ECONOMIC ADJUSTMENT PROGRAMMES AND THEIR EFFECTS ON THE DEVELOPING COUNTRIES WITH REFERENCE TO EGYPT AND MEXICO

1Ezzat Molouk Kenawy and 2Mohamed Fathy Abd-el Ghany

1Faculty of Commerce- Department of Economics- Kafr El-Sheikh University- Egypt
2 Al-Shorouk Academy- Egypt

INTRODUCTION

The economic adjustment programmes that the World Bank and the international monetary fund have adopted for the developing countries in order to design local economic reform programmes are currently among the most controversial issues. The emergence of these programmes is associated with the foreign indebtedness crisis beginning which the developing countries faced in the 1980s. It was so strong crisis that it jeopardized the whole international lending system as several borrowing countries in Latin America, Africa and Asia had declared their inability to repay their debts. Concurrently, there was deterioration in their payment balance, local currencies value and collapse of the socio-economic development process (Cline, William,1984). The socio-economic and political transformations resulted from the Soviet Union collapse and the trend of the formally communist countries since the early 1990s to adopt the economic adjustment policies before the developing countries and the former communist countries later called (the economic transformed countries).

The economic adjustment policies of the twins Britton-Woods (the international monetary fund and the World Bank) as labeled by John Keynes are relatively modern policy. There are still several contemporary calls to apply...
widely them in a number of the developing countries which have yet to implement them. They are dated back to the structural reform loan programme and the sectoral restructure reform loans launched by the World Bank in 1980 to enter the overall political policies field which was monopolized by the international monetary fund. After the eruption of the foreign indebtedness crisis in 1982 when Mexico, Brazil, Chile and Argentina have abstained from repaying the foreign debts’ burdens and twenty-two indebted countries declared their inability to meet the debts burdens and the following negotiations to resolve the problem, the international monetary fund has established a facilitating programme for structural correction funding in 1986 to provide soft loans for the low-income states in order to support the medium-term overall economic correction policies and the structural reforms. Then, the international monetary fund established funding-facilitating programme to reinforce structural reforms in 1987. It was extended and expanded in February 1994 and its accordingly finalized agreements are the main means through which the international monetary fund provides its financial support (I.M.F, 1995). This programme was established in response to the structural crisis exacerbation that faced the capitalist global economy since the 1990s distinguished by the emergence of a new economic stagnation called “inflation stagnation”. It is also characterized by increasing internationalization of the political, social and economic life accompanied with the state’s role decline and multinational companies’ dominance. It is distinguished by the capital internationalization; rising of real interest rate; dried channel of foreign investment financial in-flow towards the developing countries; exchange rate fluctuations; reduction of the primary raw materials’ prices; and global economic growth decline particularly in the developing countries concurrently with the indebtedness crisis. In the early 1990s the twins Britton and Woods framework extended to the structural reforms field and include fifteen formerly communist countries, namely the states of the Soviet Union and former Warsaw alliance which need very huge funding and aids in the field of fundamental restructure, macroeconomics stability and transformation to the market economy (Reeb, Helena, Karvallo, Sonia, 1990).

The research paper, using the descriptive analytical method and the comparative method, handles the raised controversy about the economic adjustment concept for the developing countries with the application of the Mexican and Egyptian experiences in that field. It shows as well the interrelated relationship between the World Bank and the international monetary fund in the field of economic adjustment programme, while reviewing the most important objectives of the economic adjustment programme in achieving the economic growth; reducing inflation, reaching the equilibrium of the payment balance; efficiency improvement of using the economic resources; saving the creditor banks of the developing countries and opening the developing countries’ markets for the advanced countries’ products. The paper deals as well with the most important procedures of the economic adjustment programme through studying the supply and demand policies and the social policies in order to conclude the socio-economic results resulted from the application of the economic adjustment programmes in the experiences of certain developing countries.

**First the economic adjustment concept according to the relationship between the World Bank and the international monetary fund**

The economic adjustment programmes consist of two parts, namely structural installation programmes and structural adjustment programmes. The former is defined according to the World Bank and the international monetary fund as a group of short-term policies aims to reduce inflation and restore the currency ability to transformation and renew the debt services. They include the procedures of lessening spending and (such as subsidy and salaries reduction) besides implementing shrinking and firm cash, credit and financial policies in order to achieve the budget reform related to external imbalance. Whereas the later is a group of long-term economic policies aim to liberalize the economy and the trade through lifting up dominance and control and following privatization and implementing export-oriented policies and conducting amendments to the national economy structure (international committee of the international Red Cross, 2000).

