3.07	1.09	-2.17	1.17	1.02	-0.34

To understand better why a country may be running a current account deficit or surplus, one should notice that the current account is the difference between what a country produces (GNP) and what the country spends (total consumption plus investment). In fact:

$$CA = GNP - (C + G + I) = S - I$$

If  $GNP > (C + G + I)$ , a country will have a positive external balance. If not it will have a negative external balance, equivalently, the current account is in deficit. Therefore, the excess of spending (absorption) over income or, equivalently, the excess of investment over savings implies that the country is running a current account deficit.

### Insight in the Asian economic crisis: Why current account deficits lead to the accumulation of a large stock of foreign debt

If a country invests more than its saves (or generally spends more than its earnings), it has to borrow from the rest of the world to finance this deficit. To finance this excess of investment over savings, the country can do two things: either run down its financial foreign assets (if there are enough foreign assets to be run down) and/or borrow from the rest of the world to finance the new investment. In either case, the excess of I over S leads to a reduction of the net foreign assets (foreign assets - foreign liabilities) of the country. If such current account deficits continue year after year net foreign assets will fall to zero and the country will become a net debtor; in each year the increase in stock



of foreign debt will be equal to the current account deficit. More formally, the change in the net foreign asset of a country (a change in stocks) will therefore be equal to the current account (a flow) or:

$$NFA_{t+1} - NFA_t = CA_t$$

If  $CA > 0$ , net foreign assets will increase (or net foreign debt will become smaller if the country was starting with net foreign debt,  $NFA < 0$ ); if  $CA < 0$ , net foreign assets will decrease (or net foreign debt will become bigger if the country was starting with net foreign debt,  $NFA < 0$ ). This was the case in Asia.

#### What Causes Current Account Deficits? Are Such Deficits Bad?

This requires to examine the link between the current account, private savings and government budget deficits. This will help us to understand whether current account deficits are caused by budget deficits (the "twin deficits" hypothesis). Given the earlier national income account identity

$$(GNP = C + I + G + CA) \quad [1]$$

and doing a little algebra we can get:

$$(GNP_t - T_t - C_t) = I_t + (G_t - T_t) + CA_t \quad [2]$$

Where:

$GNP_t - T_t - C_t = S_t^P$  = Private Savings and  $T_t$  are taxes collected by the government ( $TX_t$ ) net of transfer payments ( $TR_t$ ) and interest payments on the public debt ( $i_t Debt_t$ ). So:

$$T_t = TX_t - TR_t - i_t Debt_t$$

$$S_t = S_t^P - Def_t = S_t^P + S_t^G = I_t + CA_t \quad [3] \text{ from [2]} \\ \text{or } S_t = I_t + CA_t$$

that implies our earlier definition of the current account:

$$CA_t = S_t - I_t \quad [4]$$

Finally, note that, given our definition of budget deficits, and our previous discussion of how flows lead to changes in stocks, we can show that a government deficit results in an increase in the stock of government debt or:

$$Debt_{t+1} = Debt_t + G_t - T_t = Debt_t + (G_t + TR_t - TX_t) + i_t Debt_t$$

We refer to  $Debt_t$  as the beginning balance and  $Debt_{t+1}$  as the ending balance.

#### Are Current Account Deficits Good or Bad? Is Large Deficits Sustainable?

The recent experience in Asia shows that large current account deficits led to an accumulation of foreign debt that eventually became unsustainable and led to a currency crisis. This leads to the following question: is it a

bad idea to run a current account deficit? The answer is actually quite complex because running a current account deficit may mean good or bad, sustainable or not sustainable, depending on the cause of the current account deficit.

When current macroeconomic conditions continue (i.e. there are no exogenous shocks) and that there are no changes in macroeconomic policy, the current account deficit can be argued to be sustainable as long as no external sector crisis occurs. An external sector crisis could come in the form of an exchange rate crisis or a foreign debt crisis. An exchange rate crisis could be a panic that leads to the rapid depreciation of the currency or a run on the central bank's foreign exchange reserves. A debt crisis could be the inability to obtain further international financing or to meet repayments or an actual default on debt obligations. A sustainable current account deficit is one that can be maintained without any of these crises occurring.

If we rewrite our definition of the current account, we can see that there are three main causes of current account deficits:

$$CA_t = S_t^P - I_t - Def_t \quad \text{[From [3]]}$$

A current account deficit may be caused by:

1. An increase in national investment
2. A fall in national savings; specifically:
  - 2a. A fall in private savings and/or
  - 2b. An increase in budget deficits (a fall in public savings).

It can be shown that a current account deficit may be bad or good depending on its source.

#### **1. A Boom in Domestic Investment**

In this case running a current account deficit is a good idea and the accumulation of foreign debt associated with the deficits should not be viewed with concern. Such borrowing could be optimal as long as the financed investment projects are profitable (i.e. as long as the return on the investment is as high as the cost of borrowed funds). In fact, over time, the earnings generated by the capital created by the new investment will be sufficient to pay back the principal and interest on the borrowed funds.

There are however several caveats to be made to this argument. *First*, borrowing from the rest of the world to finance investment that produces new goods is especially good if the new investments are in the traded sector of the economy (i.e. the sectors of the economy that produce goods that can be sold in foreign markets). In fact, at some point in time the foreign debt has to be repaid back and, for a country, the only way to pay back foreign debt is to run at some point trade and current account surpluses. For example, many Asian countries in the 1990s were running large and increasing current



account deficits that were financing new and excessive investments in the non-traded real estate sector (residential and commercial building). They had borrowed too much in foreign currency to finance investments that had a low or negative returns. Moreover, the exchange rate depreciation associated with this crisis made things worse as the value in domestic currency of funds borrowed in foreign currencies (Dollars, Yen, Marks) increased enormously once the currencies depreciated rapidly. This real increase in the burden of foreign debt caused a financial crisis for the banks, firms and individuals heavily exposed in non-traded sectors (such as real estate) and led to widespread bankruptcies. So the first caveat is that it is dangerous to run a current account deficit to finance excessive investments in non-traded sectors of the economy.

The *second* caveat is relevant both for traded sector firms and non-traded sector firms. Every firm knows that it is optimal to borrow funds to finance investments only as long as the return on these investments are at least as high as the cost of the borrowed funds; otherwise, a firm that borrowed too much and invested in bad projects will eventually experience losses, a financial crisis and potentially go bankrupt if most investments turn out to be bad. In Asia, there were too many investments (both in traded and non-traded sectors) that turned out to be not very profitable. How can one rationally explain such over-investment in wrong projects? Why did the firms make such investments and borrow the funds? Why did the domestic banks lend them the funds and did not monitor the quality of the investments? To understand this we need to introduce some politics and the behaviour of governments. Many governments in Asia were trying to maximize the rate of economic growth; since growth and the production of goods requires a lot of labour and capital, a necessary condition for high economic growth is a very high rate of national investment. It appears that many governments in the region were pursuing economic growth targets that were excessive. Governments gave incentives (such as subsidies) to firms to invest too much and incentives to the domestic banks to borrow too much from abroad to finance dubious investment projects by the firms.

Banks, in turn, borrowed too much from abroad for many reasons, mostly related to the implicit promise of a government bail-out in case things went wrong; *first*, their risk capital was usually small and owners of banks risked relatively little if the banks went bankrupt; *second*, several banks were public or controlled indirectly by the government that was directing credit to politically favoured firms, sectors and investment projects; *third*, depositors of the banks were offered implicit or explicit deposit insurance and therefore did not monitor the lending decisions of banks; *fourth*, the banks themselves were given implicit guarantees of a government bail-out if their financial conditions went sour because of excessive foreign borrowing; *fifth*, international banks (Japanese, American and European ones) lent vast sums of money to the domestic banks of the Asian countries because they knew that governments would bail-out the domestic banks if things went wrong.

The outcome of all this was twofold: *first*, banks borrowed too much from abroad and lent too much to domestic firms; *second*, because of all these implicit public guarantees of bail-out, the interest rate at which domestic banks could borrow abroad and lend at home was low (relative to the riskiness of the projects being financed) so that domestic firms invested too much in projects that were marginal if not outright not profitable. Once these investment projects turned out not to be profitable, the firms (and the banks that lent them large sum) found themselves with a huge amount of foreign debt (mostly in foreign currencies) that could not be repaid. The exchange rate crisis that ensued made things only worse as the currency depreciation dramatically increased real burden in domestic currencies of the debt that was denominated in foreign currencies.

## 2. A Current Account Deficit caused by a Fall in National Savings: a fall in private savings or an increase in budget deficits (a fall in public savings)

A current account imbalance caused by a fall in the national savings rates can be due to either a fall in private savings or in public savings (higher budget deficits). A fall in national savings caused by lower public savings (higher budget deficit) is potentially more dangerous than a fall in private savings.

The reason for this is that a fall in private savings is more likely to be a transitory phenomenon while structural public sector deficits are often hard to get rid of. The private savings rate will recover when future income increases. On the other hand, large and persistent structural budget deficits may result in an unsustainable build-up of foreign debt. The sustained deficit, the accumulation of debt and the 1982 Debt crisis of developing countries could be a good example

While the 1980s foreign debt crisis was caused by very large budget deficits, more recent episodes of debt crisis do not seem to have their source in a fiscal imbalance. For example, the 1990-94 Mexican episode and the 1997 Asian crises occurred in spite of the fact that the fiscal balances were in surplus; the large and increasing current account deficits and foreign debt accumulation were caused by the private sector behaviour, a fall in private savings and an increase in investment.

