IPALMO
UN. DI CALABRIA

Convegno su
Le prospettive della cooperazione economica
fra l'industria italiana e i paesi arabi

Cetraro 12-14 luglio 1974

3599

"LE PROSPETTIVE DELLA COOPERAZIONE ECONOMICA FRA L'INDUSTRIA ITALIANA E I PAESI ARABI"
IPALMO/Università di Calabria, Cetraro, 12-14/VII/1974

(1) programma del convegno
(2) Abdulnour, Khaled: "Development objectives of Arab countries, with special reference to industrial development"
(3) Al Hay, Sabbah: "Investment channels in the Arab world"
(4) Assabi, Aiad: "Libia"
(5) Kachachi, Sabah: "Industrial planning in Iraq; industrial development and projects"
(6) Makdisi, Samir: "Arab oil revenues: some domestic and international policy aspects"
(7) Moktar, Hadj Ali: "Piano di sviluppo industriale in Tunisia"
(8) Sallouta, Abdallah: "Highlights on industrial development in the Syrian Arab Republic"
(9) Terzian, Zaven Bedros: "La cooperation petrochimique Italo-Arabe"
(10) "Development of the Libyan economy. A review and outlook"

(1)

CONVEGNO UNIVERSITA' DELLA CALABRIA-IPALMO

"Le prospettive della cooperazione economica fra l'Industria italiana e i paesi arabi"

Programma	di venerdì 12 luglio (Sala Grand Hotel, S.Michele di Cetraro)
ore 9.30	Saluto del Prof. Nino Andreatta, rettore dell'Università della Calabria
ore 9.45	Saluto di Giampaolo Calchi Novati, direttore dell'IPALMO
ore 10.00	Relazione di Samir Makdisi, American University di Beirut, consulente dell'OPEC, sul tema: "Arab Oil Surpluses, Domestic and International Policy Aspects" (Aspetti di politica interna e internazionale degli arabo-dollari)
ore 10.30	Relazione di K.K. Abdulnour, capo divisione della programmazione e del coordinamento dei progetti dell'Industrial Development Center for Arab States, Cairo, sul tema: "Arab Development Plans with Emphasis on Manufacturing Industry" (I piani di sviluppo dei paesi arabi con speciale riferimento all'industria manufatturiera)
ore 11.00	Coffee-Break
ore 11.15	Dibattito sulle relazioni Makdisi e Abdulnour
ore 12.30	Relazione di Sabbah Al Hay, Direttore del Center for Economic, Financial and Social Research and Documentation, redattore capo della rivista "The Arab Economist", Beirut, sul tema: "Financial Channels for Investments in the Arab world" (I canali finanziari per gli investimenti nel mondo arabo)
ore 13.00	Lunch - time

ore 16.15 Saluto del reappresentante della Regione Calabria

ore 16.30 Dibattito sulla relazione Al Hay

ore 17.30 Relazione di Abdallah Salouta, vice-ministro della Industria, Damasco, sul tema: "Highlights on industrial development in the Syrian Arab Republic" (Gli aspetti fondamentali dello sviluppo industriale nella Repubblica Araba Siriana)

ore 18.00 Relazione di Sabah Kachachi, direttore generale del Dipartimento Industriale del Ministero della Pianificazione, Bagda, sul tema: "Industrial Development and Projects in Iraq" (Sviluppo e progetti industriali in Iraq)

ore 18.30 Dibattito sulle relazioni di Salouta e Kachachi

CONVEGNO UNIVERSITA' DELLA CALABRIA - IPALMO

"Le prospettive di cooperazione economica fra l'industria italiana e i paesi arabi"

Programma di sabato 13 luglio
Mattina (Sala Grand Hotel S.Michele di Cetraro)

9.30 Relazione di Z.B.Terzian, redattore capo della rivista "Le pétrole et le gaz arabes", collaboratore dell'Arab Petroleum Research Center, Beirut, sul tema: "Le prospettive di cooperazione economica fra paesi arabi e industria italiana nel settore della petrolchimica"

ore 10.00 Dibattito sulla relazione Terzian

ore 11.00 Coffée Break

ore 11.20 Relazioni di Omar Grine, Segretario generale dell'Arab Iron and Steel Union, Algeri, rispettivamente sui temi: "The Development of the Arab Iron and Steel Industry up to the Year 2000" (Lo sviluppo della industria araba del ferro e dell'acciaio fino al 2000) e "Possibilities of Industrial Cooperation between Italy and the Arab Countries: Case of the Steel Industry"(Possibilità di cooperazione industriale fra l'Italia e i paesi arabi: il caso dell'industria siderurgica)

ore 12.20 Dibattito sulle relazioni Grine

Pomeriggio (Università della Calabria, Arcavacata di Rende)

ore 16.00 Relazione di Gian Paolo Casadio dell'Università di Bologna sul tema: "La diplomazia italiana del petrolio"

ore 16.30 Interventi di R.Prodi, "Politica di collaborazione industriale fra l'Italia e i paesi arabi";A.Saba, "Progetti integrati di sviluppo e l'esperienza italiana";V.Nesci, "L'attività del Finafrica per la cooperazione fra l'Italia e i paesi arabi" e di F.P.Sgarro "La riapertura del Canale di Suez" Olivetti

ore 18.00 Dibattito

Alle ore 19.30 all'Hotel Europa di Cosenza ai partecipanti al Convegno, sarà offerto un cocktail dalla Società Italiana Resine

Domenica 14 luglio i lavori proseguiranno nella Sala del Grand Hotel S.Michele con le relazioni di A.Azzabi, M.Jalal e H.Mokhtar rispettivamente sui progetti di sviluppo industriale della Libia, dell'Arabia Saudita e della Tunisia

A Medio Or. 30.1

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Dr. Khaled ABDULNOUR.

Development Objectives of Arab Countries With Special Reference to Industrial Development

Introduction

1. The facts revealed by this paper are based on the data supplied by the development plans of some Arab countries. These are twenty countries members of the Arab League, but the present study will cover only thirteen countries which have published plans.[x/] Mention should be made of the fact that the starting dates and durations of the plans differ, however all of them end between 1974 and 1977.

2. I would not like to disappoint you by saying that these data are not as valuable as they were a year ago, for most of the plans were formulated during late sixties or early seventies, hence they did not take into account international and Arab economic, technological or political changes which took place in the last two years. The so called energy crisis and the inflations suffered by the whole world and particularly by the industrial countries especially Western Europe and the United States, would have certainly affected - either positively or negatively the execution of the above mentioned plans. Hence, while Arab oil producing countries enjoyed immense increases in their incomes, other Arab non-oil producing countries are confronted with many difficulties in executing their plans due to the existence of various bottlenecks in the accumulation of fixed capital formation resulted from the increase in the

x/ namely: Jordan, Tunisia, Algeria, Saudi Arabia, Sudan, Syria, Iraq, Kuwait, Lebanon, Libya, Egypt, Morocco, and Yemen Democratic Republic.

prices of equipment and intermediate materials imported from industrial countries.

Furthermore, the execution of the plans will also be affected by the determination of the developing countries to achieve an equitable share in international division of labour a matter which was approved of by the international society during the Special Session of the UN General Assembly in which a declaration was issued concerning the establishment of a new international economic system. Finally the new situation adopted by the European countries aiming at strengthening cooperation between themselves and Arab countries will also affect the implementation of the plans.

3. The present paper will discuss the planned rates of growth in Arab countries, the importance and the structure of the manufacturing sector in the Arab economies, and the basis of Arab European co-operation.

Planned Rates of Growth

4. The UN has recommended that developing countries should achieve an average annual growth rate of 6% in gross domestic product during the first half of 1970's (second development decade). Six Arab countries namely, Jordan, Tunisia, Sudan, Syria, Egypt, and Morocco are planning to maintain 5.7-8% average rate of growth in GDP. While Lebanon and other Arab oil producing countries namely Algeria, Saudi Arabia, Iraq, Kuwait and Libya attempt to achieve a 9% rate of growth in their GDP. However, the present and future changes in the prices of oil would enable the Arab oil producing countries to achieve much higher rates of growth, i.e. as much as twice their planned rates. The actual realized rates of growth during mid seventies ranged between 15% in Libya, 5.5 - 7.6% in Algeria, Jordan, Syria, Tunisia, about 4.7% in

Lebanon, Kuwait and Morocco, while it did not - for a variety of reasons - exceed 3.6 in Egypt, 2.8 in Iraq and 2.4 in Sudan.

The plans aim also at increasing the per capita gross domestic product by 4-6% in all the countries except Morocco where the rate of growth will not exceed 3.1%, while it will reach 7% in Saudi Arabia.

5. The UN realizes that in order for the developing countries to achieve the above recommended rate of growth in GDP, agriculture sector must grow by a minimum rate of 4% annually. Most of the arab countries attempt to maintain similar rates, while Iraq, Sudan, Kuwait, and Libya planning to maintain 8.8%, 4.4%, 11.3% and 12.2% rates of growth respectively. At the same time in order for Morocco, Tunisia and Algeria to diversify their economy, they planned only 2.8% growth rate in agriculture. However, one must take into consideration that this does not mean a decline in the importance of agriculture in the economies of the above 3 countries, since this sector had grown by 6% in Morocco, and 11.75% in Algeria during the mid sixties, so it will only decrease in relative importance.

6. The UN has recommended an 8% annual growth rate in the industrial sector which is one third more than the rate recommended for GDP. The data reveals that all the Arab countries aim at higher rates of growth in this sector: Morocco, and Kuwait aim at 7-8% rate of growth, Lebanon 9%, Tunisia and Iraq 11% and 12.5% respectively, Syria, Sudan and Algeria aim at 15%, while Saudi Arabia and Libya aim at 16.5% and 20% respectively. However, the actual rates of growth realized in the manufacturing sector during the late sixities were as follows: 3.5-5% in Egypt, Algeria Morocco and Lebanon, 7-8% in Sudan Syria, Jordan

Saudi Arabia, Tuinisia and 9% in Libya and Iraq. However, one must be careful when comparing the rates of growth realized in different countries because of the independend and different countries nature of the factors embodied in realizing such rates.

7. The plans also aim at increasing the per capita manufacturing output, it will amount to $ 130 in Sudan, $ 38 in Jordan, $ 45 in Iraq, $ 51-57 in Tunisia, Egypt and Morocco, $ 60-66 % in Libya, Algeria, Saudi Arabia, $ 89 in Syria, and $ 152 in Kuwait. The annual rates of growth will range between 1 % in Kuwait to 18 % in Libya, while it will amount to 5% in Morocco, 6% in Lebanon and Egypt, 10% in Jordon, Tunisia and Iraq 12% in Algeria, Sudan and Syria and 15% in Saudi Arabia. If we compare the total value of the manufacturing output in the Arab countries as a group at the begenning of their plans ($ 4323 mil.) to its projected value after execution of the plans ($ 6818 mil.), we find that it is projected to grow by 57.7%.

8. The U.N. recommandations stress that in order for the developing countries to achieve the above mentioned recommanded rates of growth, domestic saving must constitute not less than 20% of GDP. The plans reveal that the projected rate of saving in non oil producing Arab countries will amount to only 8% in Sudan, 14-18% in Egypt, Jordan and Syria and 22% in Tunisia, while it will reach 28% in Iraq and 44% in Libya. The rapid increase in oil prices have certainly affected the above rates, however, no information is available concerning the new rates. The projected rates of gross investment which equal the rates of fixed capital formation range between 11% in Sudan and 36% in Algeria. However, gross domestic savings will constitute only 53-60% of gross domestic fixed capital formation in Jordan and Yemen Democratic Republic, 71-79% in Sudan and Tunisia and 84-92% in Syria and Egypt. Nevertheless, these rates will tend to decrease as a result of the increase in the prices of the equipment and intermediate goods imported from industrial countries.

The Role of Manufacturing Industry in the Economis of the Arab Countries.

9. Developing countries in general are characterized by the small contribution of the industrial sector in GDP, while the contribution of the industrial sector amounts to 18% of GDP in developing countries it amounts to 31% in develpped countries. The available data reveal that in the second half of 1960's the contribution of the industrial sector in GDP in the Arab countries taken as a group, was less than 18%, it was as low as 2-4% in Libya and Kuwait, 8-10% in Jordan, Sudan, Iraq and Algeria, 13-15% in Lebanon, Tunisia, Morocco and Syria, while Egypt was the only country among the Arab countries to achieve th 18%. However, the plans indicate that while after the execution of the plans, libya, Kuwait, Sudan and Syria will still maintain the same rates, the rest of tl of the Arab countries will achieve higher rates; Iraq, Tunisia and Jordan will maintain 12-13%, Morocco, 19% and Algeria and Egypt 22%.

10. However,a better indication of the importance of the industrial sector in any economy is its contribution in the total production of the commodity sectors. Although this measurement did not necessarily indicate the degree of industrial development achieved in the country, it gives quite a reliable indicator about the degree of industrialggrowth, hence this measurement was taken by the World Bank to classify countries according to their degree of industrialization. The classification goes as follows: Countries are considered non industrialized where the contribution of the industrial sector is less than 20%, industrializing where the contribution is 20-40% semi-industrialized where the contribution is 40-60%, and when the contribution is more than 60%, the country is considered industrialized. Applying this measurement to the Arab countries under study indicate that Libya, Kuwait, Sudan and Iraq are non industrialized countries, where the contribution of the industrial sector is 3, 5-7, 15 and 17% respectively. Algeria, Morocco, Jordan and

Tunisia, and Syria are industrializing countries with 25, 26, 31, 35, 37 percentage contribution. Only Egypt and Lebanon are semi industrializing countries with 41%, 51% respectively. However, after the execution of the plans, Iraq will be an industrializing country, Jordan, Algeria, Syria and Morocco will be semi industrialized. While the remaining countries, in spite of the increase in the contribution of the industrial sector, will sustain their previous position in the above mentioned classification.

Structure of Arab Manufacturing Industry

11. The structure of the Arab industrial sector is characterized by the wide prevalence of consumer industries, where its proportion to the total mnaufacturing output of the Arab countries as a group is approximately 61%, against 39% for intermediate and capital goods industries, this is compared to 54 and 46% in developing countries in general and 69:31% in developed coiintries. However, the relative importance of the consumer industry differs in different Arab countries, while it is most important in Sudan and Syria with 83% share in total manufacturing output against 17% for intermediate and capital goods industries 75% against 25% in Libya, 72% , 28% in Lebanon, 67% to 33% in Tunisia and Morocco and 62% to 38% in Egypt, while in Iraq and Kuwait capital goods industries are more important (46:54% and 16%:84%) because of the establishment of refining industries. The two industries are equally important in Jordan and Algeria.

The analysis of the plans indicate that only two countries namely Egypt and Libya aim at changing their industrial structure and increasing the share of capital and intermediate goods industries from 38% to 48% and from 25% to 55% respectively.

The above was a general view of the present and future situation of the industrial sector, however in the following sections we will try to go deeper and analyse the main branches of the industrial sector in the Arab countries.

12. Consumer Industries

12.1 The main structural characteristics of consumer industries in the Arab countries, viewed as a whole - with the exception of Kuwait, is that food, beverage and tobacco industry is the most important branch, it accounts for 30.5% of the total manufacturing output, against 25% in developing countries in general and 10.7% in advanced countries. The relative importance of this branch ranges between 20% in Egypt to 63% in Libya. However most Arab countries are aiming at decreasing the relative importance of this industry, particularly in Tunisia and Libya where it will decline from 48% to 28% and from 63% to 32.5% respectively.

12.2 Textiles, made up textile goods and leather industries are the second largest group, their relative importance amounts to 22.49% of the total manufacturing output of the Arab countries against 18.4% in developing countries in general and 8.3 in developed ones. However the relative importance of this industry varies; while it amounts to 5% in Libya it reaches 42% in Syria. The data reveals that while Tunisia and Morocco attempt to double the relative importance of these industries, Egypt aims at reducing it from 38% to 27%.

12.3 Wood, furniture and fixture industry is confined to only 49% of the total manufacturing output.

However, some countries namely Egypt, Tunisia and Libya aim at almost doubling the above percentage. Paper, paper products, printing and publishing industries contribute only 3% of the total manufacturing output. Nevertheless, there is an attempt to increase its contribution in almost all the Arab countries except Egypt who aims at reducing this industry's importance.

13. Intermediate and Capital Goods Industry.

13.1 Chemical, chemical products and petroleum products industries are the main groups of this industry with a relative importance of 17% of the total manufacturing output, this rate is higher than the one for developing countries in general, and slightly lower than the rate of developed countries. These industries are most important in Kuwait and Iraq where their relative importance are 62% and 32% respectively, while it ranges between 15-18% in Egypt, Morocco, and Jordan, 13% in Libya, 9% in Algeria and as low as 4% in Syria.

It is clear from the available data that while the relative importance of such industries will deteriorate in Tunisia, Egypt and Morocco, it will increase by one third in Algeria and almost by 15% in Libya.

13.2 Metal industry contributes 13.4% of the total manufacturing output against 18.6%, in developing countries and 38.5% in advanced countries. The relative importance of this branch varies from 5% in Tunisia to 17% in Jordan, while it amounts to 6% in Libya, 10% in Sudan and Syria and 12-13% in Egypt, Morocco and Lebanon.

In Tunisia, Egypt and Morocco greater emphasis will be attached to this branch, their relative importance will increase 3 folds in Tunisia while it will increase by 50% in Egypt and Morocco.

13.3 The relative importance of non metal mineral products industry is only 7% of the total manufacturing output in the Arab countries, against 5.7% in developing countries and 4.2 in advanced countries. While the relative importance of this industry varies from 1% in Syria to 9% in Tunisia, it is most important in Jordan and Iraq where it reaches 15% and 13% respectively.

The plans indicate that while Tunisia, Algeria, and Egypt aim at reducing the importance of this industry, Libya aim at doubling the contributions of this industry.

Basic metal industries is the least important branch, its share in total manufacturing output is 1.4% only, its share in Egypt amounts to 4%.

14. Before this obvious weakness in the structure of Arab manufacturing industry especially the relatively small importance of intermediate and productive industries, due importance has been given by IDCAS as a specialized Arab League institution to these industries particularly the iron and steel industry and petroleum and petrochemical industries. Studies in the field of iron and steel industries conducted by IDCAS clarified that the Arab region needs in 1985 would at least amount to 22,500 mill tons of iron and steel in order for the per capita consumption of iron and steel products increase to 100 kg. Studies in the field of oil refinery also revealed that the total additional, productive capacity capable of exporting its products amounts to 140 million ton in 1985.

This figure requires the establishment of six huge refineries in the Arab region, two in the west part, one in the middle and three in the east. In petrochemical field, studies have revealed that the new productive capacities necessary for such establishment will reach approximately 2,200 mil/ton / year of ethylene and 917 thousands tons/year of perfumery for all the 3 regions in 1985 - taking into consideration the domestic and world demand. This necessitates the determination of the appropriate policies and procedures and the existence of the suitable machinery.

Gentlemen ,

- The picture I have tried to draw of the present and future situation of Arab industry means that there lies a lot before us Arabs to do, and ascertains that the path before us is long and difficult.

The Arab s tates intend to go through that path, they realize that they have abilities which must be mobilized, they also realize that they must co-operate with developed countries in order to achieve higher degrees of industrialization and development. On the other side, industrially developed countries are passing through a complicated phase as a result of inflation and rise of prices and wages, disturbances of the balance of payments, the prevailing energy crisis and environmental pollution.

In order to solve these problems there has to be a constructive co-operation between developed and developing countries. The Arab-Italian coo-eration could - for many historical and geographical reasons - be a good example to be followed.

- Cooperation means action for the mutual benefit of the cooperating parties, it does not mean action in one direction, otherwise the tomb of co-operation would have been dug before its birth, while both of us will suffer. To realize this concept of coo-eration we have to determine the policy, then the wa and means of achieving it and then establish the suitable machinery to implement it.

- The policy which realizes cooperation is that which aims at increasing trade between us but on new basis. This policy necessitates what is called the vertical expansion in our domestic markets by increasing per capita out-put in manufacturing and commodity sectors. It also necessitates horizontal geographic and demographic expansion of the market.

- The ways and means capable of implementing such policy could be summarized in adopting a healthy form of cooperation between developed and Arab countries which helps the latter to establish intermediate and capital goods industries, since the statistics of international trade reveals that 70% of the volume of trade is confined to engineering, metal, chemical and petrochemical industries. Healthy cooperation also means that encouraging, the exports of manufactured products from developing countries and removing import barriers in order for manufacturing and feeding industries to flourish in developing countries. Developed countries should also develop maritime transportation facilities for petroleum and other commodities. Developed countries should also help in establishing certain industries which mutual benefits necessitates their transfer from developed to developing countries. Cooperation does not only mean cooperation establishing material structures it means as well establishing social structures and cadres necessary for these industries.

- The proverb says that one must begin with the beginning, that is industrialization first demands the determination of successful industrial projects and this necessitates the establishment necessary machinery for their implementation.

The machinery required can take the form of the joint industrial ventures as well as joint financial institutions, but to build up industrial joint ventures one should begin with the beginning.- The beginning means the determination of successful industrial projects as the identification of industrial investment opportunities. Therefore, joint investment opportunities institutions are inherently part of the above-mentioned machinery.- Moreover, this task should be one of the main duties of the joint financial institutions.- These should take the initiative to find out industrial investment opportunities rather than wait for such opportunities to come.-

Gentlemen

time is going quickly, the objective conditioning requirement for the starting of arab-italian cooperations are already available.- What we have to do now is to start with immediately

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C O N V E G N O

Le prospettive di cooperazione economica tra l'Industria Italiana e i Paesi Arabi

12 - 14 LUGLIO 1974

INVESTMENT CHANNELS IN THE ARAB WORLD

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BEIRUT - Lebanon

INVESTMENT CHANNELS IN THE ARAB WORLD

1. The Arab oil exporting countries are currently witnessing an unprecedented growth in their financial wealth, which could only be partly invested nationally in the short run. A large proportion of these funds thus must seek investment outlets in the Arab World and in foreign countries. The form, direction and speed of this outflow will be strongly influenced by the structure of investment channels available for the transfer of these funds, and by other determinants like the goals, objectives and long term plans of each of those oil producing countries. This paper, however, shall be limited to the discussion of the structure of existing channels in the Arab World; and the prospects for their growth and development.

For the sake of comprhensiveness and precision this paper will be divided into three parts as follows:

Part I: Will cover the historical development of existing investment channels.

Part II: Will examine the various financial institutions now in existence in the Arab World, expounding their present activities, limitations and deficiencies

Part III: Will consider potential of those channels and their future development in the light of new realities which have appeared with the recent increases in oil price and the revenues anticipated therefrom. This section

will also elaborate on policies to be followed by present and future institutions to handle developments which may arise.

Part I: Historical Survey

2. Arab banking emerged to serve the needs of a slowly growing trade sector. Early banking activities in the area were concentrated in the hands of branches of foreign banks. Not until the early fifties did local commercial banks begin to form and operate in Beirut, Damascus and Cairo. But their activities were limited to financing small and local operations (mainly self-liquidating loans) and some financing of foreign trade. In the mid-fifties Cairo's role as a free enterprising center became weaker on account of political changes in the Egyptian system of government. This was soon followed by the eclipse of Damascus for similar reasons. Beirut was left virtually alone to enjoy the role of the single free enterprising financial center in the Arab Middle East, a role made possible by the existence, though modest, of certain investment channels capable of catering to Lebanon's needs and to some of the Arab countries. By the late fifties, two occurrences led to the further strengthening of Beirut as an Arab financial center.