In spite of some beliefs that the international monetary fund adopts the structural installation programmes while the World Bank adopts the structural adjustment programmes, the real work is totally different. There is inter-correlation due to the non-fulfilment “that is, the state inability to meet the international monetary fund’s provisions”. It does not give her the right to deal with and borrow from the World Bank for structural reform or structural sector reform and vice versa (the World Bank, 1999). Despite the clear stipulated text of the World Bank and the international monetary funds states “no inter-correlation for provisions”. It means the granting provisions of each organization should not be correlated to the provisions of the other, as in the case of inter-correlation the two organizations would seem as forming a front against the developing countries. However, the actual practices of the World Bank since 1989 tend to be linked to the IMF. In other words, lending for structural reform is restricted to states which have at the same time economic installation programmes with the IMF. It is concluded that the World Bank does not provide loans for the developing countries unless they have a parallel programme with the IMF. In addition, the economic adjustment programmes according to the two organizations’ view (the World Bank and the IMF) are essentially the same in their objectives and strategies regardless of the negotiation formality procedures and periods. The cooperation and coordination between the two organizations reaches its peak in the early 1990s particularly in the financial and technical aids provided to the formerly communist countries in order to follow adjustment programmes and merge in the market economy. The two organization’s same trend is evident in the lately appeared initiatives to merge them by some economists like the Economist’s economic analyst.
Stanley Fischer. The early mention transformation of the former communist countries expedites other developing countries’ transformation process and most formerly socialist-oriented developing countries transformed into the market economy. Meanwhile other developing countries adopt relative slow steps towards the market economy because of several facts mostly the recent international developments; lower standards of living in most of the developing countries due to the failure of their socio-economic policies; the public sector inability to perform its role properly; control absence and corruption spread at all levels in the developing countries; foreign indebtedness crises; democracy absence and the state’s declined role in the social, political and economic life because of the international organizations’ expanded role towards previously internal-considered issues. In light of that, the economic adjustment programme could be defined according to the IMF and the World Bank as a package of provisioned policies and procedures by them and supported by the advanced countries. They aim to drive the economy to a case of stability through treating the monetary, financial and economic defaults and achieve a continued economic growth through making modifications to the national economy structure (I.M.F, 1993).

Second: The objectives of economic adjustment programmes

They differ according to the various economic schools and the viewpoints either according to the international or governmental organizations which they adopt, opposed or according to the advanced countries’ viewpoints or the peoples’ viewpoints according to the multiplicity of their social and economic categories. Among the most important objectives are

First: Economic growth achievement”economic growth restoration”

The developing countries witnessed in the 1990s great improvement in their economic performance and high growth rates of their gross domestic products with a few exceptions of some states. They were encouraged because of the expanded government spending to achieve the advanced countries rank. Because of their domestic resources inadequacy, they tended to external borrowings to funding the great expansion of their credit policies and spend on their public sectors’ economically in vital projects and the expanded subsidy for the basic commodities with high accredited exchange rates and tight restrictions on the foreign trade. In the early 1980s the developing countries, except some oil producing countries, suffered of a great financial and economic crisis. This crisis changed the positive GDP into a negative one in some countries and the growth absence in others. It led as well to decline growth rates in the rest countries. Thus some economists criticized the name of the developing countries as it indicates that these countries have achieved a tangible economic growth while the fact refers to their increased backwardness. Therefore, the 2002 human development report in the Arab region named the 1990s decade as “the lost decade” for several areas of the developing world (human development report of the Arab region, 2002). The international organization raised under such circumstances economic adjustment programmes and policies as a way to restore the economic growth. Several developing countries had adopted such programmes because of their need to funding resources and technical aids provided by the programme.

Second: inflation reduction

The 1980s period witnessed the growing phenomenon stagflation resulted from the money supply growth rate exceeded the actual national growth rate in several developing countries. This attributed to the trend of most developing countries towards the deficit-financing policies (finance the budget deficit by cash issuances) based on the Keynesian theory. The economic adjustment programmes believe that the internal or external borrowing through rising interest rate is better than deficit-financing in the developing countries circumstances whose productive system lacks elasticity. Cash issuances inevitably lead to inflation while the policy of raising the local interest rate leads to reduce the circulated payment means, thus, treats the inflation which the state suffers from. Some believe that increasing inflation rates leads to reduce the actual growth rate and increase the economic problem from which the state suffers. In addition when the inflation rate exceeds the nominal interest rate, the local savings and capital will be eroded. The growing inflation will lead to the foreign investment evasion and income redistribution and thus the exacerbation of the low-income groups’ situation.