This suggests that current account deficits that are driven by structurally low and falling private sector saving rates may be a matter of concern even if they are the results of the "optimal" consumption and savings decisions of private agents.

This is especially the case when the private consumption boom, like in Asia in the 1990s, is in part the consequence of an excessively rapid liberalization of domestic financial markets that give access to credit to households that were previously borrowing-constrained.



Whether a large current account deficit is sustainable or not also depends on a number of other macro-economic factors:

1. the country's growth rate;
2. the composition of the current account deficit;
3. the degree of openness of the economy (as measured by the ratio of exports to GDP); 4. the size of the current account deficit (relative to GDP).

1. Large current account deficits may be more sustainable if economic growth is higher. High GDP growth tends to lead to higher investment rates as expected profitability increases and leads to higher expected future income.

2. The composition of the current account balance which is approximately equal to the sum of the trade balance and the net factor income from abroad will affect the sustainability of any given imbalance. A current account imbalance may be less sustainable if it is derived from a large trade deficit rather than a large negative net factor income from abroad component.

3. Since a country's ability to service its external debt in the future depends on its ability to generate foreign currency receipts, the size of its exports as a share of GDP (the country's openness) is another important indicator of sustainability.

4. Most episodes of unsustainable current account imbalances that have led to a crisis have occurred when the current account deficit was large relative to GDP. Lawrence Summers, the U.S. Deputy Treasury Secretary, wrote in *The Economist* on the anniversary of the Mexican financial crisis (Dec. 23, 1995-Jan. 5, 1996, pp. 46-48) "that close attention should be paid to any current-account deficit in excess of 5% of GDP, particularly if it is financed in a way that could lead to rapid reversals."

By this standard, many of the Asian economies provided ample source for concern in the 1990s as they had very large and increasing deficits, well above the 5% red flag.

The above analysis suggests that there is nothing inherently good or bad about a current account deficit. It all depends on what drives the current account deficit.

### III. DEBATES ABOUT THE CRISIS<sup>3</sup>

The Asian crisis has generated a lively debate about its cause and what should be done. In this section I will not dwell on the issue of 'what should be done'. For simplicity, the debate is categorized into two: those who say the cause is "excessive government intervention" and those who argue "it is because the govern-

<sup>3</sup> This section is a summarized extract from various Internet sites.

ment was doing too little."

#### Category 1. Excessive Government Intervention

Basically J.Sachs (below) argues that a "Dutch Disease" type of phenomenon is taking place in Asia. However, he also emphasized the distorted (by government) nature of the Asian countries' market.

##### 1.1 J. Sachs (Personal View)

[The Author is Director of the Harvard Institute for International Development. Originally published: Wednesday July 30 1997, Financial Times.]

Economic reforms and financial liberalization produce a spurt of capital inflows, which chase high rates of return. The inflows in turn lead to currency appreciation, while the spending boom financed by the foreign flow leads to higher prices of non-traded goods, services and real estate. Investors rarely understand, however, that the short-run currency appreciation offers an incorrect reading of future relative prices. Since the capital inflows must be repaid in the long run by increased net exports, the exchange rate is most likely to have to depreciate in real terms to service the capital inflows.

Another kind of illusion can be created by financial market liberalization that typically accompanies the start of large-scale capital inflows. Throughout Latin America, central Europe and Southeast Asia, banks have been deregulated and privatized in recent years, allowing them much greater latitude to borrow from abroad. Banks and near-banks - such as Thailand's now notorious financial trusts - become intermediaries for channeling foreign capital into the domestic economy.

The trouble is that the newly liberalized banks and near-banks often operate under highly distorted incentives. Under-capitalized banks have incentives to borrow abroad and invest domestically with recklessness. If the lending works out, the bankers make money. If the lending fails, the depositors and creditors stand to lose money, but the bank's owners bear little risk themselves because they have little capital tied up in the bank. Even the depositors and the foreign creditors may be secure from risk, if the government bails them out in the case of bank failure.

This common pattern is being played out in Mexico where the government has extended bank bailouts of perhaps 20 per cent of gross domestic product since the 1994 currency crisis. We are waiting to see whether Thailand goes down the same road of generous bailouts.

Thailand's 1997 crisis (which was the first) has the same hallmarks: overvaluation of the real exchange rate, coupled with booming bank lending, heavily directed at real estate. The overvaluation is tending to push new investment towards non-tradable sectors - notably construction - and away from the tradable sectors that are necessary to provide the wherewithal for future servicing of foreign debts.



**2.2 Charles Wolf JR.** [Mr. Wolf is senior economic adviser and corporate fellow in international economics at RAND] *Wall Street Journal*, February 4, 1998

### Too Much Government Control

The primary cause of the Asian crisis, however, has been largely obscured: namely, the legacy of the so-called Japanese development model, and its perverse consequences. Subsequently relabeled the Asian development model as its variants were applied elsewhere in the region, this strategy of economic growth has been grandly extolled in the past two decades.

Its strongest proponents included Eisuke Sakakibara, presently Japan's vice minister of finance, Malaysian Prime Minister Mahathir Mohamad, and such Western commentators as Karel van Wolferen, Chalmers Johnson, James Fallows and Clyde Prestowitz. What we are now seeing in Asia's financial turbulence are the model's accumulated shortcomings.

This is not to deny the role of other proximate causes, including short-term borrowing by Asian banks and companies, and their long-term lending or investing; the failure of the money-center banks in Japan, the U.S. and Germany that provided the mounting short-term credit to exercise due diligence; and foreign investors' unrealistic assumptions that Asian currencies' pegs to the U.S. dollar would be maintained. But these proximate causes are traceable to or abetted by the primary cause: widespread insulation from market forces.

The Asian development model began with a conceptual framework largely built by American and Japanese academic economists. Central to it is the phenomenon of "market failure": the predictable inability of market mechanisms to achieve maximum efficiency and to encourage growth.

These conditions may lead to monopolies in the advanced economies and the extinction of competition from late-starters in the development process. If the objectively based decisions of the marketplace are recognized to have such predictable shortcomings, the argument has run, then subjectively based decisions by government agencies or key individuals could improve upon market outcomes.

In the original version of the model, these subjective judgments were provided by Japan's Ministry of International Trade and Industry and Ministry of Finance, in collaboration with targeted export industries believed to be associated with economies of scale. MITI and the Ministry of Finance tagged these "winners" to receive preferred access to capital, as well as protection in domestic markets through the use of tariffs or non-tariff barriers to limit foreign competition.

To be sure, the Japanese model and its variants produced noteworthy accomplishments. Vast amounts of savings and investment were mobilized for and channeled to the anointed industries and firms. While substantial resources were wasted in the process—for example, MITI's blunders in the case of steel, shipbuild-

ing and aircraft—the scale of resource commitments led to world-class performance in other cases—notably in cars, consumer electronics, telecommunications equipment and semiconductors in Japan, similar heavy-industrial development in Korea, and light-industry development in Indonesia.

But the negative effects of the Asian model were cumulatively enormous, including the following:

- Wasted resources when non-market choice processes made mistaken decisions, such as Indonesia's large investments in a national car and in a domestic aircraft industry. This non-market failure account for the fact that Asia's economic growth has been mainly due to large inputs of capital and labor, with relatively limited improvement in productivity.
- Structural imbalances due to overemphasis on export industries and neglect of the domestic economy. As a result, domestic production has been less emphasized, and consumption standards held down in favor of aggressive pursuit of export markets.
- Excess capacity has been built up in export industries through the arbitrary processes of "picking winners." Failure to take adequate account of demand saturation while production continued to expand has contributed to currency depreciation, falling prices and sharp adverse changes in Asia's terms of trade.
- A sense of hubris among the favored industries, firms and individuals. When these entities confronted market tests that they could not meet, they and their foreign lenders expected to be bailed out with additional resources, often publicly funded or guaranteed. Whether the shortfall was in an old-line major banking house (Japan's Yamaichi Securities), or an established conglomerate (Korea's Halla group), or the start-up of questionable new ventures (Indonesia's Timor car), it was expected that some non-market (i.e., government) preference would make up the difference.
- The favoritism, exclusivity and corruption of the Asian model's back channel and nontransparent decision making has had a corrosive effect on the societies and politics of the region.

That market-mediated allocations of resources have shortcomings doesn't imply that the Asian model's subjectively mediated ones will not have still greater shortcomings.

In fact, the legacy of the Japanese model and its Asian variants suggests that their associated shortcomings are enormously greater, because they tend to be protected and concealed. Lacking the corrective, mediating responses that market mechanisms and incentives provide, the shortcomings accumulate until a systemic breakdown occurs.

If this lesson is heeded, Asia's recovery can be rapid and enduring; if it is not, recovery is more likely to be slow and fitful—and ultimately far more painful.



### 1.3 Paul Krugman [is professor of economics at MIT]

One day your country's economy is humming along nicely, your bonds are triple-A, you have billions of dollars in foreign exchange reserves. Then all of a sudden the reserves are depleted, nobody will buy your paper, and you can only keep money in the country by raising interest rates to recession-inducing levels. How can things go wrong so fast?

The standard response of economists is that to blame the financial markets in such a situation is to shoot the messenger, that a crisis is simply the market's way of telling a government that its policies aren't sustainable. You may wonder at the abruptness with which that message is delivered. But that, is simply part of the logic of the situation.

Imagine a government that is trying to support the dollar value of the ringgit--or, what is the same thing, to keep a lid on the price of a dollar measured in ringgits--through foreign exchange market "intervention," which basically means selling dollars to keep the ringgit price down. And suppose the government's policies are, for whatever reason, inconsistent with keeping the exchange rate fixed forever.