A. The taking over of military socialist oriented regimes in Irak, Syria & Egypt, drove out funds and capital into Beirut. By that time, Lebanon had passed a banking secrecy law which made Beirut a haven to funds fleeing the ax of nationalisation.

B. During that period and in the early sixties, revenues of oil producing countries in the Arab World began to exceed these countries' immediate needs and were thus effectively "surplus funds". These revenues accrued as royalties to the oil producing countries - all in hard currencies. In 1960 six Arab oil producers* received U.S$ 1 billion and, by 1970, this rose to $4.3 billion. The combined effect of these annual increases in revenue, was an expansion of government expenditure through budgetary allocations; the governments being the sole recipients of oil funds. The Kuwaiti budget for example expanded 50% in less than one decade - from KD 209 million in 1964 to KD 313 million in 1970. Similarly, Saudi Arabia's budget grew by about 30% between 1967 and 1970 (from SR 4.9 billion to SR 6.4 billion).

3. The natural outcome of increasing government expenditure was an increase in private individuals' and companies' revenues, creating a larger demand for banking services by the private sector.

The need for investment channels in the Arab World came to be felt with increasing revenues to the public sector and the demand by private contractors, merchants and money savers for banking facilities.

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* Abu Dhabi, Kuwait, Libya, Saudi Arabia, Qatar and Iraq.

4. Public sector funds available for or seeking investment were of two types:

a) short term funds consisting of budget allocations awaiting to be spent.

b) accumulating annual surpluses needing long term investment.

Private savers' and businessmen demand for banking facilities was continuously accentuated by swelling incomes precipitated by the oil boom. Commercial banks were then facing the pleasant dilemma of finding investment outlets to their deposits. This problem was less acute to branches of foreign banks who simply transferred excess deposits to their head-offices abroad where the necessary machinery for international investment was fully developed.

5. The majority of the oil producing countries, as late as the sixties, had not even established central banks. This suggests that public policies regarding management of funds were largely absent in most of those countries. It was not until 1968 that Kuwait established its central bank. Saudi Arabia and the Gulf States have yet to do so while monetary policies are managed by boards with limited powers.

Consequently, each of the producing countries managed the receipt, expenditure and investment of revenues independently and in most cases differently from the others. Kuwait, for example, had established a department within the Ministry of Finance to carry out the channeling of its revenues, usually deposited with the Bank of England

(in Sterling Pounds) by the oil companies, upon which credit advices were sent semi-annually to Kuwait, notifying the government of its balances. This agency later became the public sector's investment unit, a uniqe form of direct investment channel thus circumventing the need to set up a specialised institution for this purpose.

Spending of public funds in Kuwait, (public expenditure inside Kuwait) was met from funds withdrawn from the Bank of England into Kuwaiti commercial banks at the behest of the Kuwait Ministry of Finance. Saudi Arabia, however, had established the Saudi Arabian Monetary Agency (SAMA) in 1952. Oil revenues were automatically paid to SAMA in dollars. Consequently, SAMA was in charge of managing the budgetary expenditures of the government and of investing the Saudi Arab government surpluses. But, nevertheless, SAMA is short of a central bank. Other Gulf States followed into the footsteps of Kuwait while Libya established its central bank to manage investment and internal public expenditure as well.

6. No standard procedure is followed by any Arab oil exporting country with regard to investing surplus funds.

As mentioned elsewhere in this article, Kuwait has an agency within the Ministry of Finance which carries out actual investment decisions and relays instructions to be effected by the various banks in which Kuwaiti government deposits are kept. But, in addition to this, Kuwait established an investment office in London (a sub-department of the Ministry of Finance agency) to follow up day-to-day operations on the London market. Later in 1962 the Government set up the Kuwait Investment Co. with a capital of KD 8.3 million and in 1965 the Kuwait Foreign

Trading, Contracting and Investment Company, Both of these are semi-public institutions formed to function as vehicles for investing the Kuwait government's surplus funds. Although initially they were supposed to manage their own funds only, they gained access to larger government funds through inviting the Ministry of Finance to participate in investment opportunities whenever those opportunities complied with the standards set by the Kuwaiti government. Furthermore, they could discount with the Ministry of Finance, securities they held, and keep the commission.

7. The Kuwait example was not followed by any Arab oil producing country. The rest of the oil producing countries, specifically Saudi Arabia and the Gulf States, relied on their currency boards and commercial banks to execute their investment decisions for both the short and long term.

8. Certain governments such as Kuwait, Saudi Arabia and Libya, in an effort to provide easier financing to local development efforts, set up a number of institutions to extend funds to the industrial, agricultural and other sectors. Thus was established the Kuwait Savings Bank in 1965 with a capital of $ 86 million, the Saudi Arab Agricultural Bank in 1964 with a capital of $ 8.8 million and the Libyan Agricultural Bank in 1955 with a capital of $34 million and the Libyan Industrial and Real Estate Bank in 1965 with a capital of $ 152 million. The activities of these banks, as seen from their capitalisation were too limited

to permit them to realise the objectives set for them.

9. A form of channeling Arab funds into pan-Arab investments was pioneered by Kuwait with the formation of the Kuwait Fund for Arab Economic Development in 1962 with a capital of $ 344 million (recently the capital was raised to $3.4 billion). This was followed, in 1971, by the establishment of the Arab Fund for Economic and Social Development by the Arab League of Nations, with a capital of $ 344 million. Later, the government of Abu-Dhabi formed the Abu Dhabi Fund for Arab Economic Development with a capital of $ 128 million (recently raised to $625 million). Furtheremore, in an effort to spread investment and extend aid to Third World and Islamic nations, the Arab African Development Bank, with a capital of $ 500 million, was established in 1973. The Islamic Development Bank, with a capital of $ 1.2 billion, was also recently formed. These banks are to grant easier loans to countries of the Third World.

10. Commercial bank deposits rose dramatically as a result of economic and business booms and the expanded volume of trade. Kuwait resident deposits grew from $ 575 million to $1252 million between 1963 and 1970. Similarly, in Saudi Arabia deposits rose from $ 294 billion in 1960 to $471 billion in 1970. In Lebanon, the country emerging as a financial center for the area, deposits grew from $ 1.3 billion to $ 1.7 billion between 1966 and 1970. Parallel to the growth of deposits and assets, the number of commercial banks increased considerably. By the end of

1973 the total number of commercial banks in Lebanon, Kuwait, Saudi Arabia, the United Arab Emirates and Libya stood at 120, of which not less than 72 were in Beirut.

11. The relatively fast growth of commercial banks' assets along with increasingly limited investment opportunities (locally), induced banks to expand their foreign assets considerably. This, of course, varied from one country to another depending upon the investment opportunities available. For example, Kuwait's banks foreign assets increased from $ 665 million to $ 1207 million between 1966 and 1970. Similarly Saudi banks' foreign assets grew from around $ 48 million in 1966 to $ 88 million in 1970. These assets were predominantly held in the form of low-risk bank deposits, foreign government and first class companies' bonds. As could be seen, such assets are the simplest form of investment, yielding the lowest return. Kuwait, the only country publishing a breakdown of foreign assets of its commercial banks, revealed that bank deposits abroad in 1970 were 75% foreign assets.

12. Another form of investment channel which had existed in Beirut and has begun to increase at an overwhelming rate during the past two years, is the commercial bank representative office, especially in the city of Beirut. By the end of 1973, Beirut housed 38 such offices and, by mid June of 1974 it had 44 such representations. These offices carried out activities in the domain of investment channels.

Some of them were managers of private funds, soliciting private investors and channeling such funds to head offices and sellers of securities directly to institutions and private investors.

13. Early in the 1970's Arab banking institutions discovered the need for joint Arab ventures in order to facilitate inter Arab-financing. The center for this type of banking joint venture was Beirut. Examples of this are the Beirut Riyadh Bank (Lebanese-Saudi), Audi Bank (Lebanese-Kuwaiti), Bank Misr Liban (Lebanese-Egyptian), Banque du Liban et d'Outre Mer (Saudi-Lebanese), the Libyan Tunisian Bank (Libyan-Tunisian joint venture incorporated in Lebanon), and the Arab African Bank (Egyptian-Kuwaiti). These banks, while carrying out the usual commercial bank activities, were involved, to a large degree, in financing inter-Arab trade. Some of them came to specialize in financing the foreign trade of certain Arab countries such as Misr Liban Bank which is financing the major part of the foreign trade between Egypt and Lebanon. The Arab Bank, incorporated in Jordan, has branched out in many Arab countries and is extensively used in financing inter-Arab trade.

14. A new type of financial institution emerged in the early 1970. This was the Arab-foreign joint ventures. In 1971 the first Arab-French financial institution was established; the Union des Banques Arabes Francaises (UBAF) with a capital of FF 100 million in which 23 French and Arab banks participated. The second of the breed was the FRA Bank, established in Paris with a capital of FF 100 million. Recently, the Union des Banques Arabes et Europeennes (UBAE) and the Banque Arabe

d'Investissement International (BAII), were being formed with several others being negotiated at present. All of these banks are established in European capitals and are mainly active in merchant and investment banking activities. They depend on their Arab shareholders for investment funds and their European shareholders for expertise and investment outlets. So far the experience has been a success. UBAF, for example, increased its total assets from FF 2.5 billion in 1971, the 1st year of operation, to FF 3.2 billion in 1972.

15. As the Arab World became an ever more attractive money abundant market, more foreign banks were attracted to the area. During 1973, five foreign banks bought into existing Lebanese banks. By the end of 1973, Beirut housed twelve branches of foreign banks, nineteen banks whose majority shares were in the hands of foreign banks and three banks whose minority shares were owned by foreign banks.

16. The latest type of institution recently established in this area is the multi-national investment institution including Arab and foreign shareholders. An example of this is the recently formed Arab Finance Corporation in Beirut, an investment banking group with three international shareholders and four different Arab ones. Also medium and long-term banks started to be formed, and in 1973 only, Lebanon saw the formation of four such banks, Their articles of association allow them to undertake investment banking, long-term financing and development banking operations.

17. In the midst of this expanding network of investment channels, with its varying forms, one should point out the limitations existing in the financial infra-structure of this area, namely the very thin and limited nature of the local money and capital markets. Local issues of securities are rare. Investment promotion has only just begun. Stock markets are non existent save for the Beirut Stock Exchange which specializes in Lebanese shareholding companies and which carries out, anyway, a meagre volume of business averaging about U.S. $ 100,000 per day. Kuwait is in process of forming its own stock exchange and others are expected to follow suit in the near future.

Part II:

18. Part one was meant to explore the investment channels existing in the Arab World, the processes governing their establishment and the circumstances inducing their formation. This was necessary, I believe, to reveal that their formation was not evolutionary but forced. This abnormal disorganized growth left gaps in the central investment infra-structure rendering it inadequate to cope with the faster growing appendages.

In the section which follows an attempt will be made to expound the financial services the existing structure offers, their efficiency and the limitations which confront this structure in the context of ever increasing funds in the area.

The Present Financial Structure

19. There are three distinct types of institutions carrying out the channeling of Arab funds. These are:

A. Government institutions including:
   1. Inhouse government agencies (like the investment agency of the Ministry of Finance - Kuwait).
   2. Currency boards (such as the Saudi Arab Monetary Agency.)
   3. Central banks.
   4. Public and semi-public investment companies, e.g., Kuwait Investment Company and the Arab Libyan Foreign Bank.
   5. Local development banks.
   6. Inter-Arab and international development banks, e.g., Kuwait Fund for Arab Economic Development and the Islamic Development Bank.

B. Private Commercial Banking Institutions which include:
   1. Branches of foreign banks.
   2. Local commercial banks.
   3. Inter-Arab private commercial banks.
   4. Foreign banks' representatives.

C. Specialized Investment Banking Institutions:
   1. Arab-foreign joint ventures established in foreign countries, e.g., UBAF.

ARAB WORLD

FINANCIAL STRUCTURE

(1971)

Country	Central Banks Public Agencies	Comm. Banks	Develop. Banks	Medium & Long Term Banks	Repres. Offices	Invest. Trade Inst.	Other Specialized Banks
Lebanon	1	73	2	-	35	-	3
Kuwait	1	5	2	-	-	2	3
S. Arabia	1	11	2	-	-	2	-
UAE	-	15	1	-	-	-	-
Libya	1	5	2	-	-	-	1
Iraq	1	2	3	-	-	-	3
Syria	1	1	-	-	-	-	4
Jordan	1	9	-	-	-	-	3
Egypt	1	5	-	-	-	2	1

ARAB WORLD

FINANCIAL STRUCTURE
(1974)

Country	Central Banks Public Agencies	Comm. Banks	Develop. Banks	Medium & Long Term Banks	Repres. Offices	Invest. Trade Instit.	Other Specialized Banks
Lebanon	1	73	2	3	2	48	3
Kuwait	1	5	2	-	3	-	3
S. Arabia	1	11	2	-	2	-	-
UAE	1	26	1	-	-	-	-
Libya	1	5	2	-	-	-	1
Iraq	1	2	3	-	-	-	3
Syria	1	1	-	-	-	-	4
Jordan	1	9	-	-	-	-	3
Egypt	1	5	-	-	-	1	1

2. Arab-foreign joint ventures established in the Arab World, e.g., Arab Finance Corporation.
3. Inter-Arab investment companies, e.g., the recently established Egyptian-Kuwaiti, Saudi-Qatari and UAE Investment Company.

A. Government Institutions

20. It is advisable at this stage to classify government institutions into two categories:

a. The first category is that which channels oil funds into foreign investments without attaching them to particular projects or countries. In this category falls the inhouse government agencies, currency boards, central banks and public and semi-public investment companies.

b. The second category of public investment agencies usually attaches investments to particular projects, and therefore are involved in direct investment. This category includes development banks as well as inter-Arab and international development funds.

21. With increasing oil revenues accruing directly to governments, the above types of government institutions are expected to become much more important and play a significant role in the channeling of investment funds of their respective countries. Saudi Arabia, for example, will see its 1974 oil revenues increasing to about U.S. $ 23 billion against a U.S. $ 8 billion for 1973. This,

naturally, will involve SAMA in larger foreign investment operations than ever before. Over and above this annual increase, the Saudi government will have to consider the residual forthcoming increases which it will not be able to spend. It will certainly be encumbered with funds should adequate measures, such as expanding the activities of SAMA and creating new institutions, not be realized in the very immediate future.

22. The traditional channels utilized by these institutions to carry out investment in the international money markets will definitely limit the efficient investment of the much larger funds now to seek outlets. Under present conditions these larger funds, if concentrated in one channel and into one country , stand to threaten the stability of the channel and the currency of the country in which the investments are made. Consequently, the validity of the investments will be in doubt and the returns might be negative. As a glimpse of the magnitude of this paradox, the Arab oil producers are expected to accumulate a volume of about SDR 60 billion in liquid reserves compared to the total world liquid reserves of SDR 144 billion in 1972.

23. It is perhaps important to point here that the oil funds are not in fact surplus (if any thing of value is ever surplus). They are compensation to oil producing countries for a depleting resource. It is therefore

crucial for the Arab countries to seek investment outlets not vulnerable to depreciation and with normal and acceptable returns. Consequently, the Arab World has no interest in upsetting the international monetary system nor the economy of any of the countries in which they have investments in some form or another. Rather, it is in their best interests to support the normal operation of the general monetary system and sustain the economic health of those countries.

24. It is therefore obvious that government investment agencies are faced with dilemmas and limitations when considering investment, specifically on account of the following:

a. The magnitude of reserves makes it imperative that a decision of any of the respective government agencies to invest in one direction or another has to be cautiously monitored to avoid undesirable repercussions that may arise.

b. The relative lack of specialized skills and limited scope of local channels for the placement of investments in line with the general policies of the overnment.

c. The insistence of those agencies (due to general public policies) to invest in secure forms of assets.

25. To avoid these shortcomings, government to government financial transactions are becoming acceptable. These transactions usually skip the traditional investment

channel and mitigate possible repercussions and harm to the economies of recipient countries. An example of this newly emerging pattern is the reported Saudi credit of $ 10 billion to the US whereby the Federal Reserve might be issuing 10 billion dollars worth of non marketable US government securities to be committed to SAMA against the liquid loan. Another type of arrangement is that according to which the Arab oil producers and Iran are to deposit US $ 1.2 billion with the IMF against nominal returns. Similar type arrangements are expected to mushroom in the near future due to the two advantages which they enjoy, namely the circumventing of the international market and the relative ease of administering such loans.

27. The major shortcoming of this form of government investment operations is that they tend to concentrate investments in paper assets which are, unless well structured and well designed, vulnerable to depreciation, refutation and even default. The second limitation is that they may be politically influenced whereby higher revenues are foregone in favor of appeasing one nation or denying funds to a non friendly one.

28. The second type of government lending institution now in existence in the Arab World is the institution which attaches loans to particular projects. As previously mentioned, these include local, inter-Arab and international development banks and funds. So far the operations of these institutions have been limited by two factors:

a. The limited number of projects in the Arab countries sufficiently well studied to meet the requirements of these institutions.

b. The limited amount of funds available to these agencies.

The following is a list of the major government agencies, both project tied and non project tied which exist in Saudi Arabia, Kuwait, Libya and the United Arab Emirates.

Name of Institution	Total Assets* (In Millions)	Type of Operation
A. Saudi Arabia		
1. Saudi Arabian Monetary Agency	$ 5037	Issues Currency Banker to Government
2. Agricultural Bank	$ 8.82	Easy Loans to Industry
3. The Industrial Bank	$ 147	Easy Loans to Industry
B. Kuwait		
1. The Kuwait Central Bank	$ 465	Issues Currency Banker of Banks
2. The Kuwaiti Ministry of Finance	N.A.	Investment of Government Funds
3. The Kuwait Investment Company	$ 141	The Foreign Investment of its Funds

*Figures are the latest available.

Name of Institution	Total Assets (In Millions)	Type of Operation
4. The Kuwait Foreign Trade, Contracting & Investment Co.	$ 128	The Foreign Investment of its Funds
5. The Kuwait International Investment Co.	$ 34	The Foreign Investment of its Funds
6. The Industrial Bank	$ 34	Easy Loans for Industrial Projects
7. The Real Estate Bank	$ 10	Easy Loans to Real Estate
8. The Savings and Credit Bank	$ 250	Easy Loans to Individuals
9. The Kuwait Fund for Arab Economic Development	$ 3448	Development Loans to Countries of the Third World
10. The Arab Fund for Economic and Social Development	$ 340	Development Loans to Arab Countries
C. The United Arab Emirates		
1. The UAE Currency Board	N.A.	Issuing of Currency Banker of Banks
2. Ministry of Finance	N.A.	Investment of Government Funds
3. Abu-Dhabi Fund for Arab Economic Development	$ 510	Granting Development Loans to Arab Countries.

Name of Institution	Total Assets (In Millions)	Type of Operation
D. Libya		
1. The Central Bank of Libya	$ 3600	Issue of Currency Banker of Banks Banker to Government
2. The Arab Libyan Foreign Bank		Foreign Investment of its Funds
3. The Agricultural Bank	$ 150	Loans to the Agricultural Sector
4. The Industrial Bank	$ 28	Loans to the Industrial Sector

B. Private Commercial Banking Institutions

29. Although governments are the recipients of all funds commercial banks will come to benefit greatly from the large increases in government expenditures anticipated in the oil producing countries. The 1974/75 budget of UAE is 2.8 times that of 1973/74. With this growth in government expenditure, commercial banks' deposits are expected to increase considerably. Facing problems in investing their funds locally, these banks have then to look to foreign investment.

30. There are, at least, five factors which determine the commercial banks' policies regarding their foreign investments. These are:

a. The short-term nature of commercial banks' deposits, which limits their freedom to select alternatives for investment. In fact that leaves them with only two alternatives: deposits with foreign banks and discounting of very short term commercial paper. Had there been locally circulated securities issued by either the government or a guaranteed institution, the latter would have been an acceptable alternative.

b. The meagre money and capital markets that exist in this part of the world constitute another limitation to the investment alternatives open to commercial banks.

c. The recently emerging entrepreneurial class is not yet well established. This is due to the socio-economic structure of the region which is characterised by family owned business and the belated recognition of professional managerial skills.

d. The predominance of foreign bank branches over local commercial banking institutions in the Arab World, whose

main interest, naturally is to channel these funds out of the region to their head-offices as soon as it is deemed practicable.

e) The lack of well conceived policies on the part of the central monetary agencies to induce commercial banks to undertake investment operations locally and to make these competitive with investment abroad.

31. The policy of heavy dependence on foreign outlets for investment of bank funds has two outstanding shortcomings, namely, the risk involved in foreign exchange fluctuations (especially in recent years) and secondly, depriving the local market of benefits that could be realized from local investments. This vicious cycle has contributed to impeding the emergence of both the entrepreneurial class and the local capital market.

32. Specifically the devaluation of foreign currencies during the past two years, along with the subsequent floating of many western currencies, brought real harm on traditional Arab investors in those currencies. Thus, foreign deposits have lost their attraction to many commercial banks. Consequently, the premium paid by commercial banks on investment of their funds in local currencies, to avert exchange rates fluctuations became higher. Many Arab banks liquidated some of their foreign assets, especially banks located in Beirut and Kuwait, and started looking for new local outlets. In Kuwait, banks financed purchases of stock of newly established Kuwaiti companies, while in Beirut banks opted to finance purchases of real estate. In both cases, because of the small size of the markets and the limited nature of assets which the banks could finance, demand on these assets

drove their prices sky high, far out of proportion with their present or future yields.

33. This sudden shift of funds was a case in point of the inability and unpreparedness of the local market for any quick rush of funds into it, which further underlines the risks which might befall local economies should the existing and expected surpluses be unwisely channeled or improperly controlled.

34. The recent development of inflationary pressures in the local economies and which Lebanon typically was a victim of, have induced central banks in the area to consider more seriously their taking a more active role in directing and guiding commercial banks which have classically been oriented to the short term, self-liquidating loan, in favor of some form of investment banking and other similar innovative activity. Some central banks have already taken steps to permit discounting commercial paper of one year maturity, and renewable in certain cases, while in the very near past the only discountable commercial paper were those of 90 days duration. Such leadership by central banks would enable local investment institutions to rely less heavily on straight foreign deposits and participate more actively in widening the base of their economies. Once the process starts in this direction, the acceleration effect will take place to further widen the economic base of oil producing countries, whenever that is possible and feasible, and open up numerous local investment opportunities.

C. Specialized Investment Banking Institutions

35. The first step taken towards complementing the present institutional structure under which financial organizations operate in the Arab World was the establishment of joint Arab-foreign banking institutions such as UBAF.

We are at present witnessing a receptive attitude of the majority of the larger Arab banks towards the formation of this type of institution to which they plan to entrust the management of their surpluses. Risks of foreign exchange fluctuations are minimized by having these multi-national institutions hold diversified types of portfolios in an array of foreign currencies and assets. Thus losses in one will, hopefully in the long-run be compensated by gains in another. The participating banks will then be able to safeguard their interests by holding bonds, bills, and commercial paper in multi-currency portfolios.

36. Arab-foreign joint ventures, however, do not satisfy the need for long term large volume financing of local enterprises. Those, along with existing commercial banks can satisfy some of the needs that are emerging, but will stay short of providing the type of investment that many industrial as well as agricultural projects need. Consequently, new types of banking insitutions are emerging. These are the new medium and long term credit banks which are being now formed. These institutions will be able to offer two new types of financial assets to be held by private investors in the Arab World, mainly long term certificates of deposit and long term securities.