Third: achievement of balanced payment balance:

The payment balance could be defined as the total statistical statement shows all rights and duties resulted from the economic activity conducted between a state and other states. It is noted that most non-oil developing countries suffer from chronic payment balance deficit particularly trade balance deficit covered by other doors of the payment balance. The problem is exacerbated for some developing countries whose payment balance deficit is accompanied with the public state budget deficit. The developing countries used to cover their payment balance through external loans, foreign capital, aids and assistances inflows. However, in the 1980s the indebtedness crisis exacerbated and the foreign investments and loans declined with higher interest rates. Therefore, pressure highly increased on the developing countries’ payment balance and the structural default deepened. In light of that, the international organizations raised a number of conditions to the developing countries including policies and procedures aim to reduce the payment balance deficit through exchange rate reduction policies; restrictions elimination that impede free foreign trade and public spending reduction, etc. The developing countries were forced to accept these conditions under the
pressure of their need for funding and the economic and financial influence of the IMF and the World Bank.

Fourth: improvement of the using economic resources efficiency

The developing countries, which implemented the economic adjustment programmes with the support of the IMF and the World Bank, have faced lack of the domestic economic resources due to the misuse during the last decades. It has become impossible for the developing countries to continue in these policies because of the growing democracy, human rights, the activity of civil society institutions, the retreat of the comprehensive military regimes besides the inability of these countries to provide the necessary financing resources to continue implementing that method. At that stage the scarcity of financing emerged for the developing countries. Therefore, it was required to achieve the optimal use of available resources to ensure the continuity of the state’s economic and political stability and the state’s ability to meet its obligations particularly for the foreign creditor banks.

Fifth: saving the developing countries’ creditor banks

The developing countries reliance on the external loans has increased due to the domestic financing gap (domestic saving deficit), foreign trade gap (foreign cash gap) which culminates to the declaration of several states of the developing world their inability to pay the debt service installments. In addition, they were unable to pay the debt assets and interests of the foreign creditor banks. Thus, the financial status of these banks was threatened and the international organizations intervened to ensure the banks collect their money. This appeared clearly in the loans provided by the IMF, the World Bank and the US president to Mexico in 1995, which were linked to the economic adjustment policies (Mexican experience).

Sixth: opening the developing countries’ markets for the developed countries’ products

The global capitalism has reached an advanced status in the 1980s through the ability of high production increase and diversity. However, it has faced the in ability to marketing that increasing production due to the advanced countries’ limited markets. This is attributed to their limited population (there are about one billion inhabitants live in the developed countries against five billion inhabitants in the developing countries) and the limited demand on the developing countries products (United Nations, 1993). Thus, surplus production crisis has appeared. The design of economic adjustment programmes has treated that problem. Some of the programmes policies, such as opening the developing countries markets, free trade and narrowing the state’s role in the economic life, ensure the continuity of the international division pattern of work. The pattern allows the developing countries specialization in raw materials production and the advanced countries specialization in industrialized commodities production.

Third: economic adjustment programmes procedures

The procedures imposed by the IMF and the World Bank which the developing countries are obliged to adopt through programmes of economic adjustment are quasi-module (Alakhanaoa, Fawzi, 2000). They are repeated procedures represented in reducing the budget deficit by reducing government spending, cut subsidies, increase taxes, the public sector privatization, national currency devaluation, free market creation for foreign exchange, foreign trade liberalization by increasing tariff barriers, real wages reduction, especially in the public sector, liberalization of prices and the liberalization of interest rates. As a result of the negative social effects of their implementation in some developing countries at the early stage, a group of other social policies was added. At a later stage, policies related to environment, climate, military spending and political considerations are added. The early mentioned policies can be classified into three main groups, according to their impact and how they affect the economic activity, living standards. They are demand, supply and social policies (Susan Schadler, 1996):

First, demand-side policies

It is also known as the policies of economic stabilization. They are used to restrict the aggregate demand for goods and local an imported services. They aim to achieve fiscal and monetary balance and curb the inflation delinquency. They are divided into two groups: fiscal policies and monetary policies. The fiscal policy aims to balance the budget by cutting public spending and increase government revenue by cutting all types of government spending and the elimination of government subsidy for consumption goods and reduced government spending on education, health, housing and public utilities. In addition, they aim to increase the government revenue through tax structures reform to tend to indirect taxes such as value-added taxes and rising the prices of the public sector-produced goods and services and increasing the prices of fuel, energy, transport, insurance and communication to a level of real prices.