We can conclude that speculators will not wait for events to take their course: At some critical moment they will all move in at once--and billions of dollars in reserves may vanish in days, even hours. The abruptness of a currency crisis, then, does not mean that it strikes out of a clear blue sky. Thus, for Krugman government related policy problems will show up in such crisis.

### Category 2. The Government was Doing Not Too Much but Too Little

2.1 Joseph Stiglitz [Mr. Stiglitz is senior vice president and chief economist of the World Bank. ] [Wall Street Journal, February 4, 1998.]

#### Bad Private-Sector Decisions

Only a year ago, the East Asian countries were held up as models for other developing countries. Today legions of critics are condemning them for their unworkable economic systems, which the critics say have long been bound to collapse into crisis. This dramatic swing in opinions about the Asian development model, matching the dramatic changes in the markets, has gone further than is justified by the fundamentals. No other economic system has delivered so much, to so many, in so short a span of time.

It is useful to remind ourselves that financial and currency crises have occurred elsewhere in the world, most recently in Norway, Sweden and Finland. The fact

that these countries had highly transparent economic systems and advanced institutional frameworks demonstrates that transparency is not enough to underpin robust financial systems. Although the lack of transparency in the East Asian economies contributed to the problems, it is probably not responsible for the crisis itself.

At the same time, the crisis in the East Asian countries is very different from crises experienced by many developing countries in the past. East Asian countries have high national saving rates. The East Asian governments have all run budget surpluses or minimal budget deficits in recent years. Also, macroeconomic policy has been relatively stable, as evidenced by their low inflation rates.

The financial crisis in East Asia can be understood as the result of a number of factors that have made these economies especially vulnerable to a sudden withdrawal of confidence. The problems--including misallocation of investment, unhedged short-term borrowing and, in Korea, very high debt-to-equity ratios--are rooted in private-sector financial decisions.

This is not to absolve governments of responsibility. Insufficient financial regulation and implicit or explicit government guarantees, as well as misguided exchange-rate and monetary policies, each played an important role in creating the incentives that led to the particular size and character of external financing and internal misallocation of resources.

Many of the problems these countries face today arise not because governments did too much, but because they did too little--and because they themselves had deviated from the policies that had proved so successful over preceding decades. In several countries, for instance, poorly managed financial liberalization lifted some restrictions, including restrictions on bank lending to real estate, before putting in place a sound regulatory framework.

In their haste to place exclusive blame on the governments in the region, many critics have also forgotten that every loan requires not just a borrower, but also a lender. The borrowers who misallocated their investments share responsibility for the problems with the lenders, many of them international commercial banks, that provided them with the money in the first place. Similarly, one might argue that responsibility lies not just with bank supervisors in the borrowing countries but also with their counterparts in lending countries, particularly if the international community believes that there is sufficient systemic risk to the global economy to warrant interventions.

Some of the most important features of East Asia's development were sound macroeconomic fundamentals: high savings, a commitment to education, technologically advanced factories, a relatively egalitarian distribution of income, and an aggressive pursuit of foreign exports. All of these elements are still present, suggesting that East Asia's economic prospects continue to be bright. And these elements of the East Asian suc-



cess continue to provide a model for successful development throughout the world.

## 2.2 Stanley Fischer (The Asian Crisis: A View from the IMF)

[First Deputy Managing Director of the International Monetary Fund]

To the extent that some of the problems noted by S. Fischer below could have been done by government policy his view can be classified under this category (it might also be sensible to think his view as a middle ground). In fact, IMF, where S. Fisher works, argues through out that excess government intervention is one of the major problems.

### Asia's Economic Success

The crisis in Asia has occurred after several decades of outstanding economic performance. Annual GDP growth in the ASEAN-5 (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) averaged close to 8 percent over the last decade. Indeed, during the 30 years preceding the crisis per capita income levels had increased tenfold in Korea, fivefold in Thailand, and fourfold in Malaysia. Moreover, per capita income levels in Hong Kong and Singapore now exceed those in some industrial countries. Until the current crisis, Asia attracted almost half of total capital inflows to developing countries—nearly \$100 billion in 1996. In the last decade, the share of developing and emerging market economies of Asia in world exports has nearly doubled to almost one fifth of the total. Moreover, Asia's success has also been good for the rest of the world.. For example, these countries bought about 19 percent of U.S. exports in 1996, up from about 15 percent in 1990. Likewise, the dynamism of these economies helped cushion the impact of successive downturns in industrial economies on the world economy during 1991-93.

So what went wrong? According to Fishere, the common underlying factors are noted bellow.

### The origins of the crisis

The key domestic factors that led to the present difficulties appear to have been: first, the failure to dampen overheating pressures that had become increasingly evident in Thailand and many other countries in the region and were manifested in large external deficits and property and stock market bubbles; second, the maintenance of pegged exchange rate regime, for too long, which encouraged external borrowing and led to excessive exposure to foreign exchange risk in both the financial and corporate sectors; and third, lax and

lack of prudential rules and financial oversight, which led to a sharp deterioration in the quality of banks' loan portfolios. As the crises unfolded, political uncertainties and doubts about the authorities' commitment and ability to implement the necessary adjustment and reforms exacerbated pressures on currencies and stock markets. Reluctance to tighten monetary conditions and to close insolvent financial institutions has clearly added to the turbulence in financial markets.

Although the problems in these countries were mostly homegrown, developments in the advanced economies and global financial markets contributed significantly to the buildup of the imbalances that eventually led to the crises. Specifically, with Japan and Europe experiencing weak growth since the beginning of the 1990s. Also contributing to the buildup to the crisis were the wide swings of the yen/dollar exchange rate over the past three years.

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# የመንግሥት ሠራተኛ ደመወዝ ገቢ ግብር ሂሳብ ሥሌት አሠራር በኢኮኖሚው ላይ ያለው ተጽእኖ

ከፋሲል ጣሰው \*

( አቶ ፋሲል በዋና አዲተር መሥሪያ ቤት ሠራተኛ ሲሆን፣ በአሁኑ ጊዜ በአዲስ አበባ የጊ.ቲ.ቲ. የኢኮኖሚክስ ትምህርት ክፍል የድህረ ምረቃ ተማሪ ነው። )

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መንግሥት ከአገር ውስጥ የሚያሰባስበዉ ገቢ ግብር ከተተኛ ገቢ ግብር (Direct

taxes) ተተኛ ካልሆነ ግብር (Indirect taxes) እና ከወጭ ንግድ ግብር (Foreign Trade Taxes) ሲሆን ለምሳሌ በ1987 በጀት ዓመት የፈዴራል መንግሥት ከግብር ያገኘዉ ገቢ የመደበኛዉን ገቢ 67% የሚሸፍን ነበር። የተተኛ ግብር ድርሻ ጠቅላላ ግብር ገቢን 33% ሲይዝ የሠራተኛ ገቢ ግብር ድርሻ የተተኛ ገቢ ግብርን 37% የሸፈነ ነበር። በመሆኑም የአገር ውስጥ ገቢን የማሰባሰብ አቅም ማጠናከር በጣም አስፈላጊ ነዉ። የአገር ውስጥ ገቢን የማሰባሰብ አቅም ማጠናከር ሲባል የገቢ ግብር ሂሳብ ሥሌት በትክክል መሠራቱን ያጠቃልላል።

የዚህ ጽሁፍ ዓላማ ስለግብር ዓይነት ትንታኔ መሥጠት ሳይሆን የተተኛ ገቢ ግብር (Direct Taxes) ክፍል አንድ ስለሆነዉ ስለሠራተኛ ገቢ ግብር (personal income tax) ሂሳብ ስሌት አሠራር ግንዛቤ ለማስጨበጥ ተፈልጎ ነዉ።

በተወማሪም አንድ የመንግሥት ሠራተኛ ያልሠራበት ጊዜ ታስቦ ደመወዙ ተመላሽ ሲደረግ ተቀናኛ ሥራ ግብርና ጠረታ አብሮ ከተጣራዉ ተከፋይ ጋር ተመላሽ መደረግ እንዳለበት ለማስገንዘብ ነዉ። ምክንያቱም አንድ ሰዉ ላልሰራዉ ሥራ (ላላገኘዉ ገቢ) ሥራ ግብርም ሆነ ጠረታ መክፈል ስለማይገባዉ ነዉ። እዚህ ላይ ጠረታን በተመለከተ ሠራተኛዉ

(ግለሰብ) በጠረታ እስከሚገለል ድረስ በየወሩ ከደመወዙ ጠቅላላ ተከፋይ 4% እየተቆረጠ ለጠረታ ባለሥልጣን የሚከፈለዉ ክፍያ ሲሆን ሠራተኛዉ ላልሰራበት ጊዜ ተመላሽ የተደረገዉ የጠረታ መዋጮ ከሚተላለዉ ደመወዙ ላይ ታስቦ ለጠረታ ባለሥልጣን ሊከፈል ይገባል ማለት ነዉ።

ሌላዉ የዚህ ዕሁፍ ዓላማ አንድ የመንግሥት መሥሪያ ቤት ሠራተኛ ያልሰራበትን ደመወዝ ለማዕከላዊ ግምጃ ቤት ተመላሽ በሚያደርገበት ጊዜ በልምድ ተመላሽ የሚያደርጉበትን የሂሳብ አሠራር ከትክክለኛዉ (መሆን ካለበት) ሂሳብ አሠራር ጋር በማገናዘብ የሂሳቡን ሥሌት ልዩነት ምክንያት (መንግሥት) እና በአገር ዓመታዊ ገቢ ብሎም አጠቃላይ ኢኮኖሚዉ ላይ የሚኖረዉን አሉታዊ ተፅዕኖ ለማየትና ተገቢዉን መፍትሔ ለመጠቀም ነዉ።