37. The laws promulgating the formation of these institutions are, however, strict and limited in scope and therefore impede the full operation of those banks. Market and human conditions limit and hamper the growth and expansion of such institutions by:

a. restricting the number of institutions whose size and standard would render them qualified to issue long term securities to be underwritten by the medium and long term banks.

b. the fact that the local investor has a vague concept, if at all, of certificates of deposit renders him reluctant to trade them in the local market. Add to it the absence of active stock markets where these CD's could be transformed into liquid assets instantly. These are some of the difficulties that medium and long term banks face in promoting long term deposits which are their real source of funds for growth and expansion.

38. The abovementioned limitations also face the newly established investment companies that depend on foreign clientele to supply them with issues acceptable on the international market. The anticipated buyers of those issues are commercial banks and government agencies with funds seeking investment. Their task will be rewarded in the long run and their contributions would be gaining momentum as time passes. These banks are:

Name of Bank	Capital	Date of Establishment	Headquarters
Arab Finance Co.	$ 2.6 million	1973	Beirut
Banque d'Investissment et de Finance	$ 6.5 million	1973	Beirut
Finance Bank	$ 6.5 million	1972	Beirut
Union Bank	$ 6.5 million	1974	Beirut
SNA Bank	$ 6.5 million	1974	Beirut
American Express Development Co.	$ 2.6 million	1974	Beirut

39. Another type of companies which are being currently established in the Arab World are the Inter-Arab Investment . These companies could be listed with government institutions but are discussed separately for the sake of convenience.

Such companies aim at investing their subscribed capital in one or more of the Arab countries and take an equity position in these projects. An example of this type of company is the recent Saudi - Kuwaiti - Egyptian - Qatari - company which started with a nominal capital of $100 million and which ultimately aims at investing in projects in Egypt. Another Kuwaiti - Egyptian company with a capital of $25 million also aims at investing in Egyptian projects. These companies are more easily and readily accessible to borrowers than governmental agencies encumbered by red tape.

Part III: Future Prospects for the Development of Arab Investment Institutions:

40. The determinants of the future development in the Arab investment channels are:

a) The increasing rate at which Arab liquid funds are growing.

b) The foreign exchange risks that direct bank deposits

in foreign currencies must sustain.

c) The limited number of existing channels and paucity of expertise in managing such institutions.

d) The need by oil producing countries for local investments.

e) The predominantly growing role of government investment agencies.

f) The rate at which local investment agencies can expand.

j) The opportunities offered by local enterprises for investment.

h) The political considerations that could nd be ignored by government investment institutions.

The above factors will all play an active role in determining the direction in which Arab investment institutions will move.

41. The expected outcome of the above interacting factors will result in the emergence of new types of institutions to develop and complement existing ones, and the expansion of the existing ones into areas where they are not currently active. For example, it is anticipated that public agencies will emerge in Saudi Arabia and grow in number to a large extent. They will seek to involve foreign financial assets and direct foreign investment. The Kuwait Investment Company has already taken steps towards this type of diversificaton. It is also conceived that new types of institutions of either functional or geographical specification will emerge whose capital will be subscribed for mainly by public agencies but also will include private investors.

42. A more active role will be anticipated from the inter Arab and international development funds. As has already been

mentioned, the Kuwait Fund for Arab economic Development has had its capital increased from $430 million to $4.33 billion and its scope of activity was broadened to include all of the third world. Other models of such international project oriented type of investment institutions such as the Islamic and Arab African Banks will be formed to cater to more comprehensive investment options. Already the UAE is involved in financing refineries in Pakistan and India, while a Saudi private group is financing a refinery project in Sudan guaranteed by Petromin of Saudi Arabia.

43. The other category expected to grow and expand noticeably is the local development financial institution. While Kuwait has recently established its industrial bank with a capital of $30 million, Saudi Arabia's new industrial bank had its capital set at $147 million and during 1973 Lebanon also has had its own development bank as a semi-public institution established with a capital of $26 million. A further move in this direction was taken by the Saudi Arab government which announced that it will be ready to finance part of the equity of newly established companies and will resell these equities to private investors at par value when the company begins to realize profits.

Private Banking Institutions

44. The limitations that face private banking institutions in the Arab World, namely, the lack of investment opportunities to call on for short term liquid assets whenever these assets are needed, and the restrictions by the central banks on the activities that could be undertaken by commercial banks, could only be alleviated when either commercial banks go international and venture with large

ones
foreign institutions or inter-Arab/to free themselves from the strict control imposed on them because of their commercial banking nature. Furthermore, it is anticipated that the central banks in the Arab countries will take a different attitude towards commercial banking activities and relax their restrictions on loans and investment activities. It is also conceivable that commercial banks would be urged by central banks to participate in the formation of broader-base capital markets.

45. Investment Promotion Agencies

As has already been indicated, investment promotion agencies willing and capable of undertaking the risk to identify, study and even finance projects, are non existant in the Arab World. Their absence is sincerely felt by government agencies, entrepreneurs and small private investors. The first such agency, the Investment Promotion Group, was established in Beirut in 1972. Such agencies are expected to increase in number.

46. Those are the directions in which investment channels of the Arab World are anticipated to grow. Unless these developments are realized, local channels will continue to be barren and to serve merely as pipelines for funds outside the Arab countries, contributing very little to the development of those countries if at all.

Summary and Conclusions

47. The Arab World, if not the world as a whole, was caught unprepared with the influx of oil money. Capital transfers of anything near this magnitude have been encountered in the past only with the payment of war reparations. And in those events the outcomes were always unpleasant.

To handle such transfers now at a moment's notice, and to find investment outlets for them, fair to all sides including the donors and the recipients, is no easy matter. It should involve nothing short of global cooperation.

The banking facilities now existing in the Arab World are short of sophistication and experience to handle such loads. The field is thus open to new local institutions and to international establishments. Among the local institutions being established or planned are government agencies and joint ventures with foreign concerns. The beginnings are already evident in the set up of several investment banking institutions in Beirut and Kuwait. Large scale development and government to government lending agencies have been instituted by Kuwait, UAE and Saudi Arabia. The trend is decidedly in favour of government to government transactions as was evident from the Saudi-U.S. and Franco-Iranian deals

But there will be more funds also for the ordinary channels-the commercial banks and the project or region oriented lending organizations. Government decisions and plans will come to count very heavily.

Parallel with all of this there will be a real need for the institution capable of providing the advice and the financing. International and multinational concerns are all welcome.

A Lilio 30.1

C O N V E G N O

LE PROSPETTIVE DI COOPERAZIONE ECONOMICA FRA L'INDUSTRIA ITALIANA E I PAESI ARABI

12-14 Luglio 1974

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Aiad ASSABI

Sottosegretario all'Industria

MINISTERO DELL'INDUSTRIA

~~Sig~~a Lilio

PREFACE :

Ladies and Jentelmen,

First of all I like to thank the organisors of this meeting for the kind invitation they sent me to participate.

We all hope for fruitful results coming out of such kind of meetings. It seems to me that the exchanges of views about such important matters are so important especially for those who participate in making decisions in the field of development in their ccuntries. We all know it is not so easy to creat the new things, but it is always easier to develop the existing ones. That is why, ladies and gentelmen, I consider my self here as listiner and benisficier before being a speaker. I like very much to hear, and negociate considering always that we can use of the results of such discussions, but... as it was organised that I should give a speech here, I will do my best to make it so summerised and short so that we can leave time for the discussions we need to have in such important subject.

In this conction I hope I can put some light on our economic development in the Libyan Arab Republic, in general, in three distingushed periods. After that I concentrate a little bit about the development in the field of Industrialization where I hope to give an idea about the Role of the Italian Industries in this conection.

I like you to accept my appappolagise in advance if you feel that any point is not covered as you may have an idea about the short time during which this was prepared considering the heavy engagement at our Ministry of Industry at this time, Further more I appolagise for the English translation made from the Orginal Arabic Text as it was also made so quickly.

1- ECONOMIC PROGRESS DURING THE PERIOD FROM THE YEAR 64 to 71:

National economy started to revive greatly after discovery of Oil, when it turned from a disabled economy to one that is realizing surplus. Starting with the sixties economy also started to realing the highest development ratios in the ~~whole~~ world, when the real total gross local product (Considering production cost factors of the year 1964) had developed in a combiend annual average of 14.2%, during the period from 1964-1971.

Consequent to this type of growth , the economic structure has changed in favour of the activity of oil production to the extent that it controlled the national economy almost fully during the sixties and inclined to decrease greatly in the year 1971, when the framework of activity in oil production had raised from 53.7% in 1964 to 66.4% in the year 1970. On the other hand the product of economy activities other than oil had decreased from 46.3% to 33.6% within the same period.

In 1971, the framework of activity in oil production had decread to 58.1% while the product of economy activities other than oil had duly increased to 41.9% as result of the policy of the revolutionary government aiming at decreasing crude oil production to such an extent that is reasonable from the technical and economic points of view, at the same time increasing the prices and revenues.

The framework of product of activities of agriculture and foorests, and fishing had also decreased from 4.5% in the year 1964 to 1.7% in the year 1970, later it increased to 2.2% in the year 1971, and it also decreased in the activities of convertible industries from 3.2% to 2.1% then it increased to 2.4% within the previous years, successively.

Duc to the fact that the nature of the Libyan economy necessitates that such economy has to pay to the revenues of foreign production a considerable amount of the total gross production, it is necessary

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that we show in addition to the growth of the real total gross local product, the growth of the real national income and the real total gross national product and the growth of the share per capita of these three income changes.

The real national income had grows (considering unchangeable production cost factors of the year 1964), during the period 1964-1971, at an annual conbiend rate of 14.6%, while the real total national product (as per stable market prices for 1964) had grown at an annual conbiend ratio of 13.8% .

As the number of population had increased from 1564.4 thousands in 1964 to approximately 2010 thousands in the year 1971 in an combined annual pro-proportion of increase estimated by 3.7% therefore the real income per capita from the total gross local product bad increased from about 233.1.L.D in the year 1964 to about 233.1 L.D. in the year 1964 to about 460.9 L.D. in the year 1971 effecting an increase of 227.8 L.D. during this period, with an annual combiend ratio of 10.5% the real income of the individual from the national income had increased from 161.4 L.D. to about 327 L.D., with an increase of 165.6 L.D. during this period, with an annual combiend ratio of 10.9% the real income of the individual from the national income had increased from about 195.9 L.D. to about 376.7 L.D., with an increase of 180.8 L.D.,during this period with an annual conbined ratio of 10.1% , this means that the real income of the individual from the basic income changes (The gross local product , the national income and the total national product) had multiphied within the period 1964 - 1971.

Considering final consumption, it would appear that actual final consumption (at the rate of market prices for the year 1964), had increased during the period 1964-1971, at an annual conbiened ratio of 15.4%.

The actual increase of consumption per capita had allowed for a real increase in the standard of lioning of the individual in

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the average of a combined ratio of 8%. This is in addition to increase of share per capita from public consumption utilized by all nationals.

Economic expansion during the period 1964-1971 had resulted in the increase of labour in national economy to about 143.2 thousand workmen, therefore the number of workmen in this economy in the year 1971 reached about 508.5 thousands.

Distribution and services activities had participetal together in the employment of about 96.6 thousand workmen to labour increase i.e. about two third of the increawe, while highly production commodities have participated to this increase by 46.6 thousand workmen only, i.e. one third of the increase.

The activity of public services (not including eduction and health) had contributed alone to an increase of about 30.2 thousand workmen , that is to say more than one fifth of the increase in the number of workmen during the period refered to.

The number of national workmen had increased from about 348.2 thousands in the year 1964 to about 462.8 thousand in the year 1971, realizing an increase of 114.6 thousand workmen, in an annual combined increase of 4.2% , while the number of non-national workmen had increased in the same period from about 17.1 thousand workmen to about 45.7 thousand, with an increase of 28.6 thousands in an annual combined increase of 15.1% .

The accomplishments mentioned hereinbefore cannot be considered as satisfactory in comparison with the resources spent on same and the real capabilities available for the national economy. The volume of constant gross local investment executed (considering current market prices) during the eight years, from 1964 to 1971, had amounted to approximately 1774.4 million dinars. This volume is equivalent to an average proportion of 30.1% of the total national product, per year. In other words the ratio of investment had amounted to 30.1% .

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Organizational distribution of this investment will reveal that oil companies had invested 724.9 million dinars representing 40.9% . The Public sector had invested 768.1 million dinars representing 43.3% and the private sector 281.4 million dinars representing 15.8% of the total constant gross local investment executed during the period 1964-1971.

An important change had taken place in the investment policy of oil production activity , since the revolution of first September. Total gross constant investments of oil production companies had decreased from 154 million dinars in the year1969 to 93 millions in the year 1970 and then to 54 million dinars in the year 1971. On the other hand this was increased with respect to public sector from 111.4 million dinars to 122.6 million dinars, afterwards to 165.9 million dinars in the same years,successively. This is attributed to the fact that the revolutionary government had decreased oil production to a reasonable level from the economic and technical aspects on one side and to push economic development wheel and creat the varied economy and the modification of the economic structure, in addition to making available the adequate public services.

2- SUFFOCATIONS AND POINTS OF WEAKNESS IN THE PAST :

Despite the fact that the national economy had met with a remarkable high activity during the period 1964-1971 as result of oil discovery accompained by abundance of revenues as mentioned hereinbefore, the development had suffered many suffocations and points of weakness during the sixties, particularly in the following aspects:-

1) Non-observance of balanced growth. The growth of the sixties had taken a high ratio of crude oil production followed by increase in the ratios of low production services, caring less for development of high productivity commodities , particularly Agriculture and Industry.

2) Not driving advantage from the big demand on the commodities and services made available by oil production activity preparing the good atmosphere for the existance of local production.

3) Non-observance of fair development localization, neglecting the villages and ryrak territories, the thing that resulted in migration of country inhabitants to urban districts in an unusual manner.

4) Bad distribution in incomes during the sixties. Non-balance of distribution of incomes among individuals and the big gaps between same had resulted in the existence of big differences in the incomes and inclination of people of high income towards spending on luxuries.

5) Cash inflation was semi-severe, the general level of prices had increased by a percentage of 7.9 per year in the average, during the period 1964-1971, Also the level of the investible commodities had increased by an average of about 8.4% per year during the same period.

6) mis-balance in the social facilities when the eduction system was not taking care of economic requirements of the country as less than 5% of the students joined the technical education. Also 85% of the students were all in the elementary education.

3- OIL PROGRESSES IN THE YEAR 1970 and 1971:

The revolutionary government started to give great interest in setting a new developmental strategy aiming at limitation of crude oil production in order to retain the oil wealth of the

country and get the biggest possible revenues of same and dedicate it to productive activities so as to free national economy of its being dependent on oil production.

For the prupose of mealizatòn of this objective, oil activity was at the head of the list of economic activities which experienced a most important progress during the two years 1970 and 1971 and it will have its effect on the following years when the new adequate technology is observed in production.

During these two years on agreement of September 1970 and March 1971 were notified between the Libyan Government and the oil companies operating in the country. These two agreements had taken care of many wrong situations created by the oil companies.

SECOND PART:

THE PLAN OF THE YEAR 1972/1973

The allotments of development budget in the plan of 1972/1973 had amounted to about 376 million dinars. This allotment was amended during the year until it reached 444.4 million dinars. Executed allotment reached 354.7 million dinars in the proportion of 96.6% of the expenditures planned for development budget and in the proportions of 79.8% of the amended planned budget. No doubt that the volume of executed expenditures during this plan is to be considered as big as it exceeds the volume executed for the year 1971/1972 by the amount of 107.1 million dinars, and it at the same time is equivalent to 2.3 times the executed the volume of 1970/1971 and is almost equivalent to the volume executed during the eight years falling between the two years 1962/1969.

It is expected that execution of the allotment of development budget during the year 1972/1973 , in the different sectors, would be as follows :-

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EXECUTIONS IN DEVELOPMENT BUDGET 1972/1973

SECTORS	ORGINAL PLANNED ALLOT-MENTS IN MILLION DINARS.	AMENDED PLANNED ALLOT-MENTS IN MILLION DINARS.	EXPEND ITURES EXEC-UTED IN MILLION DINARS	PROPERT-IONAL DISTRIB-UTION EXEC-UTED %	PROPOR-TION OF EXECU-TION AS TO PLANN-ED ALLO-TMENT %	PROPOR-TION OF EXECU-TION OF AMENDED PLANNED BUDGET
AGRICULTURE & AGRE-RIAN REFORM.	53.0	66.6	61.1	17.2	115.3	91.7
INDUSTRY	48.2	68.2	48.0	13.5	99.6	70.4
PETROLEUM	31.7	31.7	23.9	6.7	75.4	75.4
ELECTRICITY	32.o	39.2	36.7	10.4	114.7	93.6
TRANSPORT & COMMU-NICATIONS.	47.0	42.4	39.2	11.1	83.4	92.5
EDUCATIONALY & NA-TIONAL GUIDANCE.	39.8	39.9	30.6	8.6	76.9	76.7
PUBLIC HEALTH	13.8	24.1	14.0	4.0	101.4	58.1
LABOUR AND SOCIAL AFFAIRS	8.2	8.2	3.5	1.0	42.7	42.7
HOUSING	51.7	72.9	68.6	19.3	132.7	94.1
LOCAL GOVERNMENT	30.0	38.9	25.6	7.2	85.3	65.8
ECONOMY & TOURISM	2.8	4.3	0.7	0.2	25.0	16.3
INFORMATION & CULTURE.	6.2	6.2	2.1	0.6	33.9	33.9
PLANNING AND ADMINISTRATION.	1.7	1.7	0.7	0.2	41.2	41.2
PROJECT RESERVES.	0.9	0.1	0.0	-	-	-
TOTAL	367.0	444.4	354.7	100,0	96.6	79.8

9/..

INCREASED REALIZED IN EMPLOYMENT
IN 1972 PLAN

PARTICULARS	INCREASED (IN THOUSAND WORKMEN	RELATIVE IMPORTANCE	PERCENTAG OF INCREASE
NATIONALS	20.4	53.0	4.5 %
EXDATRIATES	18.0	47.0	29.0 %
TOTAL	38.4	100.0	7.5 %

The increase in employment in this year is equivalent to 7.5 % in the national economy while it is 4.5 % as for as the Libyan nationals are concerned. It goes up to about 29% in the case of expatriates. The percentage of labour in expatriates had reached 14.5% of the total labour in the national economy.

A remarkable progress had taken place in the social services of 1972/1973 plan. With regard to education, the number of girl and boy pupils in the elementary education had increased by 52.9 thousands i.e. 11.3 %. Ghe percentage of pupil absorbtion in schools was increased by 82%. Preparatory school pupils had also increased by 13.4 thousands i.e. 13.1% . Secondary school students increased also by 1.5 thousands, representing 16%. Technical secondary school students also increased by 0.5 thousand students i.e. with a percentage of 27.8 the number of students in teacher institutes had increased by about 4.8 thousands, representing a percentage of increase amounting to 80 % .

A kind of promotion in the standard of public health had taken place during the two years 1971,1972 compared with respect to

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doctors and beds. The number of M.Ds. had increased from 1 doctor to 2000 people to 1 to 1400 . The number of beds had also increased from 3.8 beds for 100 people to 5.4 beds for 1000 people .

With respect to housing 10.3 thousand housing units were constructed during that year alone . The public sector had contracted about 6.3 thousand units and the private sector had constructed the rest.

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THIRD PART
THE PLAN 1973/1975

GENERAL OBJECTIVES OF THE PLAN.

These are only the most important objectives of the plan , with concentration on productive aspects only.

FIRST - GENERAL STRATEGY OF DEVELOPMENT:

The strategy of the plan is based so as to realize maximum ratio of development to the national economy as a whole, supported by variety of economic development, speeding up and increasing development ratio of the main economic activities , and keeping up to a reasonable ratio in respect to the development of crude oil production .

On the other hand, the policies drawn for realization of social justice and fair distribution of incomes and resources in the Libyan Arab Republic, are considered to be having the same importance of the development strategy in the current plan . As the umbalanced growth in the past resulting of lack of sufficiant schools and educational institutes for the Libyan people who are liable for education, as well as insufficient medical care by virture of such a situation, the government had to pursue continous efforts in programming greatly for the social development.

Therefore the strategy of social development in the current plan observes the social requirements of the Libyan nationals to a great extent.

The strategy also proposes the means through which the effective policy might be carried out, in this respect.

Also the localization strategy in t e present three year plan aims at realization of a localized development through different possible social and economic policies taking into consideration two basic criteria: Utilization of the patentials of each and every region in order to achieve maximum possible growth; and vanish or lessen differences and tolerances in social conditions prevailing among the inhabitants nationwide.

Co-ordination had taken place among the different items of strategy elements mentioned hereinbefore.

SECOND : GENERAL OBJECTIVES OF DEVELOPMENT:

We give below the economic, social and localization objectives specified in the current plan derived from the abovementioned strategy, emphasizing the fact that the plan had observed close relations among the elements of these objectives:

A- ECONOMIC OBJECTIVES :

The three year plan aims at realization of the following economic objectives :

1) Growth of gross production of national economy at the rate of 36.8 % during the duration of the plan, representing an annual combined ratio of 11.00% . This objective is supported by the non-oil economic activities, with particular reference to the activities of agriculture and convertible industries as the plan aims at developing the production of non-oil economic activities, as a whole in the plan, and in an annual combiened rate of 16.5 %.. while the activity of agriculture and forsts and fishing in the rate of 50% during the plan ...i.e in an annual combined rate of 14.5 % while convertible industries

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activity in the ratio of 93.00% during the plan rate of 24.5% , whereas the activity of crude oil production in a ratio of 15.8% during the plan duration i.e in an annual combined rate of 5%.

Speaking of Agriculture, the plan aims at sefl-sufficiency in the production of necessary food stuffes in the shorest possible time within from eight to ten years.

This objective is to be considered as an obligation and embodies a big agricultural revolution applied through the four main projects of integrated agricultural development : The project of Gifara plain , the project of El Jebel Akhdar, the project of Fezzan territory and the project, the Three-year plan aims at increasing wheat crops from 80 to 200 thousand tons , mutton, cattle and camel meats from 20.8% to 28.8 thousand tons poultry from 2.5 to 5.5 thousand tons, eggs from 4.9 to 8.1 thousand tons and milk from 56.9 to 95.6 thousand tons.

As for industry, the plan aims at realization of additional production in all public sector projects to be operated during the plan in addition to those industries of private sector, backed by better utilization of industrial productive capacities through rendering abundant the necessary raw materials, and creation of incentives and elementes of encouragement dedicated to the purpose of industry.

As a first stage toward industrial development in the Libyan Art Republic, the strategy of the present three-year plan was based so as to give particular importance to the following three branches of convertible industries:-

A) Food Industry, in order to render available necessary foods from local production, as alternative to importation. It is proposed that such industries will grow in the ratio of 45% during the duration of the plan i.e. in an annual combiend ratio of 13.5% .

B) Bukilding and construction materials industries to cover the requirements of this investment plan of the three - year plan as well as the following plans with respect to big volumes of these items, as alternative to importation. It is propored that such industries will grow in the ratio of 158% during the dumation of the plan i.e in an annual combined ratio of 37.5%.

c) Chemical & Petrochemical industries. The Libyan Arab Republic is relatively privileged in this respect. It is proposed that the production of these industries shall grow in the ratio of 96% during the plan i.e in an annual combined ratio of 25%.