In addition, the monetary policies adopted by the IMF and the World Bank are based on Freedman theory. The theory adopts monetary stability achievement as its main target instead of the economic growth realization. It believes that the essential problem is represented in the expansion of the developing countries’ central banks and in money issuances which cause inflation. The solution dwells growth rates control and circulated payment means in consistency with the real domestic product growth. This follows a strict monetary policy represented in restriction of credit granted by the banking system for the state and the public sector. Then, the state relies on getting its resources from the individuals in order to lessen its foreign currency value as the economic adjustment programmes believe that the developing countries’ currencies are overvalued than their real values.
This is what causes pressure on the balance of payment. The currency should be devalued and reach its real value in order to improve the foreign trade conditions, increase exports and curb imports. Thus, the balance of payment will be strengthened and its deficit will be reduced. In addition, rising the actual interest rates in order to achieve two main purposes, namely encouraging people to save and preserve the national savings and curb the money supply to absorb inflation or prevent its occurrence. Besides increasing the state’s foreign cash reserves in a way that ensures the soundness of its financial status so that these reserves will not be reduced to the extent raises questions over its solvency. The reserves growing will increase the state’s foreign financial solvency; encourage the foreign capital inflow to within the state. It protects the state from the fluctuation risks which the state witnesses over the short-term. Finally, it reduces the external debts burden as the IMF and the World Bank often associate the economic adjustment agreements concluded with the developing countries with providing new loans, the agreements of the due external debts reschedule and canceling a debt portion which may be the cancellation of half of the due external debt as in case of Egypt in 1991 through Paris club.

Second: Supply policies

They are known as structural adjustment and aim to sustain the economic growth, upgrade the efficiency use of the economic resources, property transfer to the private sector and launch its hands in practicing the economic activity. They include local prices reform policies, work market liberalization through canceling general control over the market; let prices determined according to supply and demand. They include as well the determination of labors wages based on supply and demand, cancellation of the state intervention in the work market and their practices of employment policies in the public sector. In addition to policies of foreign trade liberalization, exchange rate liberalization through the elimination of amount restrictions on the imports, reduce customs duties; exports taxes cancellation; and its provided aids and control cancellation over the foreign cash. Instead they allow its circulation and the adoption of flexible exchange rate policies instead of the fixed exchange rate and the control over the exchange. In addition to the policies of public sector reform; property transform of some of its projects to the private sector; privatization policies through the public sector’s projects management; rising of its produced goods and services prices to reflect the level of actual production cost and the public sector should focus on the production fields which do not compete with the private sector (fields in which the private sector does not invest). This paves the way to diminish the public sector’s role in the social and economic life and tend towards privatization which has several advantages according to the viewpoints of the IMF and the World Bank. These advantages include efficiency increase of the production elements, avoid bureaucracy of which the public sector suffers in the developing countries; activate the free competitiveness role in the economy; workers redistribution over the economic sectors according to the actual needs. They represent an important indicator of the extent of the state’s commitment of the economic reform policies from the viewpoints of the advanced countries and the international institutions. Finally, the financial sector reform through privatization of banks, insurance companies affiliated to the state, independency realization of the central bank from the government; capital market establishment and its development. They include as well opening the banking sector for external and internal competitiveness; rising the debtor and creditor nominal interest rates to always exceed the inflation rate.

Third: Social policies

Some policies of economic adjustment, which the international organizations have recommended, have led to negative social and economic effects on the poor. They have led to the deterioration of the social and economic conditions. Therefore, the IMF and the World Bank tended in their programmes to the second stage countries to a group of policies aim to provide relative protection to the poor through keeping the spending on basic healthcare, education, basic education or its increase while reducing the total public spending at the same time by redirecting the spendings to serving the poor on the expense of other standards of education and healthcare. In addition, improving the spending efficiency on the social sector through directing the provided subsidy to those who deserve it. Since 1986 programmes have been designed to achieve social goals including employment, feeding, programmes; and other programmes for transferring employees to different fields (including training and insurance projects). The different fields include as well projects to resettle the urban labors transferred from their hometowns; multi-sector programmes. In a few cases, the economic adjustment programmes provide necessary subsidy to the housing projects (Helina Reeb, Sonia Karfalao, 1990).