ከሠራተኛች የሚሰበሰበዉ የገቢ ግብር በመቶኛ ምን ያህል መሆን እንዳለበት በአዋጅ ቁጥር 107/1987 ነጋሪት ጋዜጣ ቁጥር 3 ጥቅምት 16 1987 ዓ.ም. በታወጀዉ መሠረት ከዚህ እንደሚከተለዉ በሰንጠረዥ ተመልክታል።

ግብር (Tax) የሚከፈለበት ገቢ ብር	የግብር ፀሰን (Tax rate) በተወማሪ ገቢ ላይ	
	በመቶኛ	የሚከፈለው
0-120 ታክስ የማይከፈለበት	0%	0
121-600 በሚተላለው ብር 480	10%	48
601-1200 በሚተላለው ብር 600	15%	90
1201-2000 በሚተላለው ብር 800	20%	160
2001-3000 በሚተላለው ብር 1000	30%	300
ከ3000 ብር በላይ	40%	

የሠራተኛ ሥራ ግብር ሂሳብ ስሌት አሠራር ማንጸጸሪያ ይረዳን ዘንድ አንድ የመንግሥት ሠራተኛ የወር ደመወዙ ብር 980 ቢሆን እና ወሩን ሙሉ ሰርቶ

ሲከፈለው ገርሥ (አጠቃላይ ደመወዙ)፣ ተቀናኛ ሥራ ግብርና ጠረታ እንዲሁም የተጣራው ተከፋይ ምን

እንደሚመስል ተላሎ ካለው ሰንጠረዥ መረዳት ይቻላል።



ጠቅላላ ተከፋይ	%	ሥራ ግብር	ጠረጎ (4%)	የተቀናኛኛ ድምር	የተጣራ ተከፋይ
የመጀመሪያው 20	0	0	4.80	4.80	115.20
የሚተገለጹ 480	10%	48	19.20	67.20	412.80
የሚተገለጹ 380	15%	57	15.20	72.20	307.80
ድምር 980		105	39.20	144.20	835.80

(1)

ከላይ የተመለከተው የሂሳብ አሠራር ውጤት ከአጠቃላይ የአገሪቱ የመንግሥት ሠራተኞች ግብር እከፋፈል ሂሳብ ሥሌት ጋር ልዩነት የለውም። ምክንያቱም ሠራተኛው ሙሉ ወር ሰርቶ ደመወዙን ስለወሰደ ነው። ነገር ግን

ይኸው ግለሰብ በሚተገለጹ ወር የመጀመሪያውን 10 ቀን ወይም የመጨረሻውን 10 ቀን ወይም የመካከለኛውን 10 ቀን ከሥራ ቢቀር እና ደመወዙ ተመላሽ

ቢደረግ የሂሳብ ሥሌት ምን እንደሚመስል በቅደም ተከተል እንመልከት።

1. የመጀመሪያውን 10 ቀን ባይሠራ

$$\text{የ10 ቀን ደመወዙ } 10 \times \text{ብር } 980 = \text{ብር } 326.67$$

የ 10 ቀን ተመላሽ ደመወዝ	የታክስ ተመን	ሥራ ግብር	ጠረጎ (4%)	የተቀናኛኛ ድምር	የተጣራ ተመላሽ
120	0%		4.80	4.8	115.20
206.67	10%	20.67	8.27	28.94	177.73
ድምር 326.67		20.67	13.07	33.74	292.93

(2)

ለማዕከላዊ መንግሥት ሲንተራል ትራዥቅ ብር 326.67 ተመላሽ መሆን ይገባል። ቀሪው 20 ቀን የሠራበት ስለሆነ ሥራ ግብር ለአገር

ውስጥ ገቢ ጠረጎው ለጠረጎ ባለሥልጣን ይገባል። የተጣራው ለሠራተኛው ከዚህ ቀጥሎ በተመለከተው መሠረት ሂሳብ ተሰልቶ ሊከፈል

የ20 ቀን ጠቅላላ ተከፋይ	የታክስ ተመን	ሥራ ግብር	ጠረጎ (4%)	የተቀናኛኛ ድምር	የተጣራ ተከፋይ
273.33	10%	27.33	10.93	38.26	235.07
380.00	15%	57.00	15.20	72.20	307.80
653.33		84.33	26.13	110.46	542.87

(3)

የሂሳብ ትክክለኛነት ለማረጋገጥ በየዓይነቱ ተመላሽ የተደረገውን እና ለግለሰቡ የተከፈለውን ስንደምር ግለሰቡ 30 ቀን ቢሰራ የሚመጣው የሂሳብ ሥሌት ውጤት መሥጠት አለበት (2) + (3) = (1)።

2. የመጨረሻ 10 ቀን ባይሠራ

ሠራተኛው 20 ቀን ስለሰራ ብር 653.33 ደመወዝ ይከፈለዋል። ከዚህ ላይ ምን ያህል ለሥራ ግብር እና ምን ያህል ለጠረጎ እንደሚከፈል ሂሳብ ማሥላት ያስፈልጋል። ምክንያቱም የደመወዝ ገቢ ግብር ተጣይነት ካለው ገቢ የሚሰጥ በመሆኑ ነው።

የ20 ቀን ጠቅላላ ተከፋይ	የታክስ ተመን	ሥራ ግብር	ጠረጎ	የተቀናኛኛ ድምር	የተጣራ ተከፋይ
120	0%	0	4.80	4.80	115.20
480	10%	48	19.20	67.20	412.80
53.33	15%	8	2.13	10.13	43.20
653.33		56	26.13	82.13	571.70

(4)



ከዚህ በላይ በ(4) የታየው ሂሳብ ለሠራተኛው የሚከፈለውን ደመወዝ ያላየን በመሆኑ ቀሪው የ10 ቀን ብር 326.67 የሚገኘው በ15% የታክስ ተመን ውስጥ ነው።

የ10 ቀን ተመላሽ ደመወዝ	የታክስ ተመን	ተመላሽ ሥራ ግብር	ተመላሽ ጠረታ 4%	የተመላሽ ትንሰኛ ጅምር	የተጣራ ተመላሽ
326.67	15%	49	13.07	62.07	264.60

(5)

ማረጋገጫ፤

ለሠራተኛው የተከፈለው (4) ሲደመር ተመላሽ የሆነው (5) ጠቅላላ 30 ቀን ቢሰራ የሚከፈለውን (1) ጋር እኩል ይሆናል።

3. በመካከል ያለውን 10 ቀን ባይሠራ፤

ለመጀመሪያ 10 ቀን የሠራበት ተከፋይ

ጠቅላላ የ10 ቀን ተከፋይ	የታክስ ተመን	ሥራ ግብር	ጠረታ 4%	ተቀናኛ ጅምር	የተጣራ ተከፋይ
120	0%	0	4.80	4.80	115.20
206.67	10%	20.67	8.27	28.94	177.73
326.67		20.67	13.07	33.74	292.93

(6)

መካከለኛው 10 ቀን ያልሰራበት ተመላሽ

ጠቅላላ የ10 ቀን ተመላሽ ደመወዝ	የታክስ ተመን	ሥራ ግብር	ጠረታ 4%	ተቀናኛ ጅምር	የተጣራ ተከፋይ
273.33 <sup>1</sup>	10%	27.33	10.93	38.26	235.07
53.34	15%	8	2.13	10.13	43.21
326.67		35.33	13.06	48.39	278.28

(7)

የመጨረሻው 10 ቀን ለሠራበት ተከፋይ

ደመወዝ ቀጣይነት ባህሪ (continuous variable) ያለው ስለሆነ በሠራተኛ ገቢ

ግብር ህግ መሠረት የመጨረሻው 10 ቀን ደመወዝ በ15% ታክስ ወሰን ውስጥ

በመሆኑ ተጥሎ ባለው ሰንጠረዥ መሠረት ሂሳብ ይሰላል።

ጠቅላላ ተከፋይ	የታክስ ተመን	ሥራ ግብር	ጠረታ 4%	ተቀናኛ ጅምር	የተጣራ ተመላሽ
326.67	15%	49	13.07	62.07	264.60

(8)

ከላይ በተገለጸው መሠረት (6) + (8) + (7) = (1) ተከፋይ ተመላሽ

ከዚህ በላይ የተመለከቱትን 3 ሁኔታዎች በመንግሥት መሥሪያ ቤቶች የተመላሽ ሂሳብ አሠራር ሥሌት የተመለከትን

እንደሆነ ልዩነት አይታይባቸውም። የመጀመሪያውን፣ የመጨረሻው ወይንም የመካከለኛውን 10 ቀን ሠራተኛው (የብር

980 ደመወዝተኛ) ሥራውን ባይሠራ ሂሳብ የሚሰራው እንደሚከተለው ነው።

<sup>1</sup> እንደ ሠራተኛ እሴት ብር 480 (600-120) ባለው ገቢ 10% የገቢ ግብር መክፈል አለበት። ሠራተኛው ከመጀመሪያ 10 ቀን ገቢው 326.67-120=206.67 በዚህ ታክስ ወሰን የክፍል ሲሆን ቀሪው ብር 273.33 (480-206.67) መካከለኛው 10 ቀን ተመላሽ ደመወዝ በ10% ታክስ ተመን ይሠራል። ቀሪው ተመላሽ ብር 53.34 በ15% የግብር ወሰን ውስጥ በመሆኑ በዚህ መሠረት ይሠራል።