By realization of the aforementioned ratios the plan would have realized the uplift of the production of non-oil economic activities as a whole from 50.6% to 58.2% , Agriculture and forests and fishing from 2.9% to 3.2%, convertible industries from 4.3% to 6% during the period from 1972 to the last year of the plan 1975 .

As for crude oil production and natural gas, this will drop from 49.4% to 41.8% in the same period.

2) Growth of real gross national income in the percentage of 35% during the plan i.e. in an annual combkend ratio of 10.5%. As is in the case of total production, this objective is backed by non-oil economic activities with particular reference to agriculture and industry.

3) Being anticipated that the population will increase in an annual combined ratio of 4.5% during the present three-year plan, then the real share per capita from the gross national income would increase from 775.2Dinars as in 1792 to 893.2 dinars in the last year of the plan 1975, this shall represent an increase of 138 dinars i.e in an annual combined growth of 6% .

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4) Growth of the final consumption in the ratio of 27.1% during the plan i.e in an annual combined growth of 8.4% provided that the consumption per capita growth in the ratio of 19% during the plan i.e in an annual combkned ratio of 6% whereas tht general consumtion growth in the percentage of 37.3% during the plan, i.e in an annual combined ratio of 11.2% as is necessitated by development requirements with particular reference to public health and education and national defence.

5) As result of all round activities aiming at economic and social development resulting in additional labour demand by contractors for the purpose of execution of investmental program aimed at by the plan, it is anticipated that additional opportunities shall be rendered available for and which are estimated by 125.9 thousand workmen. As demand of working hands exceeds the available supply of some, it is therefore anticipated that the number of expartiate workmen shall increase to the extent of 53.8 thousands.

In this respect the plan aims at the following:

A- Making maximum use of national man-power giving employment to women and nomads as well as those having permanent disabilities, limiting veiled unemployment by way of creation of material and ideal incentives in order to improve national skillfulnesses.

B- Increase of productive sufficiency through application of modern technology in industrial production forming implements in agrarian production, and construction equipments to building contractors, improving labour system, and taking care of training the most possible number of the youth in the shortest possible time.

C- Giving due attention to academic and technical education and expansion of university education and increasing the number of those sent abroad in order to specialize in the fields required by development projects.

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6) With regard to foreign trade, the plan aims at the growth of petroleum exports in the ratio of 15.8% during theduration of the plan i.e in an annual combined ratio of 5% due to the policy of the government necessitating limitation of crude oil production to such a level that is technically and economically, reasonable.

THIRD : SOCIAL OBJECTIVES:

A remarkable progress took place in several aspects, including the following:-

1- Realization of Social justice through expansion of the distribution base and taking those earning limited income benefit comparatively with the result of development process.

2- In the educational services, realization of obligatory education up to the end of the preparatory stage.

Designing the educational pyramid together with the promotion of technical education and the accupational and professional illitracy, and increasing the number of student studying abroad.

3- With respect to health services, the plan aims at improving the standard of health services through increasing the number of health centers, and providing them by the suffecient number of physicians and equiping these centers with the necessary beds.

4- As for housing, the final object of the country's policy in this field , is to provide each family with a housing unit in the following ten years, i.e. by the end of the year 1982.

This is according to the plan.

FOURTH : THE LOCALIZATION OBJECTIVES:

The preminant feature which characterizes the plans of the localization development is the coordination among different economic and social activities based on localization . This feature distinguishis item from those partiment to sectoral development which is based only on activity. The adequate means for directing the operation of development in the right way, is to draw integrated, comprihensive, sectoral and localization plans and connecting them with the national comprihensive plan for economic and social development.

The Libyan Arab Republic being very spacious country with every low population density and with big economic and social differences from region to another, the present plan, therefore gives the localization program for economic and social development great importance and also tries to coordinate that program with the sectoral program were ever possible.

FIFTH : VOLUME OF THE PLAN :

Endeavouring to realization of the strategy and objectives of the development afore-mentioned, the present three year plan has approved a very densified and investmental program in the amount of 2170 million L.D.; Being so this will uplift the ratio of the gross local fast investment as compared with the gross national production, usually referred to as "investment average" , from 27.6% in 1972 to 46.6% in 1975. The realization of these objectives necessitates certain arrangement of priorities for the right distribution of resources among different economic activities of nationa economy; which will be mentioned below :-

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Local , Fast Investment Planned In The Three Year Plan(1973-75)

(million L.D)

ECONOMIC ACTIVITIES	VALUE	PROPORTIONAL DISTRIBUTION %
Agriculture, Forests and Fishing	311.3	14.4
Grude Oil production and Natural Gaz	195.4	9.00
Mining and Quarries	5.3	.2
Convertible Industries	226.7	10.4
Electricity, Gaz and Water resources	254.6	11.7
Construction	18.00	.8
Whol Sale and Retail trads	7.9	.3
Transport, Storage and Communications	270.0	18.5
Banks and Insurance	1.0	-
Housing	425,3	19.6
Public services (save education and health)	165.9	7.7
Educational services	181.9	8.4
Health services	90.6	4.2
Other services	10.5	.5
Reserve	20.6	1.0
Subtracted: Land value	15.00	.7
TOTAL : is divided between:	2170.0	100.0
Public Sector	1800.0	83.0
Private Sector	370.0	17.0

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Gross Local Income Objectives In the
Three Year Plan (1973-75)

(Considering production factor costs for 1972 shown in million Dinars)

Economic activities	1972	1973	1975	Ratio of Planned Grouth %		
				1973	Plan of 1975	Combined annually
Agriculture, forests and fishing	40.6	45.6	63.3	12.3	56.0	16.0
Crude oil production and natural gaz	304.3	955.0	1053.0	5.0	15.8	5.0
Mining and quarries	3.0	3.6	5.3	20.0	77.0	21.0
Convertible industries	35.8	43.5	71.5	21.0	100.0	26.0
Electr icity and water	8.3	10.0	15.2	20.5	83.0	22.5
Construction	125.5	223.0	277.0	77.7	120.5	90.0
Whole sale and retail trade	60.7	66.2	80.6	9.0	33.0	10.0
Transport, storage and comm-unications	72.1	81.8	111.2	13.5	54.0	15.5
Banks and insurance	18.0	14.4	23.3	8.0	29.5	9.0
Housing	74.7	85.9	116.9	15.0	56.5	16.0
Public services (Save education and Health)	131.5	141.4	165.5	7.5	26.0	8.0
Educational services	50.0	58.0	80.0	16.0	60.0	17.0
Health services	29.7	28.0	36.5	13.5	48.0	14.0
Other services	19.6	21.1	25.7	7.5	31.0	9.5
Total divided between	1573.8	1782.5	2125.0	13.0	35.0	10.5
Crude oil productions and natural gaz	909.3	955.0	1053.0	5.0	15.8	5.0
Other activities	664.5	827.5	1072.0	24.5	61.5	17.5

SEVENTH: INDUSTRIAL PROGRAMS

Extent of Participation of Italian Organizations in the execution of Industrial Projects.

1- Funds:

Item	Sub Item	Programs in the Plan	Estimation for the 1973-75plan
1		Industrialization:	
	A	Food Industries	28 989 000
	B	Spinning, weaving, clothing and lether industries	14 833 000
	C	Wood, wood products and furniture industry	8 000 000
	d	Chemicals and chemicals products industry	15 240 000
	E	Metallic, engineering and electrical products industry	22 966 000
	F	Cement and building materials industry	40 807 000
	G	Development of productive units	1 000 000
	H	Partnership and establishing of new companies	500 000
	J	Training	3 000 000
2		Industrial Research:	
	A	Technical and economic studies and researches	2 500 000
	B	Minning and Geological studies and researches	2 943 670
3		Encouragement of Industry:	
	A	Contribution to current consumption	2 500 000
	B	Marketing of national products	141 000
	C	Industrial Training	2 876 000
	D	Industrial education	1 720 000
4		Development of Traditional handicrafts	1 452 000
5		Development of aquatic wealth	7 460 000
6		Industrial and real estate loans:	
	A	Real estate loans	65 000 000
	B	Industrial loans	6 000 000
		Grand total of the Chapter	228 154 000

3- DIFFICULTIES AND PROBLEMS FACING INDUSTRIAL DEVELOPMENT:

The sector of Industry is faced by several problems which hinder its development. Some of these problems are embdied on the sector itself while the others are found in the other economical sectors having relation with the development of the sector of industry.

Such problems may be given in brief as follows:

1- Lack of technical, economical and mining researches and studies which are to be considered the foundation stone for establishment and execution of industrial projects according to sound scientific fundamentals.

2- The smallness of the obsorbing capacity of the local markets in addition to lack of organizational power to compete with foreign markets, thus industries of big economic aspect can not take existence.

3- Lack of industrial consciousness in the private sector and its retirement and hesitation with respect to investment in industry.

4- Lack of workmen specially these specializing in the technical, administrative and organizational aspects.

5- Inadequacy of basic facilities in the locations nominated for establishment of industries in same, with particular reference to electricity, roads and water, sewerage and the high costs required for such achievements, in addition to lack of dher auziliary services.

6- Inadequacy of production sufficiency in industrial projects which is in turn reflected upon high costs of production and weak possibility of competing similar products.

7- Weak ability of execution of contractor and the existence of suffocations in the availability of building materials, the thing that would lead to delay in execution of contruction projects, not time shedules fixed for their implementation.

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3- THE OBJECTIVES OF INDUSTRIAL DEVELOPMENT STRATEGY :

A- OBJECTIVES :

1) Effecting development in the sector of industry in an annual combined ratio of 24.5% and in the total industrial income, in an annual combined ratio of 26% .

2) Changing the industrial structure as compared with the total production from 4.3 % in the basic year 1972 to 6% in the last year of the plan income from 2.3% in the basic year 1972 to 3.4% in the last year of the plan.

The two enclosed tables show the objectives of production and income in the sector.

B- THE STRATEGY :

Below is the strategy and the priorities and policies of the industrial development of the three-year plan , and which forms a stage of the proposed long plan, giving priority to the branches of industrial activity necessetated by the considerations and requirements of the current growth stage aimed at, and which are as follows:

a) Basic alimentary industries to meet the increasing consumption demand and in order to realize self sifficiency with regard to these commodities. These industries will lead to exploitation of the agricultural, animal and fishing products which are locally available, through linking agricultural expansion programs and the industrial programs by way of establishment of industries that would absorb the agricultural and animal production exceeding the requirements, of local consumption. Also establishment of industries that would render available the requirements necessary foe development of animal products (fodder industry).

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b) The industry of building materials and construction necessary for rendering available the requirements for execution of development plans in the various sectors so as to do without importation in this aspect gradually.

c) Engineering metallic industries whose final production is used as medium commodities such as reinforcement steel, pipes, agricultural tractors and trucks etc.. such items contribute to execution of the projects of other sectors and trucks etc.. such items contribute to execution of the projects of other sectors with particular reference to the sectors pertaining to agriculture, building and construction and oil .

d) Chemical industries whose raw materials are available locally and which would render available the production requirements for other sectors and at the same time develop exploitation of available natural raw materials, such as the industry of fertilizers, caustic soda and chlorine, etc....

e) Commencement of execution of a long term program for the development of petrchemical industries, due to abundance of huge reserves of gas and oil of high quality making possible the establishment of petrochemical industries so as to represent a pushing force for an integrated industrialization program of establishment industries based on natural gas for production of Broylene and Ethylene gases as well as netrogeine fertilizers and utilization of gas as fuel for industrial estates beside establishment of oil by-products industry.

f) Completion of technical and economic studies for establishment of the iron and steel complex on the basies of explcitation of natural gas and iron raw materials locally available so as to form a solid base for engineering and metallic industries in the long run.

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4- EXTENT OF PARTICIPATION OF ITALIAN ORGANIZATIONS IN SOME PROJECTS:

If we had displayed in this summary some of the general aspects of the development plan with particular dedication to the industrial sector it would be worthwile at this stage to refer to the fact that the execution of this plan had offered an open chance for the international firms to compete among themselves with respect to execution of the various projects.

Italian organization had participated up to now in several projects vig :

1- Consultive services concerning mining and cement projects.

2- Execution of several projects such as :
   a) Corn mill projects in Tripoli, Benghazi and Marj.
   b) Washing and spinning wall project in Al Marj.
   c) Lime factory in Benghazi.
   d) Expansions in the industry of mineral waters in Tripoli.
   e) A factory for Dates jam in Al Khoms.
   f) A factory for canning vegetables and fruits, in Tripoli.
   g) A factory for pressing and packing of dates in Houn .
   i) A furniture factory in Tripoli and another one in El Beida.
   j) A lime factory in Benghazi.

And some other projects which we cannot detail now, bearing in mind that the cost of contracts of projects alone amounted to approximately 18 million Libyan Dinars.

In conclusion I have only to repeat my thanks to the Board of the institute and the university and to all those who helped in making this chance available for us that we may throw some light on some of the aspects of the development plan in our country.

With kind regards.

Shadia/

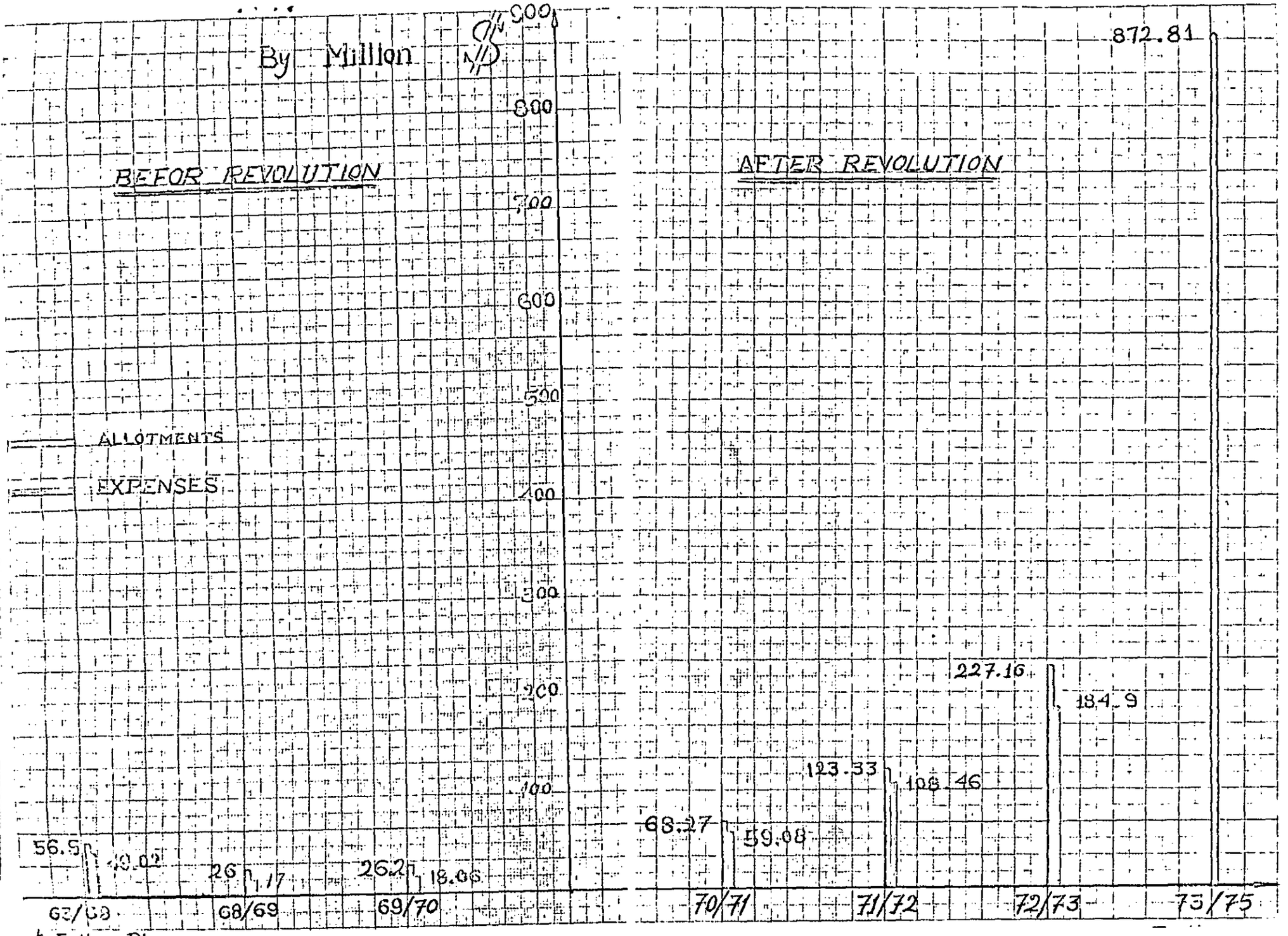
ITEM	PROJECTS ALREADY CONTRACTED UPON	PROJECTS UNDER WAY TO CONTRACTING	TOTAL PROJECTS OF INDUSTRIALIZATION PROGRAM
A- Food Industries.	19	3	22
B- Spinning, Weaving, Clothing and Leather Industries.	6	2	8
C- Wood, Wooden Products and furniture Industries.	2	-	2
D- Chemicals and chemical products Industries.	2	3	5
E- Cement and Building materials Industry.	12	1	13
F- Metallic, Engineering and Electrical products Industry.	7	3	10
TOTAL	48	12	60

ITEMS	Estimations of the modified 73/75 Plan	Proportion of the estimation of the Plan of each item to the Total	Allotments Budget for 1974	Proportion of the Allotments of the Budget of each item to the total	Total Investments	Proportion of investments of each item to total investments
A. Food Industries	42 900 000 / 143 270 000	26.47 %	12 750 000 / 42 500 000	24.38 %	48 089 000 / 160 263 000	13.36 %
B- Spinning, Weaving, Clothing and Leather Industries	15 543 000 / 51 810 000	9.59 %	6 583 000 / 21 943 000	12.59 %	26 741 000 / 89 137 000	7.43 %
C- Wood, Wooden Products and furniture Industries.	8 000 000 / 27 000 000	4.94 %	2 400 000 / 8 000 000	4.59 %	10 050 000 / 33 500 000	2.79 %
D- Chemicals and Chemical Products Industries.	15 640 000 / 52 133 000	9.65 %	4 500 000 / 15 000 000	8.60 %	58 165 000 / 193 883 000	16.16 %
E- Cement and Building materials Industry.	54 788 000 / 182 627 000	33.81 %	17 781 000 / 59 270 000	34.00 %	130 868 000 / 436 227 000	36.36 %
F- Metallic, Engineering and Electrical products Industry	25 190 000 / 83 967 000	15.54 %	8 282 000 / 27 607 000	15.84 %	85 975 000 / 286 583 000	23.90 %
TOTAL	162 051 000 / 540 807 000	100.00 %	52 296 000 / 174 320 000	100.00 %	359 888 000 / 1199 593 000	100.00 %

— Dinars

— $

1 Dinar ≅ $\frac{10}{3}$ $


By Million
900
800
700
600
500
400
300
200
100
BEFOR REVOLUTION
ALLOTMENTS
EXPENSES
56.5
10.02
26
17
262
18.06
63/68
68/69
69/70
AFTER REVOLUTION
872.81
227.16
184.9
123.33
108.46
68.27
59.08
70/71
71/72
72/73
73/75

INDUSTRIA - RESEARCHES

A- STUDIES AND TECHNICAL ECONOMICAL RESEARCHES	B- MINING AND GEOLOGICAL RESEARCHES. STUDY
1- Industrial Survey.	1- Preparation of Geological Chart.
2- Analytic studies of the Most Important essential Industries	2- Exploration of Radioactive Substances.
3- Technical and economical studies, Also Researches on selected Industries	3- Second and third stages of WADI ELSHATI IRON ORES.
4- Study of Building Materials.	4- Geological Mapping.
5- Establishment of A Building and Laboratories for the new Researches Center	5- Topographical study of FEZZAN Mountain Area.
6- Establishment of a Laboratory for Industrial Materials.	6- Preliminary study for exploration of Phosphate, Western of ELHAROUJ EL ASWAD
7- Estabishment of Laboratory for Automatic Analysis.	7- Various geological researches.
8- Study of economic Feasibility for the Iron and Steel Complex.	

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INDUSTRIAL PLANNING IN IRAQ

INDUSTRIAL DEVELOPMENT
and
PROJECTS

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Industrial Department
Ministry of Planning

July 1974

I N D U S T R I A L P L A N N I N G I N I R A Q

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The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the Ministry of Planning or the Government of Iraq.

INDUSTRIAL DEVELOPMENT AND PROJECTS

INTRODUCTION

Modern Iraq, as a separate political entity, came into existence at the end of the First World War. The Republic of Iraq was established in 1958 after overthrowing the monarchy in the July 14 Revolution. Iraq has now a stable political organization and administrative set up which is endeavouring to bring about rapid economic development of the country on socialistic basis.

Iraq is currently passing through an exciting period of intensive economic and social development involving enormous capital investments in different sectors. The Government is very anxious to utilize the available resources and funds for speedy economic development of the country, to cut down the period normally required to be self-reliant and to build up industrial power so as to reach the take-off stage at the earliest opportunity. The Government has adopted the technique of planning as the principal tool for this purpose. The ultimate objective of these plans is of course to accelerate the rate of growth of the economy, to bring about substantial improvement in the standard of living of the Iraqi people and to

attain higher prosperity and advancement of the country. Even during the process of achieving these objectives some initial sacrifices on the part of the people are necessary, there will be no hesitation in adopting policies which ultimately lead to the attainment of the desired goals and speedy development.

Location & Topography :

Iraq lies between the longitudes 38° 42' and 48° 23' East and latitudes 29° 27' and 37° 23' North in West Asia. Iraq is ideally situated in the Middle East and provides a link between the West and the East. With suitable arrangements with the boarder countries in the north, it provides the easiest land axis between the Mediteranean and the Arab Gulf. The length and breadth of the country are approximately 1000 km and 750 km respectively. The total area of land is nearly 440,000 sq.km. As regards topography, in the North there is high region of Kurdish mountains, in the centre are the river basins of the Tigris and Euphrates sloping down South to the headwaters of the Arabian Gulf, the western and southern parts consist of deserts which join the high plateau of Syria and Arabian deserts.

The alluvial plain of lower Iraq, in which most of the irrigated areas of cultivation lie, occupies the floor of a great depression. In the lower part of the plain, there are extensive areas of shallow marshes. To the north-west of Baghdad, in the area between the two rivers lies a tract of desert known as Jazirah. The two major rivers of Iraq are the Tigris and Euphrates both of which rise in the eastern mountainous region of Turkey and enter Iraq on its north-western border.

The country has been divided into 16 Muhafadhas which are the administrative units under the Central Government. The area of each Muhafadha differs and is mostly determined by the administrative requirements of the region.

Population :

Iraq's population in 1947 was 4.8 million, increased to 6.3 million in 1957, 8.1 million in 1965 and was more than 10 million in 1973. The annual rate of increase is about 3 per cent and at this rate the population may reach 11 million in 1975 and over 13 million in 1980.

INFRASTRUCTURAL FACILITIES

Transport :

Iraq is utilizing all modern means of transport, namely, modern roads, railways, river, air and oil and gas pipelines.

Transport and communication facilities have been developing fast in the country and all major towns and habitated places are connected with adequate means of transport.