Fourth: the socio-economic effects of the economic adjustment programmes

The experience of both Egypt and Mexico have reviewed in this regard in order to study the effect of the economic adjustment programmes on the socio-economic variables. The experiences have been of the interest of and support of all international organizations and the advanced industrialized countries (abdel Nasser, Nasser 2001). The economic adjustment programmes have led mostly to the improvement of the balance of payment and the current account. The policies of local currency value reduction have led to relative improvement in the balance of payment and the external trade exchange as they cause the restriction of demand within the national economy to the imported products and increase the external demand on the local products by assuming the demand elasticity for the price. They helped reschedule the external debts and canceling part of these debts, a matter which led to the improvement of the balance of payment. In addition, the effect of the economic adjustment policies on inflation is
uncertain during the programme period. This is indicated in a study of 45 loaning agreements between the IMF and developing countries in the mid 1988-1991 entitles “to what extent have the correction programmes supported the IMF managed.” The study proves that a few countries (Czechoslovakia, Mexico, and Poland) have clearly continued inflation reduction from the very high rates in the beginning. However, many continue to suffer from relative high inflation which they have started with, a few countries (Algeria, Hungary, Jamaica, and Romania) witnessed accelerated inflation. The Mexican experience, which is one of the longest experiences in the economic adjustment, has proven that prosperity and economic growth during the implementation of the programme resulted from the enormous inflow of investment and foreign capital was unsustainable economic growth. That is, it cannot last for long periods of time. The direction of the IMF and the World Bank of part of their economic adjustment policies oriented towards the second-stage countries aim to fight against the social effects resulted from such programmes like poverty, unemployment, starvation, disease, is considered as an implicit admission of their responsibility for the sequence of these results (Suzan Shadler, 1996).

The adopted policies to implement the programmes presented in retrenching a large number of the public sector labors; orientation towards privatization; abandoning employment policies at the government sectors led to the employment increased rate. This is attributed to the retrenchment of labors in addition to those join the work market every year and cannot find jobs because of the diminished government employment (Essa, Abdel-Shafea, 1999). The privatization processes occurred in the developing countries without the existence of suitable legal, economic and social environment and the lack of long-term strategy in these countries led to the creation of a few categories dominated the economic resources and the economic decision of the country and the impoverishment of a large category of people. This is clearly evident in the economically transformed countries during their quest towards the economy market. The associated inflation redistributed randomly the income and wealth is against the poor category interest. That is the case of the government subsidy cancellation for the goods and services; and reduction of the real value of salaries and wages. Below is a review of the experiences of both Egypt and Mexico in this regard:

The Egyptian experience

It is represented in a group of positive effects; mostly important is the budget deficit decline from 17% before the implementation to 1%. This is attributed to the rising of taxes outcome; the decline of government subsidy for many goods and services; inflation reduction from 21% in 1990 to 6.2%. In addition to the foreign indebtedness reduction from L.E. 55 billion in 1990 to L.E. 26 billion in 1997 due to the abolition of 50% of Egypt’s debts by the Paris club. This has nothing to do with the economic improvement resulted from the programmes. In addition to the pound exchange rate stability; the rising foreign cash reserves; the growth of gross product by 6% in 1997; interest rate stability on 10.5% annually; and surplus realization in the balance of payment. On the other hand, the negative effects include the rising deficit in the foreign trade balance; unemployment exacerbation, wages and prices imbalance because of the indirect new taxes and the rising of the public sector’s products. In addition to the new tax burden which led to the capital outflow and some companies think of liquidizing their works in Egypt and move to other countries. Finally, the phenomenon of social polarization was deepened for the poor whose poverty increased (World Bank, World Debt Tables,1998).

The Mexican experience

The aim behind studying the Mexican experience is attributed to the fact that it is one of the early relatively long experiences due to its duration and the US support and aids as Mexico is a member of NAFTA bloc with the United States of America. The study refers to the difficulty of separating the resulted effect from the external elements and shocks resulted from the implementation of the economic adjustment programmes. The study came to the conclusion that Mexico did not adopt these programmes unless it had reached a deteriorated economic state and was at the verge of economic collapse.