ልሳነ ኢኮኖሚክስ

ጠቅላላ ተከፋይ ብር 980 የተጣራ ተከፋይ ..... ብር 835.80 ከሆነ  
 ከጠቅላላ 10 ቀን ተከፋይ ብር 326.67 የተጣራ ተከፋይ..... = ?

$$\frac{\text{ጠቅላላ ብር } 326.67}{\text{ጠቅላላ ብር } 980} = \frac{\text{የተጣራ ተከፋይ ብር } 835.80}{\text{የተጣራ ብር } 278.60}$$

በመሆኑም ሠራተኛው በየትኛውም ወትት ሳይሠራ ቢቀር ተመላሽ የሚደረገው ከተጣራው ተከፋይ ገንዘብ ላይ ብቻ መሆኑን ያሳያል። ይህ የሂሳብ ሥሌት ትክክል አለመሆኑን መገንዘብ ያሻል። ምክንያቱም የሠራተኛ ገቢ ግብር እዋጅ የወጣው ህግ (Progressive tax rate) እንደገቢው ከፋፍሎ ከግዥት ይልቅ በወጥነት (Proportion) ሂሳብ ሥሌት በመሠራቱ ነው። የዚህ ሂሳብ ሥሌት

ስህተት ዋነኛ መንገድ ገንዘብ ሚ/ር ለመንግሥት መ/ቤቶች የሚላከው ደመወዝ የተጣራ ብቻ በመሆኑ መ/ቤቶችም ሠራተኛው ሳይሠራ ሲቀር ተመላሽ የሚያደርጉት በተለምዶ አሠራር የተጣራውን ብቻ ስለሆነ ተቀናኝ ሥራ ግብርና ጠረታን ምንም እያመለከተም። በዚህ ሂሳብ አሠራር ላይ ሰፊ ያለ ግንዛቤ ይኖረን ዘንድ በትክክል የሂሳብ ሥሌት

አሠራር የሥራ ተከፋይ ሁኔታ በተለምዶ ከሚሰራው ጋር አንድ ባንድ ለመዳሰስ እንደሚችል ሠራተኛው የመጀመሪያውን ወይም የመጨረሻውን ወይም የመካከለኛውን 10 ቀን ባይሠራ በሰንጠረዥ ቁጥር (2) (5) እና (7) መሠረት የሂሳብ ስሌት ቀጥሎ በተመለከተው ማጠቃለያ ሠንጠረዥ እንደሚታየው የተለያየ ነው።

ቀን	ጠቅላላ	ሥራ ግብር	ጠረታ	የተቀናኝ ድምር	የተጣራ ተመላሽ
የመጀመሪያ 10 ቀን	326.67	20.67	13.07	33.74	292.93
የመጨረሻ 10 ቀን	326.67	49.00	13.07	62.07	264.60
የመካከለኛ 10 ቀን	326.67	35.33	13.06	48.39	278.28

በተለምዶ አሠራር ግን የሂሳብ ስሌት በሰንጠረዥ ሁኔታ ከዚህ እንደሚከተለው ተመሳሳይ ነው።

ቀን	ጠቅላላ	ሥራ ግብር	ጠረታ	የተቀናኝ ድምር	የተጣራ ተመላሽ
የመጀመሪያ 10 ቀን	326.67				278.60
የመጨረሻ 10 ቀን	326.67				278.60
የመካከለኛ 10 ቀን	326.67				278.60

የመጀመሪያውን 10 ቀን ሠራተኛው ያልሠራበት ትክክለኛው የተጣራ ተመላሽ ብር 292.93 ሲሆን ከሠንጠረዥ እንደምንረዳው በልምድ አሠራር ግን ተመላሽ የሚደረገው ገንዘብ ብር 278.60 ነው። ልዩነቱ ብር 14.33 ለመንግሥት ተመላሽ መደረግ የሚገባው ገንዘብ በሥራ ገቢ ግብር ሂሳብ ስሌት ስህተት ለግለሰብ መሠጠቱን ያሳያል። ይህ ልዩነት አሠራር የመንግሥትን ግብር ስለሚቀንስ የበጀት ጉድለት (budget deficit) ያስከትላል። ከላይ የተመለከትነው የሠራተኛ ገቢ ግብር ሂሳብ ሥሌት ስህተት ግልፅ ነው። ምክንያቱም የሠራተኛው የመጀመሪያ 10 ቀን ደመወዝ ከብር 600 በታች በመሆኑ በሠራተኛ ደመወዝ ገቢ ግብር ህግ መሠረት ከ10% ግብር ተመን በላይ ታክስ መደረግ አለመቻሉ ሲሆን ነገር ግን በልምድ አሠራር ተመላሽ የሚደረገው በወጥነት ከተጣራው ተከፋይ ስለሚታሰብ የታክስ ህግ ከሚያዘው ውጭ ከብር 600 በታች ያለው የደመወዝ ገቢ 15% የታክስ ተመን እንዲጨምር በመደረጉ ነው።

የመጨረሻው 10 ቀን ሠራተኛው ያልሠራበት የተጣራ ተመላሽ ደመወዝ ብር 264.60 መሆን ሲገባው በልምድ አሠራር

ግን ብር 278.60 ነው። ልዩነቱ ብር 14 ከሠራተኛው አላግባብ ተቀንሶ ወደ መንግሥት ተላልፏል። ይህም በመሆኑ በግለሰብ ላይ የኑሮ ውድነት ሊያስከትል ከመቻሉም በላይ ምርታማነቱን ይቀንሳል። የመጨረሻው 10 ቀን ተከፋይ ሠራተኛው የሠራተኛው የ20 ቀን ደመወዝ ብር 653.33 ከተከፈለው በኋላ የሚታሰብ በመሆኑ ብር 326.67 የ10 ቀን ጠቅላላ ተከፋይ ተመላሽ ብር 264.60 ትክክል ነው። የልምድ አሠራር ከላይ እንደተገለፀው በወጥነት በመሆኑ በ15% የደመወዝ ገቢ ግብር ወሰን ብቻ መታሰብ የሚገባውን 10% የደመወዝ ገቢ ግብር ወሰን ጨምሮ እንዲይዝ በማድረጉ የተጣራው ተመላሽ ከፍ እንዲል አድርጎታል። ለህተቱም ከዚህ የወጥነት አሠራር የመነሻ ነው።

የመካከለኛውን 10 ቀን ሠራተኛው ያልሠራበት ደመወዝ ተመላሽ የሚደረገውን ወትት የተመለከትን ከሆነ ተመላሽ መደረግ የሚገባው ብር 278.28 እና በልምድ አሠራር ተመላሽ የሚደረገው ብር 278.60 መካከል ያለው ልዩነት በጣም ትንሽ ነው። የዚህ ምክንያት በትክክለኛው አሠራር እንደተመለከትነው የመካከለኛው 10 ቀን ደመወዝ ሁለቱንም የደመወዝ ገቢ ግብር

ወሰን 10% እና 15% የግብር ታክስ ተመን በማጠቃለል ሲሆን የልምድም አሠራር በወጥነት ስለሆነ ነው።

ከላይ የተገለፀው ብር 14.33 ወደ ግለሰብ አላግባብ የተላለፈበት እና ብር 14.00 ወደ ማዕከል ግምጃ ቤት በሥህተት ፈሰሰ የተደረገበት ትልቁ ምክንያት የመንግሥት መ/ቤቶች የተቀናኝ ሂሳብን ሥራ ግብርና ጠረታን በትክክል ሂሳብ ሥሌት ስለማይሰሩት ነው። ስለሆነም ከዚህ የልምድ አሰራር የምንረዳው መ/ቤቶች አጠቃላይ የገቢ ክፍሎችን ተቀናኝ የገቢ ተመላሽ በሚል በወጪ አለመመዘገባቸውና ከገቢ ባለመቀነሳቸው (correcting entry ባለመሥራታቸው) ነው። ይህ የልምድ አሠራር ደግሞ የሚያመለክትን እንደ ሰጪ (ሠራተኛ) ገቢ ሳያገኝ የገቢ ግብርና ጠረታ መክፈልን ነው። በዚህ የተነሳ የመሥሪያ ቤቱ መደበኛ ገቢ አላግባብ ከፍ በማለት በሃይል ይከበራል የሌለው የሌገር መደበኛ ገቢ ላይም ይኸው ከፍ ብሎ ይታያል። በልምድ አሠራር የሂሳብ ሥራ ስሌት ስህተት ቢኖርም ተመላሽ የሚደረገው የተጣራ ተከፋይ ከመደበኛ ውጭ ተቀንሶ ወደ ማዕከል ግምጃ ቤት ፈሰሰ የሚደረግ ሲሆን ነገር ግን የገቢው ተቀናኝ ሥራ ግብርና



ጡረታ ተመላሽ ባለመደረጉ ገቢው ከፍ እንዲል ከማድረጉም በላይ በአገር ደረጃ በኢኮኖሚው ላይ የሚኖረው ተፅዕኖ ቀላል አይደለም። ፈሰስ የተደረገው የተጣራ ተከፋይ ከኢኮኖሚው ገበያ ዝውውር ውስጥ የወጣ ሲሆን የገቢው ተቀናኛ ሥራ ግብርና ጡረታ ከዓመታዊ ኢኮኖሚ ገቢ ያልተቀነሰ በመሆኑ የአገሪቱን ብሽራዊ ገቢ ጎክክለኛነት ያዘጋጃል። ይህ ደግሞ ወደ ተሳሳተ የኢኮኖሚ ፖሊሲ ከማምረቱም በላይ ለአገር ውስጥ ኢንቨስትመንት (መዋዕል ንዋይ ልማት) ለመንግሥት ጎክክለኛ መረጃ (Information) ተለማኒነት ከማሳጣቱም በላይ የመንግሥትን ጥንካሬ ያላላል።