Roads occupy a major place in the transport system of Iraq. In 1951 there were 2732 km of paved and 3906 km of unpaved roads which had increased by 1970 to 4793 km and 4568 km respectively. The principal trunk roads of Iraq connect :

1) Baghdad with Northern part of the country, namely, Mosul, Arbil, Kirkuk and Sulaimaniyah

2) Baghdad with Ramadi and then to the Syrian and Jordanian border in the West

3) Baghdad with Baquba, Khanaqin and then the Iranian border, in the East

4) Baghdad with Southern part of the country, namely, Kut, Amarah, Basrah, Fao and Um Qasr (and Kuwait border)

5) Baghdad with Hilla, Diwaniyah, Nassiriyah, Basrah, also in the South

6) Baghdad with Kerbala and Najaf in the South-West

Iraq has both metre and broad gauge railways operating in different parts of the country. The length of the railroads was 1,670 kms in 1960 which increased to 2,235 kms in 1970. The three main railway lines running across the country are :

1) Baghad-Mosul-Syrian border
2) Baghdad-Basrah-Um Qasr
3) Baghdad-Kirkuk-Arbil

River transport has been one of the oldest means of transporting men and materials in Iraq. The perenial rivers Tigris and Euphrates provide good means of transport. It is now proposed to link Tigris and Euphrates by a navigational canal in the middle part of the country.

Basrah port has been established in the backwaters of Shatt Al-Arab, the river formed by the confluence of Tigris and Euphrates. The port has all types of modern facilities for berthing, loading and unloading of vessels and its capacity is proposed to be further increased in the near future.

Within a distance of 40 km Iraq has another modern port, namely, Um Qasr which has facilities for berthing of modern large vessels. In fact the hinterland of Um Qasr is proposed to be developed into a big industrial complex of Iraq.

In recent years air transport has been fast developing in Iraq. Air terminals have been established at almost all the important cities of Iraq, namely, Baghdad, Basrah, Mosul and Kirkuk.

With the development of oil resources of the country, Iraq established pipelines connecting the main crude oil producing regions with ports and oil refinery centres. The oil producing belt of the North in Kirkuk has been connected with two pipelines with the Mediterranean - through Syria and Lebanon. The Kirkuk oilfields have as well been connected through a pipeline with the Refinery at Baghdad. Similarly, a pipeline has been established connecting the oil producing regions in the South at Rumaila with Fao and Deep Sea Terminal on the Arabian Gulf. These pipelines handle most of the transport of crude oil for exports as well as to the refineries in the country. Pipelines have also been established for the transport of natural gas to the points of their industrial utilization. The length of the oil and gas pipelines in 1972 was about 3,600 km and 875 km respectively. It is now proposed to connect the oil fields in the North with those in the South by constructing a new pipeline between Basrah and Haditha. With the completion of this pipeline all the developed oil fields of Iraq will be interconnected and will form one grid.

Development of transport has been planned according to requirements of different areas and there have been no difficulties or complaints of lack of transport facilities. In fact, the allocations for transport during the different plans have taken substantial portion of the total development funds. It has been the policy of the Government to adequately develop infra-structural facilities in all parts of the country so that development is not hindered.

Power :

Government has given prime importance to the development of electric power in Iraq. The generation capacity has increased from 28.5 MgW in 1950 to 774.0 MgW in 1973. The ~~fast~~ growth of power generation is given in the table below :

Development of Power Generation in Iraq

Year	Generation Capacity (MgW)
1950	28.5
1955	41.0
1960	193.0
1965	238.5
1970	561.0
1973	774.0
1976 (Planned)	1284.0

Most of the power generated in Iraq is ultimately power from gas or oil. The main power generating stations have been interconnected and form a national power grid which is managed by the National Electricity Administration. During the next 6 years Iraq proposes to spend approximately ID. 250 million on power generation which will add nearly 3000 MgW to the generating capacity. The power rates for industries are as under :

Fixed charge ID. 0/313 per kW per month for loads of more than 600 kW.

4 Fils per kWh for the first 150 kWh per month
3.5 Fils per kWh for the next 150 kWh per month
2.5 Fils per kWh for over 300 kWh per month

Besides, Iraq is planning to generate cheap power for bulk electricity consuming industries like aluminium, steel and steel-rerolling.

Water :

Availability of water has not presented any major problem for industries in Iraq. Most of the industrial units, particularly large ones, have been located near the banks of rivers so that they are able to obtain their water supplies from these sources. Sub-soil

water is either not easily available or it is not of the required standard. However in most of the industrial projects water treatment plants had to be installed to obtain water of the requisite purity.

Human Skills :

Industrial growth is a recent phenomenon in Iraq. Lack of properly qualified human skills with requisite experience has no doubt been the main constraint in the speed of industrialization, and help of expatriates had to be sought. The country is in the process of building up the requisite man power which may be required for the future industrialization programmes. Iraq has set up technical colleges and institutions to provide education in different disciplines but the young graduates and diploma-holders emerging from these institutes have yet to get sufficient experience to fulfill the requirements of skilled workers, supervisors and middle management cadres. Most of the technical personnel working in different industrial projects had to be built up locally with the help of in-plant training imparted to progressive and intelligent persons selected from different institutions.

Iraq is still in the process of organizing adequate institutions for the building up of its own technical man-power and engineering skills so that it can undertake to do things on its own and its dependence on expatriates is reduced to the minimum. Building of man-power is however a time-consuming process. The country will have to take substantial help of the expatriates during the Seventies to put through its envisaged programmes of economic development.

LOCAL RAW MATERIALS

Iraq has abundant natural resources which give it a great potential for development. The 2 major rivers - Tigris & Euphrates - flowing through the country provide water facilities to a vast expanse of land and this gives Iraq a distinct advantage over other countries in West Asia. The total area of cultivable land is about 12 million hectares out of which only about 4 million hectares are cultivated. The major agricultural crops are wheat, barley, rice, dates, tobacco, sugar, cotton, some fruits and vegetables. Iraq is also endeavouring to have a breakthrough in oil seeds so that it can produce both edible

and non-edible oils. The agricultural resources of the country therefore provide good scope by development of various food industries like flour mills and bakeries, food processing, preservation and canning, vegetable dehydration and preservation, vegetable oils and hydrogenated oils, sugar and confectionery, aerated water, beer and distilleries. Iraq is also developing fast its animal husbandry and dairy industries which cover milk, milk products, cheese, butter, etc.

Iraq also possesses good mineral resources. It has an abundantly rich supply of mineral oil and natural gas. Proved reserves of oil are estimated at 4.7 billion metric tons and those of gas at 38×10^{12} cu.ft. The production of crude oil is over 100 million metric tons annually, most of which is exported. The production of natural gas associated with crude oil extraction is more than 250 billion cubic ft. per year, out of which only about 15% is utilized and the rest burnt.

Apart from the gas and oil resources, mineral deposits, such as, sulphur, phosphates, salt, limestone, gypsum, marble, bentonite, sand, stones and other non-metallic minerals exist in abundant quantities. There is a possibility of the occurrence of metallic minerals also, like, iron ore, copper, chrome, zinc, bauxite, etc. for which geological surveys are in progress.

The industrial system of Iraq has, therefore, to be primarily based either on oil or on non-metallic minerals which are easily available. Mechanical and electrical industrial projects, which require iron and steel and other metals as their principal raw materials can at present be developed with the help of imported raw materials only. These important facts determine the structure of industrial programming for Iraq.

ECONOMIC GROWTH

As macro economic indicators, the Gross Domestic Product of Iraq in 1972 was about US $ 5 billion while it was less than US $ 2 billion in 1960. During the decade 1960-1970 the GDP has shown an annual growth of 7.6 per cent. During the last 3 years the growth rate has exceeded 12 per cent per annum. The per capita income in 1973 was about US $ 600. The composition of GDP and the share of the different sectors in 1972 was as follows :

Agriculture	21.0 %
Mining & Petroleum	28.3 %
Manufacturing	10.5 %
Other Sectors	40.2 %
Total	100.0 %

The employment pattern has been that in 1970 there was a working force of about 2.7 million out of which 55% were employed in agriculture, 7% in industry and 38% in other sectors.

INDUSTRIAL DEVELOPMENT

Till 1950 all industries in Iraq were in the private sector. The economic and political conditions which then existed were not conducive to industrial development on a large scale. The economy was fundamentally agricultural. Oil exploration, its extraction and exports were in the hands of foreign companies. The administration did not have a progressive outlook. Industrialization was confined to basic consumer industries, like gain-milling, textiles, bricks, utensils, buckets and other commodities of day-to-day use.

There was a sudden spurt in Government revenues from oil royalties in 1950's due to increase in production of crude oil and the 50-50 agreement with the Oil Companies. It was also then decided to utilize these new resources for the economic development of the country. 1951 marks the beginning of the era of planned development in Iraq. Several plans have since been formulated and implemented. Another important event was the 14 July 1958 Revolution which ended the monarchy and established the Republic of Iraq. The new regime

concentrated on 3 major fields namely agrarian reform, increased oil production and accelerated industrialization.

Good success has been achieved in carrying out the Agrarian Reform programmes and efforts are now being made for modernising agriculture by introducing machinery, fertilizers, improved seeds, irrigation and drainage and to diversify the production capacity of the agricultural sector. With the sustained progress and development of agriculture it is hoped it shall be possible to undertake establishment of rural industries and develop a decentralized industrial sector in Iraq.

Increase in oil production had faced some difficulties in the 1960's due to continued control of foreign oil companies on oil extraction in Iraq. It was felt necessary to develop a national oil sector in order to have adequate control over oil extraction and its future development. The Iraq National Oil Company (INOC) was established and it produced oil for the first time in April, 1971 in the North Rumaila Oilfields. Surprisingly, the reaction of the foreign owned Iraq Petroleum Company (I.P.C.) was not a favourable one and it gradually started reducing its oil output and exports to a dangerous level which affected the revenues

and resources and consequently jeopardised the economic development of Iraq. It was under such conditions that the Government of Iraq had to take the historic decision on 1 June 1972 to nationalize the operations of the I.P.C. In 1973 the American and Dutch interests of the Basrah Petroleum Company (B.P.C.) were also nationalized and this has brought about 80 per cent of Iraq's crude oil production and exports under the direct control of the Government.

As regards industrialization, the period 1950's is important for the fact that it marks the beginning of the public industrial sector in Iraq. In response to a strong national demand, the Government decided to set up six public sector projects, namely, the Bitumen plant in Quyara, the Oil Refinery in Baghdad, the Cotton Textile and the Sugar Factories in Mosul and 2 Cement Factories in Hammam Al-Alil and Sarchinar respectively. The period 1950-58 has, therefore, been characterised by the development of both the public and private sectors although the Government investments in industrial projects were comparatively small in relation to other sectors. Between 1951 and 1958, there was an investment of ID. 34.9 million in the Public Industrial and Power Sector.

Since 1959, 3 economic plans have been formulated. In 1959, a Provisional Economic Development Plan for the years 1959-60 was introduced with a total allocation of ID. 328 million in which the share of the Industrial Sector was put at ID. 32.8 million. This was followed by the 1961-64 Plan with an investment of ID. 445 million. The share of industry and electricity in this Plan was raised to ID. 122 million. In the next Five Year Plan for the period 1965-69, the total plan investment was increased to ID. 668 million and the share of industries and power to ID. 187 million. The important feature of this Plan was that in view of the increasing importance of industry and power, the allocation to this sector was the highest, namely, 28 per cent and its actual execution during the plan period was also the highest amongst all sectors.

Iraq is presently executing the 1970-74 Plan. This Plan originally provided for an investment of ID. 536.9 million but this was subsequently revised to ID. 952.5 million which was a substantial increase over the earlier plans. In June 1972, the foreign oil companies in the North were nationalized, and the Government expected to have substantial increase in oil production to provide resources for new development. In the revised allocations, the share of the Industry and Power Sector was placed at ID. 207.25 million - 21.7 per cent of the total allocation. In addition to this central plan allocation, the industrial programmes include self-financed investments by the State Organizations and companies

amounting to more than ID. 380 million for the period 1970-74. In view of the sudden improvement in resources, the allocation to the industrial sector for the 1974 Annual Plan has been increased to ID. 225 million.

The brief history of industrial development given above will indicate that although Iraq had to face very many difficulties and odds, it has established adequate machinery and organization to plan its future industrial development and to execute the projects. In view of adequate resources, it is hoped that the rate of growth in the Industry and Power Sector shall be much accelerated in the years to come.

Pattern of Industrial Growth :

By 1972, Iraq had achieved initial success in establishing many large scale industries in the country. The pattern of industrialization has been that Iraq has established industries required to meet the basic consumer needs of people, to process the locally available raw materials, to provide basic inputs for agriculture and other sectors, and to gradually start assembly of somewhat difficult and complicated items.

The industrial development of the country has largely been resource based. Since the main emphasis has been on consumer industries, Iraq has given importance to the establishment of agro-industries, namely, grain-milling, fruit preservation and canning, vegetable oils, date processing, sugar, cigarettes, and textiles. Iraq is also establishing industries like, glass, oil refineries, sulphuric acid, caustic soda, fertilizers, which are based on locally available resources and raw materials. Of late the country is anticipating to enter into the secondary stage of its industrialization programme when it proposes to establish industrial projects based on imported raw materials like iron ore, bauxite, etc. and to manufacture capital goods as well as intermediates and semies.

Supply to Domestic Market :

Since the industrial development of Iraq has so far been largely consumer-oriented, a major part of industrial output is being utilized for internal consumption. The table below indicates the growth of some consumer and construction material industries in Iraq and the extent to which they have increasingly met the domestic demand and even started exports.

Increasing Share of Internal Production in Domestic Demand

Commodity	Year	Estimated Domestic Demand	Internal Production	Per cent of Local Prod. to Demand (Per cent)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
Textiles (cotton)	1960	73	29	40 %	
(million sq.m.)	1970	92	45	48 %	
Sugar	1951	76	0	0 %	
(000 Tons)	1959	172	12	7 %	
	1970	273	60	22 %	
Vegetable Oils	1960	23	22	96 %	
(000 Tons)	1970	56	57	102 %	Surplus Exported
Toilet Soap	1961	5620	5509	98 %	"
(Tons)	1969	6843	7311	107 %	
Detergents	1961	10225	7066	65 %	"
(Tons)	1969	11547	12272	106 %	
Cement	1960	736	813	110 %	"
(000 Tons)	1970	1210	1543	128 %	

Exports :

Iraq's largest export has always been crude oil which occupies the premier place in the country's exports. Besides oil, Iraq is now endeavouring to export other industrial items. Good success has been achieved in the exports of cement and fertilizers. Another important item exported is the processed dates for which this country is the largest exporter in the world. Some success has also been achieved in the export of items, like, textiles, detergents, soap, shoes, leather goods and other products.

An indication of the industrial progress made by Iraq can be had from the data given in Annexures I, II & III.

GOVERNMENT MACHINERY & INDUSTRIAL INSTITUTIONS

With the increase in oil revenues and the Government decision to utilize these funds for the economic development of the country, in 1951 the Development Board and the Ministry of Development were set up. These organizations were given the functions of planning and implementation of industrial and other developmental projects. After the Revolution of 1958 and with the increasing importance given to public sector, the Development Board and the Ministry of Development were superseded by the Planning Board and the Ministry of Planning and a separate Ministry of Industry was as well constituted. Even since 1959, the Ministry of Industry is the principal organization to look after the industrial development of Iraq. It formulates the projects which are evaluated and included in the plans after the approval of the Ministry of Planning and the Planning Board. Since the public sector is now the main thrust of industrial development of Iraq, a major responsibility has devolved on the Government to continuously carry out research and develop new projects necessary to meet the economic development requirements of the country.

The Government has been following a dynamic policy for establishing institutions for formulation, implementation and management of public sector projects. The Ministries of Industry and Planning jointly consider the need of institutions necessary in this regard, and during the last decade the following institutions have been established :

1) State Organization for Industrial Design & Construction

This is the most important organization for planning and implementing new industrial projects. It provides necessary engineering and technical services. It has a design cell, a construction department and an advisory administration which serve as consultants to new projects. Of course Iraq cannot claim to be self-sufficient in the matter of engineering and consultancy services and help is sought from foreign organizations in this important aspect. The staff and personnel of this organization serve as the local counterparts of the foreign experts. With the large investments anticipated in the industrial sector this organization will have to handle the most important developmental work in the industrial sector.

2) State Organization for Weaving & Textiles

This organization looks after the management of 17 different industrial units engaged in spinning, weaving and dress-making as well as 13 small units for making hand-woven carpets.

3) State Organization for Chemical Industries

This organization looks after projects undertaking leather tanning, manufacture of leather products and shoes, cigarettes, matches, paper, soap, detergents, fertilizers, etc.

4) State Organization for Construction Industries

This looks after 6 cement factories, one asbestos and 3 cement products making units, one glass project and 3 projects manufacturing bricks. It is also supervising the construction and expansion of 3 cement factories.

5) State Organization for Engineering Industries

This organization looks after 4 projects manufacturing mechanical and electrical items as well as 3 assembling units for trucks and tractors.

6) State Organization for Food Industries

This organization looks after the food stuffs, etc. industries like vegetable oil, fruit preservation and canning, soft drinks, dairy products, sugar etc.

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7) State Organization for Drugs

This organization works under the Ministry of Health and looks after one large project manufacturing antibiotics and other drugs and pharmaceuticals in Samara.

8) State Organization for Planning and Implementation of Oil Projects

This organization works under the Ministry of Oil & Minerals. It looks after the oil and mineral projects, oil refineries and all projects connected with extraction and export of oil including oil pipelines, oil terminals, etc.

It will therefore be seen that Iraq has been able to set up institutions which can look after the establishment of new industries and their proper management.

In this connection it may be added that the Ministry of Planning has a full fledged Industrial Department which works in close liaison with the Ministries of Industry, Oil & Minerals as well as other organizations concerned with the industrial and other sectors of the economy. The Industrial Department prepares

the annual and five-year investment programmes, undertakes to allot priorities to the different projects and decides the pattern of industrial growth of Iraq. This Department is principally concerned with industrial planning of the country, formulation of projects, their evaluation and follow-up of implementation.

INDUSTRIAL STRATEGY AND POLICY

The Government of Iraq assign a major role to rapid industrialization in their economic development strategy and are interested in the transition of the country's economy from agriculture to an agro-industrial one. The contribution of the industrial sector to the GDP should increase substantially and the industrial structure should be based on modern technology. In course of time industry should form the mainstay of the economy of Iraq.

In keeping with the socialistic objectives, the industries in Iraq should on the one hand be able to meet the basic consumer needs and amenities of the people according to a pre-determined standard of living and on the other build up a self-sustained and self-reliant growth. This requires adequate growth of (a) consumer industries, (b) processing industries which convert the available raw materials into intermediates and finished products and thus enable the country to realize the best value for its raw materials which in turn

may provide adequate resources for future growth, and (c) technologically advanced engineering industries so that the country in course of time may be able to take care of its future industrial development and projects.

Selection of Industries :

Presently the economy of Iraq is basically dependent on the output of agriculture and mineral oil. Sale proceeds of mineral oil are the main resources of the country. The industrialization programmes will therefore have to be based on proper utilization of agricultural output and mineral oil. Iraq has reached the stage when the input/output relationship between agriculture and industry is such that further progress of agriculture itself depends on the development of industries which can on the one hand consume the output of agriculture and on the other provide the required inputs such as machinery, improved implements, fertilizers, etc. for agriculture.

Iraq is presently exporting large quantities of crude mineral oil. Gradually, these exports should be increasingly replaced by fuels, lubes, fertilizers and other intermediates and semies based on mineral oil. Iraq, therefore, would like to set up large refineries both for fuels and lubes, fertilizer

factories, petro-chemical complexes to manufacture caprolactum, polysters, xylenes, carbon black, acrylonitrates, poly vinyl chloride, plastics, ethylene, organic chemicals, pesticides and insecticides, butadine and other industrial products.

Iraq lays stress on the development of consumer goods industries so that the country is able to support from domestic production the demand for essential items like housing, processed food, clothing and other day to day requirements. Development of these industries would also help create a base for large and capital goods industries.

Iraq is also interested in the development of heavy and large engineering industries so that there is required technological development enabling the country to establish and run sophisticated projects on its own, in place of being dependent on imports. Establishment of sophisticated metallurgical and engineering industries is a time consuming process. These projects generally require long gestation periods for requisite capabilities to be built up. Necessary work in this context needs to be initiated and managed in the near future.

Iraq is planning for an integrated industrial structure, taking into account inter-industry linkages, so that maximum internal and external economies are achieved and wastes are avoided. Towards this aim, the programme is to establish industrial complexes comprising of groups of interrelated products. For example, products like salt, caustic soda, paper, rayon fibre are taken as a group, so that their input-output relationships are utilized for speedy industrialization and maximum economic benefit.

Iraq believes in selecting the most appropriate size and technology for its industrial projects, they should be most suitable for the economy and working conditions of Iraq and be able to yield maximum economies of scale and high returns on investment. Each case is considered on its merits, and since the developmental strategy is to expand industrial exports in the long run, the products must be able to compete in the international market. Equal importance is given to medium and small scale industries which are essential on the one hand to feed the large industries with various items and on the other to meet the local consumer requirements on a diversified basis.

To sum up, adequate development of industries based on agriculture and locally available resources, establishment of sophisticated engineering and metallurgical industries which can provide adequate technological base to the industrial set up of Iraq, selection of technology and scale of production on merits, proper balance between consumer, industrial intermediates and capital goods industries and a shift over in the foreign trade of Iraq from one of exports of mineral oil to that of processed and semi processed articles are the salient features of the industrial policy of Iraq.

Organization & Ownership :

Iraq believes in development of the country on a socialistic basis. As such all large scale industries which are important for the economy or for the future development of the country have to be in the public sector. As stated earlier, the public sector is the main plank of industrialization of Iraq. But the Government permits the establishment of industrial projects in private sector as well. All proposals are considered by the Licensing Committee which accepts them, provided they meet the Plan objectives and are in keeping with the Government policy. The Government also provides substantial assistance in various forms to the private sector so that it may develop fast. The

Industrial Investments Dev. & Reg. Act as last amended in 1973 governs the issue of licenses and grant of concessions and incentives to the private sector.

Foreign Investments :

Iraq does not give any encouragement to the setting up of foreign projects in the country. The emphasis is more on technical collaboration than on foreign financial interests and ownership. However, Arab nationals from other countries are permitted to have financial and investment interests in projects in Iraq.

Development of Technology :

Iraq is interested in the setting up of modern industrial projects with the most modern and appropriate technology suitable for the climate and economic conditions of Iraq. In the past, Iraq has largely been dependent on foreign technology and know-how for most of its industrial projects. For example, the Rayon Manufacturing Plant at Hindiyah and the Pulp and Paper Mill at Hartha were set up with the help of West German technology, the Fertilizer Plant at Basrah took the help of Japanese technicians, the Agricultural Implements Plant at Iskendaria and the Electro-

technical plant at Baghdad were established with the help of the Soviet Union, the textile mills with the help of French and British technology, the oil refineries with the assistance of American and British technicians and the lubricating oils and automobile tyres and tubes with Italian technology.

The Government explores possibilities of obtaining technology and know-how from alternative sources in different countries, and finally after considering all aspects, it accepts the most favourable offers from reliable and best known and reputed organizations in the world. The Government has also been taking help of the United Nations and many friendly foreign countries which possess the required technology. For this purpose Iraq has entered into various bilateral technical collaboration agreements with other developed countries to provide experts and technical know-how for the preparation and execution of projects. The country would continue to accept help from all developed countries in this regard.