The dependence of the developing countries including Mexico on the foreign borrowing has increased because of the domestic funding gap (domestic savings deficit) and the foreign trade gap (foreign cash gap). It reached the peak when many developing countries declared their inability to repay the debt service installations besides their inability to repay the debt assets, and creditor foreign banks’ interests. As a result the financial status of the foreign banks was threatened. It urged the international organizations to intervene to ensure banks to restore their money. This is clearly evident in the loans provided by the IMF and the World Bank and the US president to Mexico in 1995 which were linked to the economic adjustment policies. Mexico was emergently in a dire need for US $ 50 billion and due to the timing element and the Congress majority objection, the US president made an individual decision overlooking the congress objection for using the emergency fund whose value estimated US $ 20 billion. The US president made pressure on the IMF manager to make an individual decision and grant Mexico US $ 17.7 as a loan. He practiced pressure on the World Bank and the Canadian government to make the loan value provided to Mexico US$ 50 billion (Abdel Hussein, Attia, 2001). Many economists like William Butter, who is an economics professor at Cambridge University, the whole process was but a gift presented by the rich taxpayers. The stages of Mexican experience with the IMF and the World Bank can be summarized as follows (Abdel Nasser Nasser, 2001).

The first stage (1982-1993)
Mexico started in 1982 to resort to the implementation of structural adjustment programs as a result of deteriorated economic conditions. They include Mexico’s declaration in the same year its inability to meet its external debt service commitments. The inflation rate reached 100% in the same year and the Bank of Mexico withdrew twice while the foreign capital accelerated the outflow from Mexico. Thus, Mexico was forced to depend on the first structural adjustment program from 1983 to 1985 with the support of international organizations and the United States, which look forward to Mexico as a natural extension of the U.S. market (An outlet for the U.S. production). According to this programme, Mexico’s foreign debts were rescheduled; new financial resources were provided and a large initial reduction of the local currency value occurred. Despite of the programme’s achievements represented in the reduction of the internal and external imbalance, but the improvement did not last longer. It was clearly evident in the early 1985 that the adjustment efforts would not last because of the emergent spending for September earthquake and the sharp decline of oil prices (from US $ 25 per barrel in 1980 to US $ 12 per barrel in 1985). This weakened the Mexican financial status; the collapse of the public sector’s income; the reduction of exports outcome by 6% out of the gross domestic product (Suzan, Shadler, 1996).

A matter that led the government in the mid 1986 to depend on a new programme with the IMF stipulated the largely opening of the trade system; large reduction of the maximum customs fees at different stages to reach 20% in 1987. Mexico joined the GAT agreements as well in 1986. the government had abandoned the public sector’s projects and reduced the state-owned corporations from 1100 in 1982 to 350 corporations by the end of 1990. Mexico has implemented a large tax reform programme in 1987 and cancelled the imposed restrictions on the interest rates in 1989. It reinforced the open market operations and allowed foreigners to possess 100% of the projects capital whose value estimated US $ 100 million. It cancelled the restricted rules of the economic activity. These steps had led to notable deterioration of the price-system performance. Thus, the inflation rate grew from less than 65% in 1985 to 160% in 1987. The nominal interest rate highly increased and the Mexican stock market collapsed in 1987. This led to the outflow of capital from Mexico. Therefore, the Mexican authorities were forced to adopt protective procedures in contrast to the IMF recommendations represented in withdrawing the support for flexible exchange rate of the local currency. Thus, its value was reduced sharply; imposed a forcible freeze of wages and prices of a large category of goods and services and the exchange rate (the special pact of wages and prices). These procedures led to reducing inflation to 25% by the end of 1988; a weak growth of the gross domestic product estimated 1% and a deficit reached US $ 7 billion at the same year. In light of the deteriorated economic situation, the Mexican authorities sought to conclude a third programme spanned 1989-1992 aims to achieve economic growth. Meanwhile, the wages and prices pact was extended till the end of 1991 in order to reinforce the realized earnings in the fight against inflation. The programme was adjusting this time to practically fix wages as a number of goods within which was largely reduced. This is what makes it close to the philosophy and direction of the IMF. The Mexican Peso was largely devalued by a Mexican dollar per a US dollar (in an annual rate estimated 15%). Later the rate was modified to a 0.80 Mexican dollar per a US dollar. A regular settlement implemented for wages, prices and customs duties particularly the public sector prices (Calter, Eliot, Khor, Howii, 1990).