ሌላው የዚህ ሂሳብ ስሌት አሠራር ስህተት

ዉጤት ደግሞ የዓመት ብሽራዊ ገቢ አወሳሰን (National Income Determination) ከአጠቃላይ ገቢ (Income approach) እና ከአጠቃላይ ወጪ (Expenditure approach) እኩል እንዲሆን ያደርጋል። ነገር ግን ጤናማ የሆነ ኢኮኖሚ የሚያራምዱ አገሮች በእርግጥ የገቢና የወጪ አወሳሰን በብሽራዊ ገቢ አካዉንት ላይ እኩል ነዉ።

ከላይ የተመለከተውን የሂሳብ ስሌት ስህተት አለመግታትና ጎክክለኛውን የገቢና ወጪ ሂሳብ መረጃ ለማግኘት ይቻል ዘንድ በበጀት የሚተዳደሩ መንግሥት መሥሪያ ቤቶች ዓመታዊ የደመወዝ በጀታቸው በየወሩ ከገንዘብ ሚ/ር በጥቅል (Gross

ተሰጥቷቸዉ፡ 1/ ሠራተኛዉ ሥራዉን ከሠራ በኋላ ለሚያገኙዉ የደመወዝ ገቢ የሚከፍለዉን የሥራ ገቢ ግብር ለአገር ውስጥ ገቢ ባለሥልጣን፣ ጡረታ መዋጮ ለጡረታ ባለሥልጣን፣ እንዲከፍሉ ቢደረግ፣ 2/ እንድ ሠራተኛ ያልሠራበት ደመወዙ ተመላሽ ሲሆን የሥራ ግብርና ጡረታ መዋጮ መክፈል እንደሌለበት የሚታወቅ በመሆኑ ያልሠራበት ደመወዝ ታስቦ በጥቅል ወደግዕዝል ግ/ቤት ፈሰስ እንዲያደርጉ ቢደረግ ሥህተቱን ይገታዋል። እንዲሁም መ/ቤቶች በአዋጅ የተቋቋሙበትን ተግባርና ኃላፊነት በሚገባ እንዲወጡ ከማስቻሉም በላይ ለአገር ኢኮኖሚ ለድገት ከፍተኛ አስተዋጽኦ ያደርጋል።

አምስተኛ ዓመት ቁጥር 6 ግንቦት 13 - 1990

ምን ያዩ፡ ጠቢያ





# THE UN-IRAQ CONFLICT

A simple mathematical solution by an economist: A note  
by  
Seymour Patterson\*

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Economists have a fondness for sticking their nose into every issue. This economist is no exception. Sometimes we have solutions that elude politicians. The UN-Iraq conflict is one such issue. Ever since the end of the Gulf war Iraq has been periodically testing the resolve of the UN to prevent it from creating a cache of weapons of mass destruction. The conflict which started on October 31, 1998 is a continuation of the cat-and-mouse drama which has been playing out between the UN and Iraq. The UN will issue threats ultimatums each time and Iraq will back down. Iraq as expected backed down in mid-November 1998. In a few months Iraq will precipitate a new crisis. Why? Because Iraq and the UN have different objectives. And Iraq's vantage point, the benefits of these confrontations exceed the costs. Is there a bargaining solution between the UN and Iraq? The answer is yes. However, to get to the answer, one has to understand why tensions exist.

## A. Dichotomy of Objectives

There are two players in this drama: (1) the UN and (2) Iraq. And they desire different things so they are at odds. Iraq wants the right and freedom to build weapons of mass destruction and the UN for its part wishes to deny Iraq that capability. There are some realities in this equation. First as a large oil rich nation, Iraq will always have the wherewithal to acquire weapons of any kind it wants. Second, the best option for the UN is to determine the level of these weapons that it will tolerate.<sup>1</sup> Third, the two parties will then have to bargain for a solution that is mutually satisfactory. What follows is a stylized mathematical<sup>2</sup> solution to the preceding discussion.

## B. What Iraq wants

Iraq wants more weapons (W) and fewer inspections (I). However, it must be willing to make a trade-off between

<sup>1</sup> This much has been acknowledged by the US officials. The International Herald Tribune, Wednesday, November 11, 1998 quotes an American official as saying, "They doubted he [meaning Saddam Hussein] would ever cooperate sufficiently with UN weapons inspectors to allow the true disarmament of Iraq through peaceful means."

<sup>2</sup> This model comes from Binmore (1983, p. 96).

the two. Suppose Iraq is willing to trade off 1 inspection (I) for 4 weapons (W). Further suppose that the country is willing to acquire 8 weapons if there are not inspections. Then, Iraq will be constrained in its choices of weapons and inspections by

$$W = 8 - 4I \quad (1)$$

The goal of the UN and Iraq is to maximize their level of satisfaction (LS) with some combination of weapons and inspections. Iraq, of course, wants more weapons than inspections and the UN would be satisfied with just the opposite configuration. Suppose the level of satisfaction can be expressed as

$$LS_1 = I(W-0.5) \quad (2)$$

Then clearly there are three possible outcomes: (1) Iraq's  $LS_1$ , (2) the UN's  $LS_2$ , and (3) the joint (bargaining solution) UN-Iraq  $LS_3$ . To determine Iraq's combination of weapons and inspection, we proceed as follows: substitute equation (1) into equation (2). The results is

$$LS_1 = I(W-0.5) = 7.5I - 4I^2 \quad (3)$$

At a maximum the change in LS due to a change in I is zero. Therefore, inspections and weapons can be computed by

$$\Delta(LS_1)/\Delta I = 7.5 - 8I = 0 \quad (4)$$

The inspections for which Iraq will be satisfied with  $I = 0.94$  and the number of weapons that would be acceptable to Iraq is  $W = 4.25$ . The solution (combinations of W and I) for Iraq that will maximize its  $LS_1$  is

$$LS_1 = I(W-0.5) = 4.25(0.94-0.5) = 3.5 \quad (5)$$

So Iraq wants 4.25 weapons and 0.94 inspection and this would yield for Iraq a level of satisfaction equal 3.5.

## C. What does the UN want?

For its part, the UN wants fewer weapons for Iraq and more inspections. But it must be prepared to accept a trade off between weapons and inspections. Assume that the UN is willing to tradeoff weapons for inspections at a rate of 0.25. Also assume that if there are no



inspections it hopes Iraq's weapons acquisition would be limited to only 2. The constraint on the UN's levels of weapons and inspections is

$$W = 2 - 0.25I \quad (6)$$

The solution of weapons and inspections that will maximize the UN's level of satisfaction is found by substituting equation (6) into the objective function  $I(W-0.5)$ , i.e., equation (5). The result is

$$LS_2 = I(W-0.5) = 1.5I - 0.25I^2 \quad (7)$$

Set the first difference of equation (7) equal to zero and solve for weapons and inspections. That is, differentiate (7) and set the result to zero, then solve for  $I$  and  $W$ . Thus,

$$\Delta(LS_2)/\Delta I = 1.5 - 0.5I = 0 \quad (8)$$

The result is  $I = 3$  and  $W = 1.25$ . Therefore, the UN wants 1.25 weapons and 3 inspections for Iraq. The satisfaction level for the UN is by substituting these values into equation (5). Hence, the UN will receive a level of satisfaction of 2.25 as shown below.

$$LS_2 = I(W-0.5) = 3(1.25-0.5) = 2.25 \quad (9)$$

These results are incompatible with the resolution of the conflict. Iraq was 0.94 inspection and 4.25 weapons, while the UN desires for Iraq 3 inspections and 1.25 weapons. If the UN and Iraq take inflexible positions on weapons and inspections, they will continue this game of inspectors repeatedly being expelled and force or the threat of force will be used again to return the inspectors to their job in Iraq.

#### D. Bargaining solution

A solution that would make both the UN and Iraq happy is one arrived at through a bargaining scheme. In particular, one has to set Iraq's constraint  $W = 8 - 4I$  equal to the UN's constraint  $W = 2 - 0.25I$ . Thus,

$$8 - 4I = 2 - 0.25I \quad (8)$$

Equation (8) solves for  $W = 1.6$  and  $I = 1.6$ . This is the bargaining solution with which the UN and Iraq will be

happy. The level of satisfaction associated with it again found from equation (5), that is, weapons 1.6 and 1.6 inspections for both parties is

$$LS_3 = I(W-0.5) = (1.6)(1.6-0.5) = 1.76 \quad (9)$$

Summary of results

	Iraq	UN	Bargaining Solution
Weapons	4.25	1.25	1.60
Inspections (I)	0.94	3.00	1.60
Satisfaction Level (LS)	3.50	2.25	1.76

The UN wants 3 inspections to keep Iraq's weapons at less than two (i.e., 1.25). This outcome would give the UN a level of satisfaction of 2.25. However, Iraq has an incentive (a level of satisfaction of 3.5) for 0.94 inspection and weapons 4.25. To reiterate, these differences create an impasse that perpetuates or lead to a recurrence of the present conflict. To bring the conflict to an end, both sides must bargain. The bargaining solution will result in an accommodation of 1.6 weapons and 1.6 inspections. And the UN and Iraq will receive a mutually satisfying level of satisfaction of 3. Iraq's level of satisfaction rises after a bargaining solution is reached. However, the UN's level of satisfaction falls because it has to concede to fewer inspections and marginally more weapons to Iraq.