PROSPECTIVE
INDUSTRIAL DEVELOPMENT PROGRAMMES

Industrial development programme is an important constituent of each five-year Plan. After careful study, various industrial projects are included in the Plan and given relative priorities. These priorities (stated in the Five-Year Plans) are kept in view in the establishment of the projects, and all efforts are made to achieve the targets. Whenever it has been found that additional resources are available for taking up more sophisticated industrial projects, each case is examined on merits and new projects are included in the annual plans after the approval of the Planning Board.

Since 1964, annual plans have been given particular importance. At the time of the preparation of each annual plan, the implementation and progress made during the year are thoroughly reviewed, resources position is examined and suitable changes are made in the plan projects and implementation programme. The annual planning methodology has introduced dynamism in development of Iraq.

Sectoral planning is also an important aspect of the preparation of the overall economic development plan. The sectoral plans take into account the varying factors, like, changes in prices, techniques

of production, locations, types of investments, etc. and there is constant exchange of information at the micro and macro levels. The sectoral and annual plans will, therefore, assume greater importance in the overall future economic plans of Iraq.

The revised 1970-74 Plan of Iraq was based on a total investment of approximately ID. 950 million - an annual investment of about ID. 200 million. Due to the sudden spurt in oil revenues in 1973, the resources available for development have substantially increased and the Annual Plan for 1974 provides for an investment of ID. 1169 million with ID. 225 million (about 20%) as the share of the Industrial Sector (industry and power). In fact the total outlay of indus.projects included in the 1974 Annual Plan would be nearly ID. 850 million. Besides there are substantial investments in the self-financed oil and minerals sector as well as in some industrial projects for their expansion. The position may further improve in view of the future increase in the output of oil and its prices. Under present conditions, Iraq may have an interim Annual Plan for 1975 and the next 5-year Plan may be for 1976-80. The position regarding resources and prices etc. may perhaps stabilize during this period and the Government will have more projects as well as the sectoral plans

ready for the next 5-year Plan. In view of the importance of the Industrial Sector in helping the country to attain a higher stage of development and technological advancement and quick absorption capacity of investments by the industrial and power projects, this sector will be given greater emphasis in the future development plans and larger share in the overall investments. On a macro estimate, Iraq should be able to generate resources of more than ID. 10 billions during the period 1976-80, from which approximately ID. 7 or 8 billions could be earmarked for the development plan. The share of the Industrial Sector (including power) in this investment could be about ID. 2 billions.

In preparing the industrial sector Plans, Iraq has been considering the industrial growth from a long term point of view so that during this period all projects which require long gestation period and for which there will be substantial demand in the future (either on national or regional basis) are taken up and the country makes a stready advance towards self-reliance.

Thoughts have not yet crystalised fully so far as the projects for the next Plan are concerned and a large number of candidate industries which can possibly be developed in Iraq are under consideration. The discussion contained in the subsequent paragraphs

should not therefore give the impression that the projects mentioned therein are the last choice for the next Plan. There can be many additions and deletions but the inventory given in this paper is indicative of the proposed line of development of the industrial sector in future.

Food Industries :

It is proposed to make the country steadily self-sufficient in its requirements of food industries. Detailed studies are being made in this regard and it is proposed to add new capacities in the following industries in this group during the next Plan :-

1. Grain Mills
2. Sugar Factories
3. Vegetable & Fruits Processing and Canning
4. Dairies & Milk Products
5. Vegetable Oil Extraction & Hydrogenation
6. Cigarettes and Matches
7. Manufacture of Starch and Dextrine
8. Bakeries, Biscuits and processed foods
9. Liquid Sugar from Dates
10. Alcoholic Products and Drinks
11. Soft-drinks
12. Baby foods

Textiles & Leather Industries :

These are important consumer industries and it is proposed to expand the capacity for manufacture of these items keeping in view inter alia the basic requirements of the people and a fair standard of living :-

1. Cotton Textile Factories
2. Wool Textile Factories
3. Synthetic Fibre Textile Factories
4. Heavy Cloth Factories
5. Carpets Factory
6. Leather Factories
7. Shoe and other leather manufactures.

Chemical Industries :

Iraq possesses large resources for the development of chemical industries and one of the important targets of the next Plan would be to undertake the development of as many chemical industries as possible. It is also proposed to gradually shift over from the exports of the raw materials of chemical industries to semi-manufactures, intermediates and end-products as far as possible. Keeping in view these facts and the increasing internal demand of various chemical products the development of the following industries which includes both the expansion of existing projects and setting up new ones, is envisaged :-

1. Paper and Cardboard factories
2. Fertilizers (nitrogeneous and phosphatic)
3. Establishment of a whole petro-chemical complex to manufacture ethylene, polyethene and PVC
4. 2nd Petro-chemical complex to make synthetic fibres, butadine and organic chemicals
5. Soda Ash Factory
6. Salt (Sodium Chloride) Factory
7. Caustic Soda
8. Sulphuric Acid and other Chemicals
9. Automobile Tyres & Tubes
10. Drugs, Pharmaceuticals and Antibiotics
11. Plastic Tubes
12. Plastic Sacks and Bags
13. Plastic Boxes

Construction Industries :

Development of construction industries is necessary for meeting the basic housing requirements of the people, for establishing the development projects, for building up infra-structural facilities, for constructing administrative blocks and for implementing most of the development programmes included in the Plan.

One of the main bottle-necks, Iraq is facing in carrying through its development projects is the shortage of construction materials. Although it appears to be somewhat difficult to be self-contained in all construction materials, every effort shall be made to have a big stride forward in the establishment of construction industries. It

is proposed to substantially augment capacities of manufacture of important items like cement, asbestos, glass, etc. while many new lines of manufacture shall be taken up. The proposals can be summarised as under :

1. Expansion of existing cement factories
2. New cement factories
3. Mechanized brick factories
4. Asbestos Pipes
5. Other asbestos products, like corrugated sheets, ordinary sheets, etc.
6. Light concrete plant (thermostone)
7. Ceramics and expansion of glass factory
8. New glass factory
9. White cement plant
10. Plywood plant
11. Prefabricated Houses & Buildings
12. Cement Concrete Poles

Metallurgical, Engineering and Electrical Industries :

Some industries in this important field have already been established in Iraq, like, manufacture/assembly of agricultural implements and machinery, electric motors, fans, wires, trucks, tractors, refrigerators, steel furniture, builders' hardware, utensils, air coolers, gas stoves and ovens, etc. There are a number of small scale units as well manufacturing different

engineering items and undertaking repair and servicing jobs. During the next Plan, Iraq proposes to develop industries in this group in a big way. This is necessary for the country to have the requisite technological competence and self-reliance for establishing new projects as well as their proper maintenance. In the absence of these industries Iraq's dependence on imports of all types of equipment and machinery remains paramount and the country is not able to make progress to the desired extent. It is these industries where the technical know-how and engineering design of the factories is a difficult and time consuming process. The sophisticated engineering projects generally have long gestation periods and requisite capabilities which have to be built up. Moreover Iraq will have to establish these industries on the basis of mostly imported raw materials and technology. Inspite of all these difficulties, Iraq has decided to establish engineering industries and the following projects are under consideration :

1. Iron and steel complex consisting of manufacture of iron, steel, its alloys and its rerolled and fabricated sections.
2. Aluminium Smelter
3. Ship-making

4. Aluminium Products & Alloys (wire-rods, sheets, circles, extruded items, etc.)
5. Aluminium cables and wires
6. Diesel engines
7. Sluice Valves and Locks
8. Water and electric meters
9. Cutleries
10. Electric Motors
11. Spark Plugs
12. Transformers
13. Metal Stampings
14. Assembly of electronic items and devices, etc.
15. Poultry equipment and machinery
16. Aluminium Tubes and Containers
17. Tin Containers and Oil Barrels
18. Telephone and Electric Wires and Cables
19. Electric Irons, Heaters and other items
20. Dry and Storage Batteries
21. Electric Fans
22. Foundries and Workshops
23. Water Taps
24. Conduit and Galvanised Iron Pipes
25. Agricultural Pumps

Oil and Gas Industries :

Iraq proposes to develop projects in a big way in this field. The projects presently under consideration are :-

Large oil refineries for fuels and lubes for exports and manufacture of LNG and LPG

Details of the various industrial projects in advanced stage of consideration are given in Annexure IV.

Electric Power :

Electric power generation and transmission shall be substantially augmented during the next Plan to meet the large requirements of power for the Industrial and other sectors. It is also proposed to undertake rural electrification programmes so as to provide electricity to even remote areas in the country.

Cooperation between Iraq and other developed countries :

Iraq is presently at a very crucial stage of its industrial development. It possesses the resources which can be most profitably invested in large industrial projects. The country is endeavouring to have a well conceived industrial development programme so as to build up projects which can subscribe to the country attaining a self-reliant status during the next decade. One of the typical difficulties of most developing countries is generally the absence of adequate resources for their speedy development. This is none of the handicaps in the case of Iraq. On the contrary the main

problem before the country is the most economic and beneficial utilization of readily available resources for speedy development.

Iraq has set before it the objective of developing industries which can on the one hand change the pattern of trade of the country namely from the export of mineral oil to that of intermediates and manufactured products and on the other meet the consumer and developmental needs of the country. Iraq must, therefore, establish the basic consumer industries, industrial raw materials projects, engineering, electrical, metallurgical, chemical and petro-chemical industries which can help the country to be more or less self-contained for meeting its consumer needs as well as for supply of a major portion of the capital equipment and machine tools for Iraq's future development.

The rapid growth of public sector will considerably help the achievement of the above objectives.

During the next 10 years, the country will however remain dependent for supply of essential inputs for the vital sectors of the economy like agriculture, electric power, railways, motor transport, machine tools, machinery, heavy capital equipment and some industrial raw materials. Similarly the

requirement of imports for maintenance purposes will be substantial till the country is able to establish its own projects. Another field in which the country will have to look for assistance from the friendly developed countries is that of skilled man-power, technology and know how. Without assistance in these fields, the development of Iraq may not be as speedy as envisaged.

ANNEXURE I

MAJOR INDUSTRIES OF IRAQ AND VALUE OF THEIR OUTPUT in 1971

Industry	Output (000) ID	Total No. of Units	No. of Public Sector Projects
I - FOOD INDUSTRIES :			
Dairy Products (including ice cream)	4728	10	4
Date Preservation	4725	75	9
Fruit & Vegetable Canning & Preservation	2202	5	1
Vegetable oil	18973	2	1
Grain-mill Products & Ice	23479	106	6
Sugar	8328	2	2
Confectionaries	1990	34	
Alcoholic Drinks	1445	3	
Beer	636	2	1
Soft Drinks	5799	14	6
Cigarettes	10651	2	2
II - TEXTILES, APPARELS & LEATHER INDUSTRIES :			
Woollen Textiles	4028	3	2
Cotton Textiles	10380	9	3
Synthetic Textiles	5584	56	1
Jute & Carpets	1754	5	2
Underwears & Knitted Fabrics	1092	26	
Ready-made Clothes	6519	93	6
Leather Tanning	1978	7	1
Shoe Manufacturing	4080	35	2

ANNEXURE I - (Contd.)

Industry	Output (000) ID	Total No. of Units	No. of Public Sector Projects
III - CHEMICAL INDUSTRIES :			
Paper & Paper Products (except printing)	2691	25	2
Sulphur	235	1	1
Rayon Fibre	3950	1	1
Paints	591	5	
Drugs & Pharmaceuticals	1780	5	1
Soaps & Detergents	419	7	
Oil Refining	19573	6	6
Oil Gases	838	1	1
Rubber Products	204	5	1
Plastic Products	1693	29	1
Fertilizers	1184	1	1
IV - BUILDING & CONSTRUCTION INDUSTRIES :			
Glass	510	4	1
Bricks	4969	134	4
Lime	280	23	
Cement	11110	5	5
Concrete Products	1097	14	2
Asbestos	1291	2	1
V - METALLIC & ENGINEERING INDUSTRIES :			
Utensils	646	17	
Metal Furniture	1746	28	
Bicycles	259	1	
Cooling & Heating Components	1543	7	
Electrical Equipment	914	8	4
T.V. & Radio Sets	1317	3	
Dry & Storage Batteries	847	2	2

ANNEXURE II

MAJOR PUBLIC INDUSTRIAL PROJECTS IN OPERATION

Name of Project	No. of Units	Location	Items Manufactured	Capacity
I - FOOD INDUSTRIES				
Food Canning Factory	1	Kerbala (Baquba, Numania)	Canned Vegetables and fruits	30 ton/day Date Syrup 72 ton/day Tomato Paste 950 ton/yr. Jams 800 ton/yr. vegetables
Dairy Products	1	Baghdad	Milk, cheese, Butter, cream, etc.	120 ton/day
Cigarettes Industry	2	Baghdad (1) Sulaimaniay (1)	Cigarettes	13250 mill/yr. (2 shifts)
Sugar Factories	2	Misan (1) Mosul (1)	Sugar	100000 ton/year from cane 140000 ton/yr. from beet
II - TEXTILE & LEATHER INDUSTRIES				
Wool Textile Industry	2	Baghdad (2)	Blankets & Woollen Cloth	2.55 mil.m^2/yr cloth 650 thou.Blankets/yr. 4200 tons yarn/yr.
Cotton Textile Industry	3	Baghdad (1) Mosul (1) Kut (1)	Cotton Cloth	99 mil.m^2/year
Synthetic Fibres Textiles	1	Hilla	Synthetic cloth	36 mil.m^2/year
Jute Textiles	1	Baghdad	Jute Bags Hessian & Twine	10 mil.Jute Baghds per year
Shoe Industry	2	Baghdad (1) Kufa (1)	Different types of shoes and boots	9.6 mil. pair/yr.
Leather Tanning	1	Baghdad	Leather	8.3 mil.f^2/yr.

Annexure II-(Contd.)

III - CHEMICAL INDUSTRIES

Fertilizers	1	Basrah	Amonium Sulphate & Urea	420 ton/day Amonium Sulphate 160 ton/day Urea
Paper	1	Basrah	Writing & Packing Paper	40000 ton/yr.
Sulphur Extraction	1	Kirkuk	Sulphur from Gas	120000 ton/yr.
Rayon	1	Hindiya	Cellulose-based fibres	8500 ton/yr.
Drugs & Pharmaceuticals	1	Samarra	Anti-biotics & other drugs	16 ton/yr anti-biotics plus other drugs

IV - CONSTRUCTION MATERIALS INDUSTRY

Glass	1	Ramadi	Sheet Glass & Bottles	19300 ton/yr.
Cement	5	Baghdad (1) Hindiya (1) Mosul (2) Sulaimaniya (1)	Portland Cement	2.3 mil.ton/yr.
Asbestos	1	Baghdad	Asbestos sheets	6000 ton/yr pipes 24000 ton/yr sheets
Concrete Blocks	2	Baghdad (2)	Hollow & Solid Blocks	255 thou.ton/yr.

Annexure II - (Contd.)

V - METALLURGICAL & ENGINEERING INDUSTRIES

Agricultural Implements Plant	1	Iskenderiya	Agricultural Implements	30 thou.units/yr.
Truck Assembly Plant	1	"	Trucks & Buses	5740 units/yr.

VI - ELECTRICAL INDUSTRIES

Electrical Appliances	1	Baghdad	Fans, Transformers, Small HP Motors, Water Pumps, Fittings etc.	Fans- 185 thou/yr. Transf.2000 unit/yr. Water Pumps- 45 thou.units/yr. Small H.P. motors - 45 thous/ unit/yr. Fittings etc. - 8.5 mill unit/yr.

VII - OIL AND GAS INDUSTRIES

Dora Refinery	1	Baghdad	Fuels & Lubes	Refining capacity 3.5 mill.ton/yr. 60 thou.ton/yr. lubes
Other Refineries	5	Khanaqin (1) Basrah (1) Haditha (1) Kirkuk (1) Wand (1)		5.5 mill ton/yr

+ With capital investment of about 1 million ID. or more.

Data relates to end 1973.

Annexure III

MAJOR PUBLIC SECTOR PROJECTS[+]
(under implementation)

Name of the Project	Location	Estimated Total Cost ID (Million)	Products
I - FOOD INDUSTRIES			
Beet Sugar Factory	Sulaimaniya	9.00	60,000 tons of Beet Sugar p.a.
Dairy Plant	Mosul	1.30	9,600 tons of Dairy Products
Wines & Fruit Canning Factory	Arbil	1.00	About 1 million bottles
Dairy Plant (South)		2.75	6,200 tons of Dairy Products
Torella Yeast & Animal Feed Factory	Misan	1.00	5,000 tons p.a.
Fruit & Vegetable Canning Factory	Dhok	1.10	5,000 tons p.a.
Expansion of Baghdad Dairy Plant	Baghdad	2.15	About 10,000 tons of Dairy Products p.a.
Liquid Sugar from Dates	Hindiya (Babylon)	3.50	30,000 tons p.a.
Alcoholic Drinks Complex	"	1.15	1 million litres of alcohol p.a.
II - TEXTILE and LEATHER INDUSTRIES			
Wool Textile Factory	Nassiriya	7.00	Cloth 1.5 million sq.meters p.a. 450,000 blankets & 250 tons yarn
Wool Textile Factory	Arbil	4.50	Cloth 1.5 million sq. meters p.a.
Cotton Textile Factory	Diwaniya	17.00	Cloth 40 million sq. meter p.a.
Heavy Cloth Factory	Baghdad	4.1	Coarse cloth 6 million sq.meters p.a.
Carpets Factory	Baghdad	1.39	1 million sq. meters p.a.

[+]With capital investment of ID. 1 million or more.

Annexure III - (Contd.)

MAJOR PUBLIC SECTOR PROJECTS[+]
(under implementation)

Name of the Project	Location	Estimated Total Cost ID (Million)	Products
III - CHEMICAL INDUSTRIES			
Expansion of Basra Paper Factory	Basra	40.00	White & Sanitary Paper 30000 tons
Paper Factory	Misan	18.70	Packaging Paper 60,000 tons
Expansion of Fertilizer Factory	Basra	28.00	Increase in Urea to 300,000 tons from about 50,000 tons p.a.
Truck & Automobile Tyres and Tubes Factory	Diwaniya	10.50	Truck & Car Tyres & Tubes-300,000 tyres & 300,000 tubes
Petro-chemical Complex	Basra	60.00	Various Petro-chemical compounds
New Fertilizers Factory	Basra	60.00	Urea 2,000 tons per day
Plastic Pipes Factory	Misan	2.60	10,000 tons of Pipes
Expansion of Plastic Pipes Factory	Baghdad	1.26	Plastic Pipes of different sizes
Polyster Fibre Factory	South	1.50	1,750 tons p.a.
IV - CONSTRUCTION INDUSTRIES			
Cement Factory	Felluja	3.80	Cement 200,000 tons p.a.
Expansion of above Factory	"	3.50	Cement 400,000 tons p.a.
Brick Factories (6)	Different Places	6.00	Mechanized production of Bricks
Asbestos Pipes Plant	Kirkuk	1.15	20,000 tons p.a.
Pressed & Plywood	Al-Qadisiyah	2.80	18,000 tons p.a.

[+] With capital investment of ID 1 million or more.
Position as of end-1973.

Annexure III - (Contd.)

MAJOR PUBLIC SECTOR PROJECTS+
(under implementation)

Name of the Project	Location	Estimated Total Cost ID (Million)	Products
IV - CONSTRUCTION INDUSTRIES - (Contd.)			
Light Concrete Plant (Thermostone)	Basrah	1.50	Thermostone
Ceramics Factory	Ramadi	1.40	6,000 tons p.a.
Expansion of Glass Factory	Ramadi	1.70	9,600 tons p.a.
Expansion of Cement Factory	Badosh	3.25	Cement 200,000 tons p.a.
II Cement Factory, Kufa	Kufa	30.00	Cement 2 million tons p.a.
Cement Factory (South)	Samawa	10.00	Cement 500,000 tons p.a.
II Cement Factory	Hammam Al-Alil	30.00	Cement 500,000 tons p.a.
White Cement Factory	Felluja	4.30	White Cement 100,000 tons p.a.
Expansion of Cement Factory	Um Qasr	1.50	Klinker 500,000 tons p.a.
V - METALLURGICAL and ENGINEERING INDUSTRIES			
Iron & Steel Complex	Basra	64.00	400,000 tons p.a.
Ship-making Plant	"	16.00	15 Ships of 1500 tons p.a. Repair of 1,200 ships p.a.
Aluminium Rods & Wires Sheets and Circles	Thi-Qar	10.00	25,000 tons per year
Cables & Wires Factory	Nassiriya	3.50	1,500 tons of Wires & Cables p.a.
VI - ELECTRICAL INDUSTRIES			
Expansion of Storage Batteries Factory	Baghdad	1.15	Storage Batteries and Dry Cells

+ With capital investment of ID. 1 million or more.

Annexure III - (Contd.)

MAJOR PUBLIC SECTOR PROJECTS[+]
(under implementation)

Name of the Project	Location	Estimated Total Cost ID (Million)	Products
VII - OIL and GAS INDUSTRIES			
Oil Refinery	Mosul	13.00	Fuels 1.5 million tons
Oil Refinery (South) §	Basra	25.00	Fuels different types
Expansion of Oil Refinery	Basra	15.00	Fuels 3.5 million tons
Lubes Refinery (Dora)	Baghdad	7.60	Lubes 60,000 tons p.a.

§ This refinery has since been completed and reached the trial production stage of its operation.

[+] With capital investment of ID. 1 million or more.

Annexure IV

MAJOR PUBLIC SECTOR PROJECTS+
(under consideration)

Name of Project	Location	Estimated Investment ID(Million)	Products & Capacity
I - FOOD INDUSTRIES			
Cane Sugar Factories	Various Places	5.00	Of capacity 5000 Tons of cane per day
II - TEXTILE and LEATHER INDUSTRIES			
Cotton Textile Factory	Amara	22.00	40 million sq.m. p.a.
Cotton Textile Factory	Kirkuk	25.00	45 -"-
Cotton Textile Factory	Baquba	22.00	40 -"-
Shoe Factory		2.5	
III - CHEMICAL INDUSTRIES			
Paper Factory	Amara	32.00	61,000 ton p.a.
Soda Ash Factory	Fao	8.00	300 tons per day
Salt (Sodium Chloride)	Fao	3.00	1 million ton per year
Petro-chemical Complex	Um Qasr, or Zubair	60.00	500-700 tons of Naphtha, SBD, Ethyelene, ecc.
IV - CONSTRUCTION INDUSTRIES			
II Cement Factory	Badosh	20.00	Cement 1 million tons p.a.
V - METALLURGICAL and ENGINEERING INDUSTRIES			
Sponge Iron Plant	Zubair	12.00	440,000 tons p.a.
Aluminium Factory	"	80.00	200,000 tons p.a.
Diesel Engines		15.00	16,000 Engines p.a.
Sluice Valves & Locks		2.50	Valves & Locks of different sizes
Water Meters		1.00	
Cutlery		1.00	

+ With capital investment of ID. 1 million or more.

Annexure IV - (Contd.)

MAJOR PUBLIC SECTOR PROJECTS+
(under consideration)

Name of Project	Location	Estimated Investment ID(Million)	Products & Capacity
VI - ELECTRICAL INDUSTRIES			
Electric Meters		1.75	
Spark Plugs		1.00	
VII - OIL and GAS INDUSTRIES			
LNG & LPG	Zubair, Rumaila	40.00	900 million cu.ft. p.a.
Oil Refinery	Um Qasr	60.00	10 million tons p.a.