This was concurrent with the international endeavors as the IMK provided a credit estimated US $ 3.6 increased later by US $ 600 and a due Mexican debt estimated US $ 2.6 billion was cancelled. The World Bank provided annual credit estimated US $ 2 billion for the forthcoming three years since the beginning of 1990. Despite all that previous support and the strong restriction of Mexico by the economic adjustment programmes, the realized results were very little compared to the done efforts. The GDP was about 3% and the gross deficit reduced from 13% to 6%.

The second stage (1994-2000)

The previous stage procedures and the profitability rate reduction of the advanced countries (the United States of America) led to fast capital inflow to Mexico in the shape of investments. These investments resulted in expansion of the aggregate demand; expedite increase in the real-estate, bonds and shares’ prices; expedite growth of the assets and banking liabilities due to credit expansion and huge deficit in the current account. According to figures, the GDP average reached 3.9% in 1993; inflation reduced to a reasonable rate for the first time and investments inflow and estimated US $ 104 billion during the (1990-1994) period. It represented about 20% of the total developing capitalist economies inflows during the same period. These inflows helped to increase the external current account deficit as the investors began to suspect the Mexican economy ability to continue achieving the economic growth in addition to the exchange rate arrangement which caused the prominence of speculation because of its association with the US dollar. Thus, suspicions were generated on the continuity of the exchange rate’s arrangement as well. Under these pressures, the association with the US dollar was abandoned and the Peso was floated in 1994. That measure was the beginning of the Mexican economic crisis eruption. It urged the United States of America and the international organization to mobilize their economic and financial abilities to help Mexico out of that crisis. Mexico had estimated the financial cost of the programme supporting its financial system to overcome the crisis by about 12% of the GDP of the year 1997 consumed for 30 years during the programme duration period. In spite of the extraordinary adopted measures in terms of the external funding volume and the cost for local programmes and policies, the results were limited (Poulak, Jack, 1999).
After the GDP reduction by 6.2% in 1995, it rebounded in 1996 to grow by 5.1% and 7% in 1997. The unemployment rate reduced from 7.6% in 1995 to 3.5% in 1998; inflation reduced from 52% in 1995 to 15.7% in 1997. The current account deficit reduced from 6.7% of the GDP average during the (1992-1994) period to 1% for the (1995-1997) period. The performance of Mexican economy largely improved in 1999 which was not attributed to the economic adjustment programmes but to the oil prices improvement compared to the previous period; development of the foreign trade conditions; US investments inflow as a result of the reduction of profitability rate in the United States of America. The economic growth rate estimated 3.6%, and the workers number increased in 1999 by 870 thousand workers; the financial deficit reached its lowest levels in 1985 and became 1.25% of the GDP. The non-oil exports developed to reach 15% of the foreign exports at the same year. The Mexican Peso value increased by 3.6% against US dollar for the first time in Mexico (Martines, Ghelemo, Owrtis, 1998).

**CONCLUSION**

Generally certain facts can be concluded out of the Mexican and Egyptian experiences with the economic adjustment programmes provided by the IMF and the World Bank mostly: the experiences of the developing countries adopted these programmes including Mexico and Egypt have proved their failure and the increase of their socio-economic effects; their inability to achieved the planned goals as admitted by their supported bodies. These programmes are repeated, traditional and lack flexibility in their general orientation. They deal with all developing countries similarly regardless of the condition of each country (Goria, Angle, 2000). These programmes have increased the poverty of the poor and the richness of the rich and narrowed the size of the middle class in the society. To ensure the success of the economic adjustment programmes the concerned country should participate in these efforts to work out the suitable policies for its conditions and abandon the ready recipes. The implementation process requires unlimited support of the regional and international foreign bodies. The reform results largely affected by the external great shocks to which the concerned country economy is exposed and by the local disasters. Finally, reforms require long periods of time to have real tangible effects. Although the economic adjustment programmes adopt a group of parallel programmes which aim to ease these effects, their effect is considered very limited and the implementation duration of these programmes is short and impractical as they change nothing of the early mentioned negative effects.

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