#### References

- Binmore, K. G. *Calculus* (Cambridge, UK: Cambridge University Press, 1983), p. 96.
- The International Herald Tribune*, Wednesday, November 11, 1998.
- The International Herald Tribune*, Wednesday, November 11, 1998.

**The next EEA round table will take place on February 12, 1999 at Imperial Hotel and will focus on "Promoting the export sector in Ethiopia." The speakers include, H.E. Ato Biruk Debebe, Vice Minister of Trade and Industry, Ato Getenet Astatke from the Economics Department, AAU, and Ato Eskindir Yoseph from the Private Sector. *Economic Focus* invites our readers to participate in this discussion by sending us articles and commentaries on the topic.**



# MAJOR ECONOMIC NEWS IN THE LAST TWO MONTHS

## I. GENERAL

Various public health institutions are to be built across the country in the next five years with an outlay of 5.2 billion birr, according to the Minister of Health (The Ethiopian Herald, Vol. LV, No. 062, 1998).

The House of Peoples' Representatives (HPR) of the FDRE approved a proclamation for the establishment of the "Ethiopian Export Promotion Agency." The Agency has the responsibility of enhancing the competitiveness of local entrepreneurs in the international market. The agency undertakes promotional activities to boost export and serves as information center for trade activities. Moreover, it renders professional support and training to exporters by undertaking studies. The Agency will have a board of directors and it will be accountable to the Prime Minister (Parliament, Vol. 4, No. 4, 1998).

The Ethiopian Telecommunications Corporation said it had installed more than 100,000 digital exchanges in Addis and other towns last Ethiopian year (The Ethiopian Herald, Vol. LV, No. 047, 1998).

The House of Peoples' Representatives (HPR) of the FDRE approved a proclamation on establishing the "Awash Basin Water Administration Agency" in November 10, 1998. The Agency will be responsible in coordinating, allocating and regulating the utilization of surface water in the Awash basin. There are about 152,920 hectares of irrigable land in the Awash valley (Parliament, vol. 4, No. 4, 1998).

A California-based private foundation announced that it is awarding 375 million dollars to fund family planning programs in developing countries including Ethiopia (The Ethiopian Herald, Vol. LV, No. 058, 1998).

The United Nations Conference on Trade and Development (UNCTAD) says foreign direct investment for 1998 is projected to reach \$430-440,000 million despite slower global economic growth and the crises in the financial markets (Addis Tribune, No. 319, 1998).

## II. AGRICULTURE

Ethiopia appealed to donor nations and NGO's for food aid to care for 2.5 million people (Addis Tribune, No. 322, 1998).

Commissioner Simon Mechale announced that up to 2,551,510 people would need food assistance estimated at 223,800 MT in 1999 (The Ethiopian Herald, Vol. LV, No. 78, 1998).

Ethiopia this year is said to have bumper crops of cereals and pulses and yet still in need of food aid. The crop production this year is estimated to be 11.69 million tonnes which is very close to the 11.7 million tonnes record of 1996. However, some 2.5 million people in the country need about 180,000 tonnes of food aid in 1999. Food security achievement seemed to be difficult to the extent that about 40% of the agrarian population in Ethiopia do not produce enough of food to feed themselves (Addis Tribune, No. 327, 1999). Meanwhile, WFP urged donors to purchase food aid from domestic sources particularly from surplus producing districts (ENA).

The Emergency Food Reserve Administration said it had given 281,000 metric tonnes of grain to donors in loan last Ethiopian year (The Ethiopian Herald, Vol. 51, No. 57, 1998).

The Ethiopian Grain Marketing Enterprise said it has started making all necessary precautions to avoid

undue grain price falls that may occur due to the expected bumper harvest this year (The Ethiopian Herald, Vol. LV, No. 66, 1998).

Agricultural Inputs Supply Corporation announced that it would buy 10,000 metric tonnes DAP from grants received from the Italian Government (Addis Tribune, No. 320, 1998).

Dispatches from Brussels show the European Commission opened a tender recently for the supply of 36,793 tons of common wheat for Ethiopia (Addis Tribune, No. 319, 1998).

## III. EXTERNAL ASSISTANCE

The government of Ethiopia and Norway signed a 4.29 million U.S. dollars specific grant agreement for the support of fertilizer procurement (The Ethiopian Herald, Vol. LV, No. 84, 1998).

A five-year country program agreement worth 94.8 million US dollars was signed between Ethiopia and the World Food Programme (The Ethiopian Herald, Vol. LV, No. 71, 1998).

The U.S. Agency for International Development (USAID) had signed a grant agreement to provide 1 million U.S. dollars for a programme to dispose of obsolete pesticides in Ethiopia (The Ethiopian Herald, Vol. LV, No. 47, 1998).

The African Development Bank (AFDB) has agreed to give Ethiopia \$83.5 million to help repair and re-equip schools as well as to fund a livestock project (Addis Tribune, No. 321, 1998).

Vice Minister of Economic Development and Cooperation, Dr. Mulat Teshome and the German ambassador to Ethiopia, Mrs. Wiltrud



Holic, signed a technical cooperation agreement for a provision of a total of about 27 million U.S. dollars (Addis Tribune, No. 321, 1998).

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The Ethiopian Government has signed agreements with donors providing for over three billion birr for the execution of investment in the education and health sectors program, according to a senior government official (The Ethiopian Herald, VOL. LV, No. 68, 1998).

#### IV. CREDIT

The World's poorest countries including Ethiopia are to receive over 20 billion USD in concessional loans from the International Development Association (IDA) (The Ethiopian Herald, VOL. LV, No. 66, 1998).

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Nine micro finance institutions have been providing credit and saving services to poor people in various states, the National Bank of Ethiopia said.

#### V. PUBLIC REVENUE

The Jijiga Customs Office says 7,463,363 U.S. dollars has been obtained from the export of chat, a locally grown mild stimulant, over the last four months (The Ethiopian Herald, VOL. LV, No. 56, 1998).

#### VI. TRADE

The Coffee and Tea Authority announced that 3,612 quintals of washed and unwashed coffee was supplied to the Central Auction in Addis Ababa (The Ethiopian Herald, Vol. LV, No. 73, 1998).

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The Coffee and Tea Authority said a slump in the world coffee price is feared this Ethiopian year as a result of high production of the crop in coffee producing countries like Brazil (The Ethiopian Herald, VOL. LV NO. 73, 1998).

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The Trade and Industry minister has announced that a 4.9 billion birr revenue is expected from export trade this Ethiopian year ( The Ethiopian Herald, Vol. LV, No. 56, 1998).

### VII. INVESTMENT

The Ministry of Mines and Energy said a total of 16 foreign and local investors have been licensed last Ethiopian year to undertake mining exploration activities (The Ethiopian Herald, Vol. LV, No. 58, 1998).

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#### ECONOMIC COMMENTARY ON FOREST RESOURCES

"An ecologically and socially sustainable land management system has been described by scientists as an effective farming method capable of achieving increased food production at minimum cost" (The Ethiopian Herald, Dec. 13, 1998). This finding may raise the question whether we are to be beneficiaries or potential users or not. As it is difficult to give a clear-cut response, it is better off arguing based on cumulative deduced facts.

It is well accepted that Ethiopia is one of the developing countries suffering from the problem of deforestation and soil degradation. The long history of sedentary agriculture combined with recurrent draughts and rugged terrain (particularly in the northern part), have led to a vicious circle of environmental degradation and deteriorating socio-economic conditions in the country. (Wgenigen Agriculture University, 1995)

According to historical sources, however, about 42 million hectares or 35 percent of Ethiopia's land area was once covered with dense forests. In the 1950's the forest that remained covered 19 million hectares or 16 percent of the land area. In the early 1980's the coverage was reduced to 3.6 percent and in 1989 it was estimated to be only 2.7 percent. The annual loss of forest cover has been estimated to be an equivalent of 150,000 to 200,000 hectares (MONRDEP, 1993).

The major driving forces behind depletion of the forest resources are the rapid increase in Ethiopia's population, absence of homestead tree planting tradition and policy constraints.

In Ethiopia, population growth, an average exceeding 3 percent per annum, has increased the pressure on forest resources mainly through seeking agricultural land and increasing demand for fuel wood or charcoal. This leads to an exploitation of the country's forest at a rate faster than its natural rate of replacement.

As a result, forests essential for watershed protection and biodiversity conservation are likely to be removed in the areas unsuitable for agricultural production, and this undermines sustainable agricultural development.

In parts of Ethiopia, farmers have traditionally used farm forestry practices such as homestead tree planting, field tree planting and farm boundary planting. Tree growing by private entities, however, has not been officially encouraged. This practice however is almost not prevalent due to the series of fragmentation of land (i.e. tenure insecurity).

The inappropriateness of the agricultural policies and disincentives for small farmers aggravated for additional land clearing. The first two five year plans (1957-1962) and (1962-1967) deliberately ignored peasant agriculture and favored the development of large-scale commercial farms and exports. The Third Five Year plan (1968-1973) also encouraged large scale commercial farming besides small-scale agriculture. The ten-year perspective plan (1983/84-1993/94) also favored large-scale farming and mechanized agriculture. The government gave undue importance to state farms and cooperatives. These brought unused land (mainly forest land) into cultivation. For instance the expanding state cereal farms and coffee and tea plantations have cleared thousands of hectares of forest land.

The uncertainties associated with nationalization and villagization have undoubtedly reduced the incentives for households to invest in measures necessary to arrest soil degradation and deforestation.



In a nutshell, the rural land reform in 1975 resulted in over cutting the existing forests and adversely affected the establishment of new plantations (Stephanos, 1995).