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Arab Oil ~~Surpluses:~~ Revenues: Some Domestic and International Policy Aspects*

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The important changes which have occured in the oil sector in the past few years culminating with the price increases of late 1973-early 1974 have focussed world attention on the impact of these measures at the national and the international levels particularly as far as the oil consuming countries are concerned. It is the primary purpose of this paper to discuss some of the domestic and international policy aspects of the impact of the recent dramatic acceleration in the revenues of the Arab oil exporting countries.

The paper is divided into four main sections: the first notes briefly recent price developments and the prospective acceleration in oil revenues contrasting them with past trends; the second outlines some aspects of the oil price increase on/the domestic economy of the oil exporting countries, on the balance of payments of the consuming countries and on the position of the oil countries in the international monetary system; the third includes observations on some alternative

*The writer is grateful to Professor Z. Mikdashi for comments on an earlier draft.

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uses of the investible surpluses: problems of investment generally and in the Arab economies, the developing countries and in the industrial countries are briefly discussed. The fourth section contains the main conclusions.

I. The oil price adjustment of late 1973-early 1974 and the prospective acceleration of oil revenues.

After many years of relative price stability, the posted price[1] of oil exports rose about 27 percent during 1971, by a little less than 9 percent during 1972 and by 200 percent during 1973 and by another 230 percent on January 1, 1974. Considering the period October 1973-January 1974 together the rise in the posted price would have been equivalent to about 470 percent compared with the price prevailing in 1972.[2] The government take per barrel (which measures the amount accruing to the national government per barrel exported) rose by greater proportions as a result of either complete nationalization or major revision of the oil agreements which increased the share of the national governments. Government take is estimated to have risen in 1973 by about 350 percent; for 1974 it is expected to rise by not much less than another 100 percent. Again taking October 1973-January 1974

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[1] Posted prices are tax reference prices, i.e., they are used for calculating the oil revenues of the exporting countries. Since 1957 posted prices have exceeded the actual market prices of oil.

[2] Taking the price of Arab light as our indicator.

as one period, the rise in government take compared with 1972 would be close to 500 percent and if participation agreements presently in-force (60-40 government participation) are considered, government take could rise about 540 percent in comparison with 1972.[1]

Given the above trends, the dramatic increase in prospective oil revenues is clear. The attached table represents the data for oil revenues by individual countries for the period 1960-74. Looking at the oil revenues (in current prices) accruing to the Arab countries alone, whereas they increased in 1960-70 by an annual average of 15 percent, they rose by 60 percent in 1971, by 10 percent in 1972, by an estimated 340 percent in 1973 and by an estimated 240-270 percent in 1974. The magnitude of prospective oil revenue would depend upon the assumptions one would chose to hold concerning the projected rise in exports of oil and in government take. These in turn are dependent on the future world demand for oil, the development of competing sources of energy, the volume of oil production and the participation agreements between the oil countries and the oil companies. Extrapolating the trend in the growth of exports which prevailed in the past decade, for example, and assuming that government take will stabilize at around $8.50 per barrel of exports, then the projected oil revenues of the Arab oil

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[1] The Saudi government take is used for purposes of illustration. See Petroleum Intelligence Weekly, (January 21, and May 13, 1974). As of ~~end June~~ JAN., 1974 the posted price of Arab light was $ per barrle while Saudi Government take was $ per barrel. At the ~~end~~ beginning of 1970 the figures were $ ~~8.00~~ 1.80 and $ 0.~~997~~ respectively. The proportion of government take to the posted price increased during the period under consideration from 49 percent to 60 percent respectively.

exporting countries in 1980 would amount to ~~over~~ nearly $100 billion compared with an estimated $~~70-80~~ 77-87 billion in 1974.

No doubt the above picture dramatizes the sharp increase in the financial resources at the disposal of the oil exporting countries (see section II below). However, to view these developments in their correct perspective, one should take a longer view and not concentrate simply on the events of the past few years. Over the period 1960-1970 for example the average increase in government take was about 1.5 percent annually. More importantly perhaps the price terms of trade of a number of oil exporting countries had deteriorated during 1960-70; furthermore, it was believed by the oil exporting countries that the price of crude oil was being maintained by the oil companies at an unduly low level by comparison with the price that would have prevailed under more competitive conditions. The oil price developments of 1971-74 have, therefore, be in regarded as a correction for past undervaluation of oil.

Indeed, for a number of oil exporting countries the abundance of oil revenues (measured in relation to certain economic variables such as national income) has assumed major importance domestically and internationally only recently in the sense of substantial realized or expected "surpluses" (see below section III). To illustrate, for Iraq, the ratio of oil revenue to GDP hovered around 15 percent in 1963-70, then increased to 20 percent in 1971 and to a much higher ratio in 1973.[1]

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[1] Iraqi oil revenues fell in 1972 because of cut backs in oil exports. In 1973 such revenues increased by about 580 percent compared with 1971. Income estimates for that year are not yet available.

For Saudi Arabia, the ratio was about 25 percent in the second half of these sixties, similarly rising to a much higher ratio in 1973.[1] As mentioned later, the existence of a surplus largely depends upon the absorptive capacity of the economy concerned.

Irrespective of the reasons or the justifications for the oil recent price developments, the fact remains that the sharp and sudden rise in the price level has confronted the Arab oil exporting countries with issues at the domestic and international levels which have assumed a much greater importance than ever before. To these issues we now briefly turn.

II. The impact of oil price increases.

There are various domestic and international aspects to the impact of the recent oil price increases on the economies of the both the exporting and the consuming countries. This section deals with three of them. The first is the developmental problem faced by the economies of the oil exporting countries particularly as concerns their capacity to absorb the oil revenues, i.e., to transform them into real resources. The other two are international: the effects of the oil price increase (the consequent distribution of international liquidity in favour of the oil exporting countries) on the balance of payments of

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[1] National income estimates for that year are not yet available.

of the consuming countries and the position of the oil surplus countries in the international monetary system.[1]

The domestic and international aspects mentioned above are interconnected. For example, the magnitude of the expected reflow of oil money towards the major money and capital markets of the world would of course depend upon the ability of the oil producing countries to absorb their revenue domestically, and at one step removed, regionally. Similarly, the attractions and pattern of foreign investments are influenced by the evolving framework of the international monetary system and the degree of its ability.

A. The Domestic Aspects:

Development strategies of developing economies normally aim at achieving two main objectives: (1) the maintenance of what is considered a rapid or a satisfactory (self sustained) rate of growth ; and (b) diversification of the economy which implies the widening of the industrial base. A third objective which has gained increasing importance in the past decade is the maintenance of relative financial stability. For most countries, other than the oil countries, the major prerequisite for achieving these objectives centers on the raising of the level of domestic savings, supplemented, to the extent possible, by foreign

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[1] One study which dealt with the effect of the oil price increase on the price levels of major consuming countries indicates that under existing conditions, this effect is, relatively limited: oil prices will contribute from one to two percent to the increase in the domestic price levels. (see T.R. Stauffer, "Oil Money and World Money: Conflict or Confluence", Science (April, 1974).

assistance. Where oil revenues are abundant (in relation to certain economic variables) this pre-requisite is readily fulfilled or more realistically today substantially over fulfilled.

Instead of facing a constraint on savings, the oil exporting countries now face problems of investment. The developmental problem, at the domestic level, has translated itself into one concerned with the capability of the domestic economy of absorbing available savings in accordance with a well conceived economic strategy or plan. But perhaps one should hasten to add that the problem is not so much the elaboration of plans (which if need be could be done with the imported technical help) but the ability to translate planned objectives into realized objectives which itself is dependent upon the implementation of well defined and coordinated policy tools.[1]

With the availability of financial resources no longer a constraint, well conceived plans would necessarily hinge on a proper assessment of the capacity of the economy to absorb these resources. Such an assessment is difficult. The absorptive capacity is dependent upon a variety of (human and non human) factors which evolve with time. It is perhaps an extremely difficult task to construct an exact operational definition of this capacity. Nevertheless, the oil exporting countries are now faced, more than ever before, with the need to arrive at some

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[1] The serious difficulties of drawing up suitable plans should not be underestimated. Lack of proper policy coordination has characterized many a national plan.

quantification of the ability of their economy to absorb available resources over a projected period of time.

The need for some operational guidelines is underscored by the need to arrive at a meaning of "investible surpluses" of the oil producing countries. To project these surpluses one might begin, for example, by the calculation of the "surplus" during a given base year, say 1973, and then project the future annual "surplus" for a given future period. The base year surplus is normally defined as the balance of payments current account surplus.[1] For future years, at least two estimates would be called for: (1) the projected marginal propensity to import goods and services, in the short and in the longer run and (2) prospective oil revenues which in turn would depend upon projected world demand conditions, level of prices etc.... where other export commodities are also important, their receipts would have to be projected. Allowance for what is considered an adequate level of international reserves would also have to be kept in mind.

As far the Arab oil exporting countries are concerned, it is perhaps ~~only~~ not unrealistic to assume that in the forseable future their absorbtive capacity will not grow at a rate which will absorb all the oil revenues accruing to them.[2] ~~Indeed~~ In the immediate years the cumulative surplus ~~is expected to~~ could infact grow at an increasing rate[3]. The picture does change if the financing of investments in an overall Arab context is to be excluded

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[1] It is assumed that no specific allowance need be made for increasing the level of international reserves. If these reserves are judged to be inadequate such an allowance would have to be made.

2) If they do, then no surplus would emerge.

3) The rate of increase thereon would differ greatly from country to country, e.g. the absorptive capacities of Iraq + Kuwait differ substantially

from the concept of the "surplus". That is, oil surpluses would in this case refer only to that amount which remains after the combined absorptive capacity of all the Arab economies had been considered. Even then, however, the coming few years would still probably witness the growth of substantial Arab investible surpluses.

B. The International Aspects:

1) Impact on the balance of payments of consuming countries

In viewing the impact of the recent oil price increases on the balance of payments of consuming countries, it might be useful to distinguish between the developed and the developing economies. On the whole, the developed economies do not seem to face as serious a problem as do some of the developing economies. It should be emphasized that within each group there are great individual differences. For some countries, the balance of payments remains strongly favourable while for others may face serious difficulties in copying with the new balance of payments situation.

The ability of the developed economies to meet the short-run balance of payment impact of the oil price increases rests on the wider means at their disposal to meet the increased oil bills: their domestic economies are flexible and they can resort to alternative domestic and external policy measures to alleviate the new burden; their ability to borrow, if necessary, can be an effective means to cope with the new situation;

equally importantly, if no more so, is the fact that a large portion of the oil money is expected in the short-run to flow back to the major world money and capital markets.[1] This is not to deny that in the case of one or two countries which have been facing persistent and substantial deficits the recent developments in the oil prices would not add and additional burden. However, in such cases, the balance of payments problem had already been in existence and was not created by the increase in oil prices.

As for the developing economies, a number of them are likely to be able to cope with the new situation, because of one or a combination of the following reasons: (a) they maintain relatively high reserves part of which can be used to defray the increased cost of oil imports; (b) they anticipate substantial increases in their export receipts (e.g. Morrocan phosphates); and (c) their projected capital inflows seem adequate. More generally, their balance of payments outlook looks favourable. One could also add that some of the countries might have some leeway in adjusting their import priorities and economic policies. In the short-run, however, such adjustments are likely to be of a very limited nature.

At the same time there are countries whose oil import bill is relatively substantial, whose reserve position is not particularly strong and whose export proceeds are not especially favourable. These countries

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[1] Given the size and depth of these markets any such reflow is not likely to cause important disruptions. (Cf. Stauffer Ibid., pp. 324-325).

would be indeed of some form of short-run accommodation. (see section IV below).

If the short-run import of oil increases can be accommodated by one means or another, it is not unrealistic to assume that in the longer-run the process of adjustment to the new redistribution of international liquidity (other things being equal) would proceed with no great hindrance. Such an adjustment would of course be greatly facilitated by the maintenance of a properly functioning international monetary system.

2. Oil exporting countries and the international monetary system

The concern of the oil exporting countries with the international monetary system and more specifically with international monetary reform is directly related to (a) the fact that their balance of payments has been and is expected in the foreable future to remain in surplus bearing in mind that oil is an exhaustible resource and (b) they have to be concerned with how to use their investible surpluses among alternative foreign uses.

The phenomenon of persistent balance of payments surpluses has prompted the oil exporting countries to argue that they should not necessarily be subject to internationally agreed rules of adjustment but that special considerations should apply to them. Thus, in their case a currency revaluation does not solve the payments problem while for other countries whose balance of payments is in surplus such a policy would be envisaged. Apart from that, a stable international monetary is in

the interest of the oil exporting countries. Worldwide inflation and various unregulated currency adjustments (as has been the case in the past few years) pose problems of a serious nature to the management of their portfolio. These countries are interested in maintaining the real value of their assets and monetary turbulance would not only make this objective more difficult to achieve but would place additional burdens on the management of their funds.

To the extent the recent oil price developments have added a serious burden to the balance of payments of certain consuming countries and therefore to the difficulties in working out smooth processes of adjustment, then there is no reason to assume that the oil exporting countries would not consider helping the affected countries thereby contributing to the efforts to establish a stable system. The form of assistance could be either multilateral and/or bilateral. More generally in deciding on how or use their surpluses the oil exporting countries would be concerned with the impact of their action on the international monetary system. One should hasten to add, however, that the turbulance which the system has been facing is not related to the oil question (indeed, the impact of oil price increases are yet to be felt) but to other developments which we cannot go into here. On a world wide scale, the sudden increase in oil prices would add somewhat to the existing problem, but it certainly would not occupy the center of the stage. It is therefore not incorrect for the oil exporting countries to take the position that the help they extend to needy countries is motivated not by the burden of responsibility for having raised oil

prices but rather because they believe in a stable monetary system and are willing to contribute to maintaining ~~this~~ its stability.

At the same time if the oil exporting countries are expected and are willing to contribute to the stability of the system, then it realistically follows that their responsibilities in the management of this system should increase correspondingly. The oil exporting countries, in other words, should be able to exercise a greater influence than hitherto on decisions relating to international monetary reform and management.

III. Some Observations on the Alternative uses of Investible Surpluses.

A. General considerations:

Once the investible surplus over a projected period of time has been determined, the problem becomes one of maximizing return overtime. Long run maximization would involve several related decisions. An obvious decision is how the oil surplus countries are to manage their portfolio, given the short and longer yields in real terms on various alternative assets, along with the risks attached to each one of them.[1] Since it is in the interest of these countries to have a stable international monetary system, they would also have to decide on the extent and the form in which they are willing and can contribute to this stability. A stable system would minimize possible risks arising from monetary turbulance and as mentioned earlier would render portfolio management less complex. Furthermore, the Arab oil exporting countries share a community of interests with other Arab countries and, therefore,

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[1] A related decision concerns the price and rate of production of oil. Oil in the ground and financial assets are substitutes.

they would want to decide on how to strengthen financial and economic ties with these countries. Such a decision could affect significantly the economic and geographic pattern of investments of the Arab oil exporting countries.[1]

Oil is an exhaustible resource. It is essential not only that the generated oil revenues be used appropriately for the purposes of building up and diversifying the domestic economies but that the emerging surplus be invested judiciously to provide a stream of future returns which would sustain domestic growth. The judicious use of available financial resources would imply a proper diversification of holdings which accounts for projected economic as well as political interests. It would also imply the injection of an element of flexibility in their asset holdings which would permit the surplus countries to take advantage of emerging opportunities.

The rest of this section shall deal with four main issues: (1) problems of investment relating go the maintenance of the real value of oil surpluses and investments; (2) investments in the Arab countries; (3) investments in developing countries and (4) investments in the industrial countries.

B. Some problems of investment:

At any point of time a comparison of existing yields and risks among alternative assets would provide a guide to the desirable pattern of investment. Over a period of time, however, the oil exporting countries

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[1] For a discussion of certain general problems relating to the investment of oil surpluses see R.E. Mabro, "Problems of Investment" paper delivered to the Conference on "Ivestments Policies of the Oil Producing Arab Countries" Kuwait, February 18-21, 1974.

are interested in maintaining the value of their assets and returns in real terms. Two problems they have to cope with in today's world are (1) inflation and (2) currency adjustments.

The prevalance of inflation usually induces the chanelling of investments toward assets which act as a hedge against rising prices. Real estate has traditionally been one attractive outlet under such circumstances. From a domestic economic point of view such investments may not necessarily be the most desirable investments. The problem which arises therefore is how to reconcile between maintaining the value of the acquired assets, generating an adequate stream of income and effecting what might be considered a desirable pattern of investment. Indexing has been suggested as one way out, i.e. indexing of bonds and other holdings in terms of the price of a basket of goods and services. Indexing may of course prove unattainable or unrealistic. Unfortunately we cannot but pose the problem here, offering no solutions.

Even if the problem of inflation is dealt with satisfactorily, there remains the question of currency adjustments which may also lead to a decline in the real value of the assets held by the oil exporting countries. The experience of many countries since 1971 attest to the fact that currency turbulance affecting in particular reserve currencies have not only led to substantial losses but have frequently induced speculation and shifts in funds which themselves were and additional source of instability. It is perhaps useful to remark here that there is no evidence that Arab held foreign balances contributed

significantly, if at all, to the money turbulance which the major money markets have witnessed in the past few years.

There are two specific problems which the oil exporting countries faces under existing exchange rate conditions: (1) assuring that oil receipts are not depleted in real terms because the currency in which they are demominated is depreciating relative to other currencies and (2) assuring that the real value of their international reserves as well as their investible surpluses do not suffer unduly as a consequence of floating rates. Again a number of suggestions have been made in this connection, for example the valuation of oil receipts, in terms of SDR's or in terms of an Arab accounting unit which is based on weighted values of major Arab currencies. It is not certain, however, how, short of specific exchange rate guarantees extended by individual countries, there cam be safeguards against the depletion of the value of invested funds arising from currency adjustments. It is not surprising that the oil exporting countries are interested in a stable and well managed international monetary syste, and in particular in well regulated currency adjustments.

A third problem which could be faced by oil exporting countries in the use of their surpluses abroad is the possibility of arbitary and discriminatory actions by the capital receiving countries, e.g. the freezing of assets and expropriation. It is obvious that the fears of the oil exporting countries concerning the possibility of such actions should be alliviated by extending to them the appropriate guarantees.

C. Investments in the Arab Countries:

Among others, three factors are expected to influence the flow of investments to the Arab economies. The first is the availability of actual and potential investment opportunities for both public and private funds. Such opportunities do exist at the level of individual countries as well as regionally. The immediate task is to identify them, draw up the necessary programs, enact the appropriate financial legislation which would induce investments (including guarantees against take overs) and at a more general level implement policies which would maintain relative financial stability.[1] Moves in these directions have infact already been initiated by a number of Arab countries.[2]

The second factor is the development of the national money and capital markets and of an over all Arab money and capital market. Arab financial intermediation has a major potential role to play in terms of facilitating the movement of funds from one country to another in search of investment opportunities. The more developed such markets, the more efficient is resource allocation within each country and regionally. The evolution of such markets is a long run proposition. Nonetheless, it should be given high priority particularly as the already

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[1] It has been argued that developmental loans geared to program financing rather than to individual projects is a more effective method of utilizing available resources.

[2] An Inter Arab Investment Guarantee Corporation is expected to begin operation soon.

exsiting financial markets abroad act as a powerful magnet to surplus funds.

The third factor is the desire of the oil exporting countries to contribute, directly or indirectly to the development of the other Arab economies. The economic and political solidarity of the Arab world could prove to be an extremely important factor in the utilization of the available surpluses. The inter-Arab economic approach has been and can remain either bilateral (government to government) or multilateral, i.e. via the regional funds and banks. The Kuwait Fund for Arab Economic Development and the more recent Arab Fund for Economic and Social Development illustrate the multilateral approach. Other Arab regional institutions have been either established or are expected to be established.

All the foregoing factors are related to the issue of absorptive capacity at the individual country level and regionally. As noted earlier, this capacity is greatly influenced by the human element which manages the economy. The more capable this management, the more readily are potential investment opportunities identified and coordinated within an over all program and the more readily are available resources absorbed.

D. Investments in Developing Economies:

What has been observed concerning the Arab economies applies, in part, to other developing economies: their attraction to Arab surplus funds would depend upon available opportunities and the establishment

of an economic and financial atmosphere favourable to foreign investments. There are however two issues which merit special attention in connection with these countries. The first is that they should not only identify attractive investment outlets but should make special efforts to familiarize the surplus countries with existing opportunities. Secondly, there is the question of assistance to some of these countries which are facing balance of payments problems connected with the increase in oil prices. One form of assistance which has already materialized in the recently established IMF oil facility. It is financed, to the tune of about $3 billion by some of the oil exporting countries and is intended to finance the balance of payments of developing countries which have been adversely affected by the recent oil price developments. In addition a number of grants have been extended on a bileteral basis, while other forms of assistance are under discussion by the members of OPEC.

E. Investments in the Industrialized Countries:

While it is true that the effect of the oil price increases was to redistribute international liquidity in favour of the oil exporting countries, it is also true that, given the existing short-run constraints on the absorptive capacities of the economies of the oil exporting and other Arab countries, there will probably occur in the short-run at least a large reflow to the industrialized countries. The nature of this reflow could take the form of direct investments e.g. establishment of industries and purchases of real estate or via the major money and capital markets including the Eurodollar market.[1]

[1] Joint ventures in the economies of the oil exporting countries themselves constitute another important channel.

The attractions of the industrialized countries for the oil surpluses are many: the great variety of available real assets and instruments of debt, the relative ease with which information can be secured, the available technical knowhow and facilities, established financial traditions, traditional economic and financial ties between the oil exporting and the industrial countries, etc.[1] The short-run reflow of oil surpluses is not expected to cause any under disruptions to financial markets because of their depth, size and flexibility.

To the extent that surplus funds reflow to the industrialized countries, this would of course ease the process of their balance of payments adjustment to the new oil situation, though the incidence of the reflow would differ from one country to another.[2] But while the economies of the industrialized economies might be alleviated by this defacto recyling of Arab surplus funds, the oil exporting countries are still faced with the problem of maintaining the real value of their assets. Perhaps more concreted efforts at economic and financial cooperation between the two parties directly or via the intermediation of international financial organizations could lead to some satisfactory results in this regard.

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[2] Alleviation of the balance of payments burden of the industrialized countries would also take place on the current account since the larger portion of oil exporting countries expenditure on goods and services will be made in these countries.

[1] At the same time, policy considerations by the oil exporting countries could limit such reflow despite existing attractions.

IV. Conclusions.

(1) The recent oil price adjustments could be regarded as a correction for the past undervaluation of oil and, by consequence, the previously relatively inadequate level of oil revenues accruing to the oil exporting countries. Whether this correction is sufficient, insufficient or more than sufficient is a separate issue not dealt with in this paper.

(2) The emergence of substantial oil revenues focuses attention on the developmental problem of the oil exporting countries: their ability to transform oil revenues into real resources, i.e. their absorptive capacity in the short and the longer run.[1] Oil is an exhustible resource and the importance of its judicious use for building up and diversifying the domestic economies of the oil exporting countries in accordance with rational plans cannot be overstated. Rational foreign investments of surpluses which provide a continuing future income stream is equally important. The concept of a surplus refers to the amount available for investment after allowing for absorptive capacity (either at the individual country level or at the level of the Arab economies combined) and for any desirable increases in the level of international reserves of the countries concerned.