It has been projected that if the present rate of deforestation continues, the area covered by natural forests in 2010 may be reduced to scattered minor stands of heavily disturbed forests on remote parts of the country (Monrdep, 1993).

The present government also entitled peasant farmers to a life long inheritable and transferable rights to use of land trees planted there on (Stephanos, 1995). The transitional economic policy confirms that there should be no reallocations of land except to the land less and that there should be no further fragmentation of holdings.

On the contrary, the reallocations of land was reinstated in Amhara region to give land to landless by reducing the holdings of farmers.

This signifies the inadequacy of policy instrument to assure people of their riskless right to work on their land. Thus, security in land tenure system should be the main policy issue relative to land degradation and deforestation which are major constraints to sustainable use of resources. Hence, arresting defores-

tation and expanding the forest resources are, therefore, among the vital elements of a development strategy addressing poverty in Ethiopia.

As a prerequisite for development objectives, improving management of the existing forest resources has to become the subject of considerable attention in Ethiopia. Besides, proper management of forest also requires economic analysis and valuation which can be utilized as a basis for land use decisions.

More importantly, the forest policy should be accompanied by effective agricultural and population policies aiming at improving agricultural productivity and family planning, which will help to reduce rural poverty. Concomitantly, the legislative provisions on land use should not be neutral in consideration with forestry policy instruments. Otherwise, a catastrophic result for generations to come is without doubt inevitable.

### ECONOMIC COMMENTARY ON PRIVATIZATION OF PUBLIC ENTERPRISES

The House of People's Representatives, in its twelfth session, amended the proclamations providing for the privatization of public enterprises (Addis Tribune, No. 326, Jan. 1,

1998). The amended proclamation is said to be worthwhile to solve the bottlenecks that have hurdled the activities of the Ethiopian Privatization Agency. The amendment focuses on the lifting of the then submitted recommendations regarding modalities to the government and on the immediate reasons for dissolving enterprises and selling their properties.

Privatization has been and is likely to remain a controversial policy issue whose merits policy makers cannot easily evaluate. However, privatized firms are expected to be more efficient than state-owned ones (Savas, 1987). The goal of privatization is improved efficiency (both technical and allocative). In short it seems that there is a universal consensus on the need for privatization to revitalize the economic growth and achieve efficiency.

To this end, privatization has also been on the policy agenda of Ethiopia after the defunct Derg regime. Thus, the Ethiopian Privatization Agency was established to carry out the process of privatizing public enterprises in an orderly and efficient manner in 1994. Recently, the agency has been able to transfer 176 state development institutions to the private sector.

Transferred state development institutions

Retail trade stores	124
Hotels	14
Factories	30
Agro-industries	5
Construction firms	2
Mining project	1
Total	176

Source: The Ethiopian herald, December 16, 1998

It was said that of the 176 organizations sold so far, 15 were bought by foreign investors and the remaining ones by Ethiopians. A total of 2.5 billion birr has been obtained from this sale as Agency General manager disclosed.

These measures are encouraging as there had not been any formal privatization experience prior to the establishment of the Agency.

On the contrary, several comments

have been poured in from various quarters that the Agency has been slow in transferring nationalized properties of state development enterprises to owners.

The Agency is also criticized for selling the enterprises at lower prices (The Ethiopian Herald Dec. 16, 1998). These allegations indicate that the outcomes are not impressive to others.

Lastly, but not least, the following points should be taken into consid-

eration for the success of the privatization process in Ethiopia.

1. The sale of enterprises to private investors assumes the existence of a competent and entrepreneurial private sector. The private sector in Ethiopia is weak in terms of managerial skills and entrepreneurship. Owing to this, public enterprise reform in Ethiopia needs time and wisdom.



2. In Ethiopia at present the number of business companies with strong financial performance is very limited. This is asserted by the Privatization Agency manager who claims that investors are not showing much participation in the purchase of organizations valued at hundreds of millions of birr. This could be resolved by thriving stock markets and redefining loans from commercial banks to be as a source of finance for long term investments, big privatization schemes and etc. Succinctly large capital expenditures are required for production purposes. But this is not possible because of the lack of properly developed capital and stock markets, credit and banking institutions (Jhingan, 1984).

3. To undertake detailed studies on the economic, technical, financial, modalities and price evaluation of public enterprises the Agency must be equipped with qualified human resource in order to fully discharge its duties.

4. Much effort is needed by the Agency to attract foreign investors to

participate in joint-venture arrangements.

### ECONOMIC COMMENTARY ON AGRICULTURAL RESEARCH AND TRAINING

The Ethiopian House of people's representative approved a loan agreement between Ethiopia and the International Development Association (IDA) for agricultural research and training (Addis Tribune, No. 323, Dec. 11, 1998). The majority of Ethiopian population live in the rural areas. Agriculture is the mainstay of the national economy. This can be directly viewed from its contribution to employment, revenue, foreign exchange earnings etc.

Historically agriculture research in Ethiopia is growing sluggishly. This is due to the fact that research is complex and requires infrastructure, research personnel, fund etc. Agriculture research in Ethiopia is constrained by a number of factors. One

factor is the poor organizational system of research institutions.

The Ethiopian national agricultural institutions (NARs) lacked coordination between national, regional and international research centers which deterred exchange of new findings, techniques and collaborative research undertakings.

Besides, lack of funds crippled agricultural research to provide adequate facilities as promised. The lesser priorities set and lack of commitments could be clearly seen from impaired budget allocation. This engulfs to provide adequate research facilities and incentives for researchers.

Be that as it may the government research expenditure was being financed through such sources as domestic (government), foreign assistance and foreign loans for several years.

Research Expenditure (in million birr)

Year	Government	External assistance	Loan	Total
1990	23.36	1.76	5.40	30.52
1991	17.44	2.07	4.14	23.65
1992	19.38	0.87	1.85	22.1
1993	24.33	0.86	4.80	29.99
1994	23.09	-	3.50	26.59
1995	27.94	-	-	27.94
1996	26.44	3.58	-	30.02
1997*	27.94	4.88	-	32.82

As shown in the table above, there is fluctuation on the pattern of research expenditure. The average expenditure was only about 15 million for the period 1996/1997. The world Bank has called for a target of 2% of the agricultural GDP to be invested in agricultural research. However, expenditure on agricultural research in Ethiopia, say in 1993/94, amounted to just 0.2% of agricultural GDP (Mulat, 1998).

Shortage of appropriate research equipment coupled with obsolete equipment at hand contributed significantly to the backwardness of research development in the country. Moreover, the research objectives do not correspond to the national objectives. This proved that research programs are not pri-

oritizing for developing technologies that would alleviate the small-scale farmers' problems. Since research programmes are initiated and developed by researchers to reflect their own interests and institutional priority, the needs of the farmers are usually neglected (Goshu, 1995).

Lastly, the educational system is not organized in such a way as to produce enough qualified researchers. Paradoxically, the few qualified people are drained abroad for better remuneration.

The general recommendations drawn from the above are stipulated as follows:

- Governments should build

genuine commitment to agricultural research so that research will have its proper place and could play the proper role in the development process.

- Budget allocation should be increased and its administration should be improved. This is important because budgetary constraints have a diverse effect on the number of research sites, services and incentives towards researchers.
- The existing educational system should be molded in such a way as to produce qualified researchers.
- Salaries of researchers should be remunerative enough to instill a sufficiently inspired work ethic in research profession. ■



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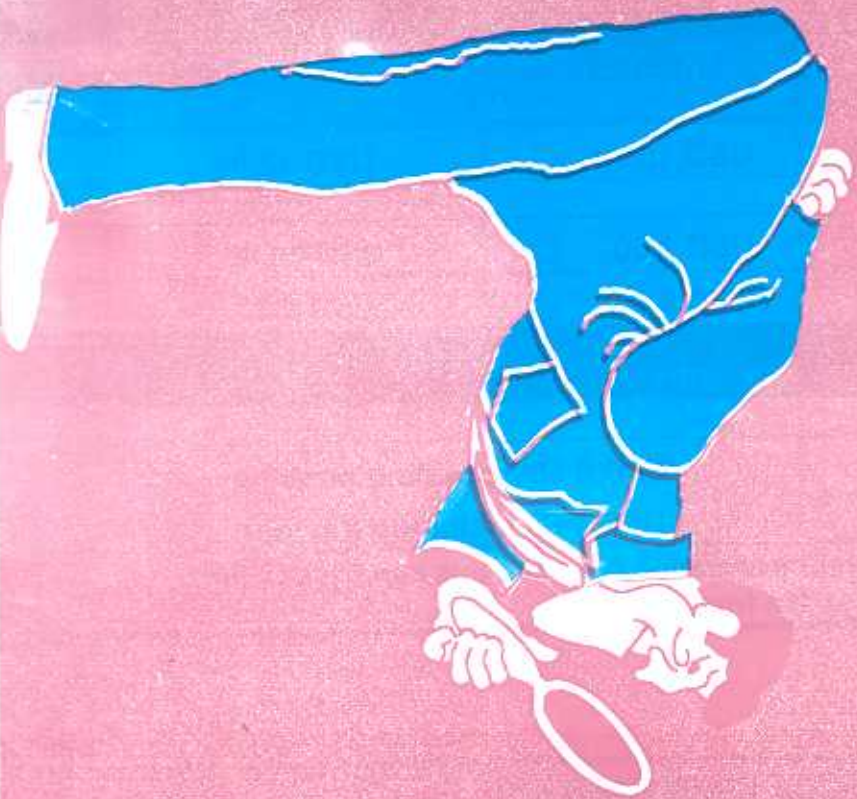
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