(3) The impact of the oil price increase on the balance of payments of consuming countries is expected to vary from one country to another. On the whole, the industrial economies

1) The industrial countries can play a role in this connection: participating with the Arab oil exporting countries in widening and deepening their industrial base.

are likely to cope effectively with the new situation; many of the developing countries will also be able to cope with it particularly those countries which are benefiting or have benefited from the rise in commodity prices and also maintain relatively high levels of international reserves. For other countries short-run accomodation has been forthcoming through multilateral and/or bilateral channels; additional assistance by oil exporting countries could be expected. This question highlights the new responsibilities of these countries in the international monetary system and the need to have them assume a larger role than hitherto in its management particularly as they are concerned with contributing to its stability.

(4) In deciding on alternative uses of their investible surpluses, the oil exporting countries have to be concerned with maximising their return, in real terms, over time, and with maintaining the real value of their oil receipts. Yields on various alternative short and longer term assets have to be adjusted for inflationary trends while possible currency adjustments have to be taken into account. Similarly, the oil exporting countries would like to assure, by one means or another, that the value of their oil receipts in real term is being maintained. Certain suggestions have been made to cope with these various problems but perhaps fully acceptable solutions have yet to be worked out. An additional concern of these countries is to secure adequate guarantees against expropriations and similar acts.

(5) Turning to the geographic pattern of the Arab oil investments, their flow to other Arab countries will be governed by available opportunities as well as by the effectiveness and strength of inter-Arab economic and political solidarity. The flow of Arab oil money to other developing economies where potential opportunities do exist is likely to be governed by the extent to which the surplus countries are familiar with these opportunities and with the adequacy of guarantees extended to foreign investments by the host countries; some funds will also flow in connection with aid programs sponsored by the oil producing countries whether directly or via international organizations. Given the short-run constraints on the absorptive capacities of the Arab economies, a ~~large~~ portion of the Arab surplus funds is expected to reflow to the major ~~Western~~ world money and capital markets, which might provide a number of attractions for such funds or through direct investments in the industrial countries. Given the size and depth of ~~those~~ money & capital markets it is unlikely that the reflow would cause any important disruptions. The industrial economies' balance of payments will be alleviated not only by this defactor recycling of Arab surplus funds but also by the increasing expenditures of the Arab oil exporting countries on goods and services, a ~~the larger~~ large part of which is expected to originate in the industrial countries.

A Tunisia 30

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C O N V E G N O

"LE PROSPETTIVE DI COOPERAZIONE ECONOMICA TRA L'INDUSTRIA ITALIANA E I PAESI ARABI"

IPALMO
(Cosenza, 12 - 14 luglio 1974)

PIANO DI SVILUPPO INDUSTRIALE IN TUNISIA

HADJ ALI MOKTAR

Direttore Ufficio Affari Economici del Partito Socialista Destouriano

Je commencerai par réitérer mes remerciements pour les organisateurs de cette rencontre et je m'excuse auprès de mes collègues participants de ne pas avoir pu faire ma communication par écrit et vous l'avoir distribuée dès le début, et ceci pour des raisons que j'ai déjà expliquées aux organisateurs de cette rencontre.

Mon intervention va porter sur les possibilités d'investissements et de développement industriels en Tunisie dans le cadre d'une vision globale de la coopération et de la collaboration entre la Tunisie, le monde arabe et le monde méditerranéen d'une part, et le monde occidental, et particulièrement les pays du Marché Commun - dont l'Italie fait partie- d'autre part.

En effet, depuis 1960 et le démarrage de la planification en Tunisie, le pays s'est engagé dans une voie irréversible de décolonisation économique. Cette dynamique dans laquelle s'est engagée la Tunisie s'inscrit, comme je l'ai déjà dit, dans un cadre national mais aussi dans une vision de complémentarité entre les pays arabes et méditerranéens d'une part, et l'occident - et spécialement les pays du Marché Commun - d'autre part.

Sur le plan optionnel et au niveau des relations bilatérales et multilatérales, cette dynamique de développement et de coopération s'inscrit dans le cadre d'une nouvelle vision de relations économiques.

Cette nouvelle vision se base surtout sur le désir de remettre les relations économiques internationales sur des bases d'équilibre, relations entre monde en voie de développement et monde nanti.

En effet, la guerre, le conflit du Moyen Orient constitue le détonateur qui ébranla les structures bloquées, et ceci devant les négociations et devant l'échec de ces négociations entre pays arabes et monde occidental, lequel échec est qui engage les pays arabes dans une véritable bataille de libération économique. Et - c'est la révélation - c'est pourtant que des pays du Tiers Monde en général, et arabes en particulier, ont osé se dresser pour redresser unilatéralement la situation à l'opposé.

Ce que les pays nantis appellent 'crise de l'énergie' n'est en fait que la preuve que les pays en voie de développement en général, et le monde arabe en particulier, sont capables aujourd'hui de maîtriser un peu mieux leur destin.

Le relèvement, ou plutôt le réajustement du prix de pétrole, décidé unilatéralement par les pays arabes producteurs de pétrole, est un acte de souveraineté économique qui annonce le début d'une remise en cause effective de la politique économique internationale.

En effet, l'exemple des pays arabes a été immédiatement suivi par les autres producteurs de pétrole, puis par d'autres pays pauvres mais producteurs de matières premières. La plupart des ressources minières ou végétales des pays du Tiers Monde connaissent déjà un début de valorisation qui compense particulièrement l'érosion monétaire subie ces dernières années.

Un autre pas a été franchi avec la cascade des nationalisations et des prises de participation dans les compagnies étrangères exploitant des ressources.

Un phénomène de solidarité agissante se manifeste alors entre les pays du Tiers Monde qui voient dans la contribution et la constitution des groupements d'intérêt un moyen efficace de lutte contre l'hégémonie du monde développé. C'est une véritable dynamique de la décolonisation économique qui est déclenchée.

De l'autre côté, les nations riches sont d'abord prises de peur et de panique. Leur premier réflexe relève encore de cette myopie traditionnelle en la matière qui les empêche de concevoir les réformes nécessaires dans le cadre d'une évolution pourtant inéluctable.

On étudie plutôt les moyens de répercuter les hausses des prix des matières premières dans les prix des produits manufacturés, on s'évertue à inventer des formules de plus en plus sophistiquées, à caractère apparemment technique, en vue de canaliser les flux monétaires nouveaux, comme s'il ne devait s'agir que d'adaptations de systèmes dont on vante la souplesse, et comme si l'hégémonie des nations riches sur le Tiers Monde devait être perpétuelle.

Dialogue des sourds, escalade vers une guerre économique, rébellion et revanche du Tiers Monde, en un mot le développement du Tiers Monde est-il incompatible avec le progrès des pays riches? La tentation de l'escalade est réelle, les risques de confrontation ne le sont pas moins. Les pays développés sont partagés entre le désir de ne rien changer et la conviction qu'on ne peut reporter indéfiniment les solutions fondamentales.

Pour sa part, la Tunisie qui a toujours cru en la coopération internationale, comme source de progrès pour tous, et qui a bénéficié depuis son indépendance d'une contribution étrangère substantielle au financement de ses investissements, estime que ces tentations et ces risques de confrontation et d'affrontement persisteront tant que de nouvelles bases n'auront pas été adoptées pour lacoopération économique entre les peuples.

De cette vision nouvelle du monde que relève le plan Bourghiba pour la coopération, inspiré de cette philosphie sur laquelle la Tunisie a basé toute son action politique. Pour la Tunisie la lutte pour l'indépendance n'a jamais signifié haine ou vengeance mais substitution de rapports de coopération entre partners égaux à des rapports de domination entre colonisateurs et colonisés.

S'agissant des relations économiques internationales, la Tunisie reste fidèle à sa doctrine. Il faut substituer à la politique économique actuelle des pays riches des relations de coopération et d'entr'aide entre peuples égaux, assurant avec la même volonté au développement et au progrès.

Entre les deux mondes qui risquent de s'affronter il n'y a pas d'incompatibilité d'intérêts, mais au contraire il y a complémentarité de ressources et convergeance d'objectifs. Que les pays développés acceptent une révision des rapports de domination et l'antagonisme cédera la place à une coopération, tout cela constitue une réelle vision nouvelle de la coopération internationale.

En fait, s'il est vrai que la décision des pays arabes producteurs de pétrole a mis à nu le 17 octobre 1973 la tragique division du monde en peuples riches et peuples pauvres, il n'est pas moins vrai qu'elle a surtout démontré à quel point ces peuples ont besoin les uns des autres. La pauvreté n'est pas toujours faiblesse mais la richesse n'est pas nécessairement développement.

Les atouts ne sont plus du même côté. La coopération internationale indispensable devient ainsi négociable. Elle reprend sa pleine signification avec l'émergence d'un nouveau type de rapports économiques entre nations. Ce nouveau type de liens entre pays en voie de développement et pays développés implique une charte universelle de développment qui consacrerait cette nouvelle philosophie ainsi que les principes directeurs qui doivent régir la coopération internationale.

Premièrement, il importe d'abord que les pays développés conviennent que le développement du Tiers Monde ne peut que les aider eux-mêmes à se développer, et que la remise en cause du système actuel ne peut impliquer ni inversion de rôles ni revanche. Il faudra que le monde développé comprenne qu'il a intérêt - ce n'est pas seulement une question de doctrine - à envisager le développement du Tiers Monde pour accroître ses propres possibilités d'avancer et de progresser.

L'exemple du Canada est éloquent. Son industrialisation n'a jamais porté préjudice à l'économie des Etats Unis, bien au contraire, elle a offert à ce pays développé de nouvelles possibilités. De même le développement des Etats Unis a favorisé un plus grand développement de l'Europe. N'est-il pas évident aujourd'hui que le développement de l'URSS et de la Chine va profiter considérablement aux économies américaines, japonnaises, européennes sans qu'il y ait rapports d'exploitation ou de domination? C'est que le progrès appelle le progrès, tout comme la misère appelle la misère.

Dire que la coopération sera contractuelle c'est dire que le cadre 'donneur-receveur', 'assistant et assité' a vaincu. Une coopération contractuelle implique des partners égaux et des obligations réciproques, équilibrées, estimées équitables pour les deux pays.

Mais parler du développement c'est aussi le plus souvent évoquer l'industrialisation. Pour nous,une industrialisation véritable n'est concevable que dans la mesure où elle est basée sur la transformation sur place de la ressource naturelle ce qui est à même de permettre de résoudre définitivement le problème des prix des produits de base et la détérioration des termes d'échange et de fournir une clef naturelle et indiscutable pour la répartition du travail et la redistribution des richesses.

Parce que dans notre esprit, là où il y a matières premières il n'y a aucune raison de les transporter à 10.000 lire le km pour les transformer sinon celle d'accaparer toute la richesse. Ceci est d'autant moins justifié que ces pays avancés transplantent des millions de travailleurs pour faire face aux besoins de leur croissance et, en termes clairs, pour traiter les matières premières importées.

Ceci ne veut point dire que nous préconisons l'abolition du commerce des matières premières. Sa valorisation sur place ne peut être que progressive. Pour cela, une Charte de Développement sera la charte du redressement et des équilibres à partir duquel des contrats spécifiques

de développement pourraient être conçus.

C'est d'ailleurs dans cet esprit que la Tunisie va entamer dès le mois de septembre 1974 la négociation d'un nouveau contrat avec le Marché Commun Européen.

Sur le plan national, depuis janvier 1973 la Tunisie s'est engagée dans la réalisation de son quatrième plan - qui est quadriennal, 1973 - 1976 - lequel plan s'inscrit dans le cadre de la deuxième décennie de développement, 1973-1982. Ce plan quadriennal dont je parle fixe comme finalité première la promotion de l'homme. Cette promotion passe avant tout par l'emploi et le relèvement des économiquement faibles. A la suite, le second objectif d'ailleurs, est le dégagement de la tutèle financière étrangère. A titre d'exemple je vous citerai que le pourcentage du financement des investissements tunisiens au cours de la première décennie, 1962-1971, représentait 45% contre 55% de financement intérieur. Pour le plan quadriennal 1973-1976,ce pourcentage de financement extérieur descendra jusqu'à 20% et nous espérons n'atteindre que 18%.

Pour cela, la Tunisie figure parmi les premiers pays à avoir pris des mesures efficaces pour l'encouragement de l'industrie et l'encouragement aussi des industriels étrangers à s'installer sur son sol dans le but de produire pour le marché national d'une part et pour l'exportation de l'autre.

Je dois ici citer une loi - c'est la loi du 27 avril 1972 - portant encouragement des industries exportatrices installées en Tunisie. Je donne comme exemple que les industriels italiens ont été déjà invités pour une première visite en Tunisie et l'ont déjà rendue durant le premier trimestre 1974; c'est une délégation qui représentait la Confindustria italienne qui est venue en Tunisie pour voir et connaître les vraies possibilités et les réels encouragements que la Tunisie offre à l'industrie italienne sur son sol national.

Donc, pour faciliter ce contact et pour rendre ce contact plus facile entre industriels italiens, et étrangers en général, d'une part et industriels tunisiens ou possibilités nationales tunisiennes, une agence de promotion des investissements a été créée et les agréments, à titre d'exemple, qui ont été déjà accordés dans le cadre de cette loi 1972 ont atteint jusqu'au mois de juin 1974 un volume de 250 millions de dollars dont 25% sont destinés pour l'industrie exportatrice.

Parmi les industries susceptibles d'être développées et sur lesquelles le quatrième plan de développement national met une importance particulière, nous pouvons citer les industries alimentaires, les industries de transformation ... de conservation des produits agricoles, les industries du cuir et de la chaussure, les industries diverses telles que le matériel de précision, les industries de plastique et celles surtout de la pétrolchimie et des dérivés du pétrole.

Sur ce point, bien que la Tunisie, n'étant pas grand producteur de pétrole - ceci je donne à titre d'exemple, que la production tunisienne en matière de pétrole aujourd'hui est de 4.300.000 tonnes - et il est prévu pour 1976 qu'on arrive à 10 millions de tonnes, et d'ailleurs ce n'est pas une prévision en l'air mais c'est une prévision qui se base sur des données réelles, sur l'état d'avancement des recherches - donc bien que la Tunisie n'est pas un grand producteur de pétrole, elle a été le premier pays à avoir fait avec l'Italie une réelle politique énergétique. Et je veux citer ici la partie ENI Italienne.

Cette politique va de la recherche jusq'au raffinage. La première raffinerie, d'ailleurs, qui a été installée a Biserte, en Tunisie, est une raffinerie tuniso-italienne. Sa capacité de production... de raffinage est de 1 million de tonnes, et à partir de 1975 nous entamons l'installation d'une nouvelle usine de raffinage d'une capacité de 6 millions de tonnes dans la région de Gabès, vu que toute la région de Gabès au sud tunisien constituera pour nous le pôle de développement industriel pour toute la Tunisie et d'ailleurs c'est le point d'attraction et de coopération pour l'installation d'une industrie en commun avec la Libye ou avec d'autres pays européens.

Dans ce secteur de pétrole nous considérons qu'une véritable coopération entre pays arabes et l'Europe serait de grand intérêt parce que le pétrole n'est plus pour nous un générateur de royalties mais au contraire un propulseur des économies nationales des pays arabes. Le pétrole propulseur d'économies nationales est une source enrichissante d'industrialisation.

L'exploitation des dérivés du pétrole est d'une rentabilité réelle comme le développement d'ailleurs du secteur de la pétrolchimie.

Quant aux investissements dans ces différents secteurs, dont j'ai énuméré certains exemples et ceci à titre indicatif et non limitatif, ils doivent provenir des possibilités nationales ou des financements

extérieurs, et arabes en particulier. Nous avons promulgué un code des investissements qui est riche en encouragement.

Nous classons les projets qu'on doit agréer ou qu'on doit encourager suivant la nature du capital, suivant la structuration du capital, suivant l'activité et suivant le nombre d'emplois agréés, ceci en égard au problème fondamental auquel on accorde l'importance première, c'est la création d'emplois.

D'autres éléments de classement à part le capital, d'autres éléments donc d'appréciation, peuvent être pris en considération et surtout la priorité de l'investissement en cause, le lieu d'implantation du projet en Tunisie, la nature de l'activité, le nombre d'emplois payés et surtout la nature de l'apport en capitaux, en devises ou en dinars tunisiens, ainsi que le degré d'integration industrielle et le montant des exportations par rapport au chiffre d'affaires.

Ici - je ne veux pas retenir encore votre attention pour vous citer les différents avantages, ils existent dans le Code des Investissements d'ailleurs - pour terminer, je ne peux pas passer sans parler des possibilités qui s'offrent avec la réalisation de plus grands projets: eurméditérranéens. Je veux citer le gazoduc liant l'Algérie, la Tunisie et l'Italie. Ce projet créera - nous en sommes sûrs - des liens permanents et non des liens mercantiles entre les trois pays.

Je vous remercie de votre attention.

A Siria 30.1

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HIGHLIGHTS ON INDUSTRIAL DEVELOPMENT IN THE SYRIAN ARAB REPUBLIC

by

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PAPER PRESENTED TO THE SYMPOSIUM ON "PROSPECTS OF ECONOMIC CO-OPERATION BETWEEN ITALIAN INDUSTRY AND THE ARAB COUNTRIES", ORGANIZED JOINTLY BY THE UNIVERSITY OF CALABRIA AND IPALMO INSTITUTE, IN COSENZA, ITALY, 12 - 14 JULY 1974.

July 1974

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I. INDUSTRIALIZATION: ITS OBJECTIVES AND ROLE IN THE DIVERSIFICATION OF THE ECONOMIC STRUCTURE.

Elimination of economic backwardness in any developing country requires that domestic development potentials be steadily and appreciably increased and a diversified economic structure set up which would enable the various sectors to make their own contribution within a well defined development plan. Evidently, industrialization offers in this respect one of the most importment and effective tools to help achieving this vital target.

Diversification of economic structure is a pressing need in developing countries and is a complex and inter-related operation and, so far, there is no single formula that may account for its different aspects. Diversification is not a target in itself, but is a means of attaining higher levels of efficiency and productivity in national economy.

Moreover, realization of economic development through diversification requires not only changing the prevailing structure and establishing new industries, but also setting up an optimum balance between the various branches of national economy in each stage of the economic development process. This would enable achievement of economic progress at the least possible costs and avoid lowering development rates determined in the plan.

In order to have an insight into the possibilities of diversification and determine optimum priorities, it is essential to carry out general surveys so as to get acquainted with the extent of availability of natural resources and determine their locations, as a preliminary step towards studying the possibilities of their utilization for industrialization purposes.

An important factor that should be borne in mind in the industrial development process is the close control of the extent of both industrial and agricultural development, particularly in those countries which still are mainly agricultural, like the Syrian Arab Republic. The reason for this lies in the fact that an imbalance between the growth of agriculture and that of industry can have unfortunate consequences on the growth of the economy as a whole.

Industrialization consists of the implementation or expansion of a continuing and ever-growing series of industrial development projects. The objectives of industrialization are many many-faceted and it is of the utmost importance to define them in as clear, comprehensive and explicit terms as possible, despite the difficulty that such definition involves. Nevertheless, a preliminary, but by no means complete list of possible major objectives of industrialization may be drawn up as follows:

1- To raise living standards.

2- To promote manpower employment.

3- To accelerate the rate of development of the industrial sector and broaden the range of manufactured goods produced.

4- To develop greater economic independence.

5- To ensure that new investment in each branch of industry makes appropriate use of the economies of large scale production and modern technology.

6- To achieve certain balance-of-payments objectives, for example, by developing an appropriate mix of import-substitution and export-oriented industrial production.

7- To direct new investment into those branches of industry or projects that have government priority.

8- To promote the desired geographical distribution of new industrial activity.

9- To promote a more equitable distribution of income.

10- To develop and maintain the desired balance between public and private ownership of industrial projects.

11- To ensure that a sufficient volume of finance is available on appropriate terms for the industrial sector.

12- To ensure the development of a growing and adequate body of experienced entrepreneurs and trained industrial managers.

13- To ensure the development of an adequate supply of engineers, technologists and technicians.

14- To promote the development of national technology and research, suited to the conditions and resource endowments of the country.

15- To make maximum use of the opportunities for regional co-operation in the field of industrial development.

Achievement of these objectives requires the formulation of long-range industrial development plans and programmes, as well as the design of a soundly conceived and consistent set of industrial policies and policy measures that would ensure availability of suitable implementation tools.

II. DEVELOPMENT AND PLANNING

The process of economic development is characterized by being a dynamic and continuously active one, and liable to adjustments depending upon changes in prevailing conditions. Consequently, the same applies to the planning process.

Economic planning may be defined as a scientific forecast based on the use of objective economic laws and knowledge of the trends followed by the different productive branches as well as of the needs and requirements of the society and possibilities of developing it. Planning, therefore, constitutesan important means of accelerating progress and is mainly the responsibility of the state.

Planning in this sense of the word is a relatively recent event in the Syrian Arab Republic. Its first application was on a limited scale, both in scope and aims, and its main objective was rationalization of investments in the public sector. Then it passed through various stages until it settled in the form of integrated and systematic programmes of economic and social development covering both the public and the private sectors. This was in the early 1960s which witnessed the issue of the First Five-year Plan for Economic and Social Development, 60/61-64/65The Second Five-year Plan 1966-1970 followed next, then the Third Five-year Plan 1971-1975, which is the one in force at present.

During the period 1955-1960, priority was given to infra-structure development projects. In the First Five-year Plan attention centred mainly on agriculture, while in the Second Five-year Plan the main stress was on the introduction of fundamental changes in the economic and social structure of the Country, in order to achieve a continuous self-supported development which would lead to uplifting the economic and social welfare of the Syrian people in the near future, to raise living standards in urban and rural areas to acceptable levels, to establish an industrial foundation which would cope with domestic natural and agricultural potentialities and to raise agricultural productivity. The Third Five-year Plan, however, aims basically at completing the building of the industrial base by the development and modernization of existing industries and the establishment of industries which would enable the Country to exploit its natural and agricultural resources. Investment allocations envisaged in the Plan give first priority to the industrial sector. Agriculture comes next followed by other sectors. The Plan's target is to make the contribution of industry to national income not less than that of agriculture.

III. INDUSTRIAL DEVELOPMENT ACHIEVEMENTS

Overall economic appraisal of the performance of the industrial sector during the 1960s reveals the achievement of an appreciable progress in most branches of industry. Such progress, however, accelerated since the early 1970s when a number of new industrial projects started actual production after completion of trial runs. Among these projects mention may be made of the following: steel rolling mill, nitrogen fertilizer plant, fine cotton-yarn plant and exploitation of rock salt and phosphate rock deposits.

However, since the early 1970s and precisely since the Corrective movement of 16 November 1970, Syria gave big and sound steps in the context of industrial development. This is evident from the fact that Gross Domestic Product (GDP) in the manufacturing sector achieved during the period 1970-1972 an annual growth rate of 13.0%, while the corresponding figure for the period 1960 - 1970 was 5.6%.

Mention may also be made of the measures adopted in the early 1970s which aimed at providing a number of incentives to the private sector to encourage it to invest in the productive fields and play a positive role in strengthening the national economy and develop it in the field of industry, beside the public sector which leads the process of economic development. Thus while the Third Five-year Plan for Economic and Social Development estimated investments in the private industrial sector at 150 million Syrian pounds, i.e., at an average annual rate of 30 million Syrian pounds, licenses granted to the private sector during the period 1971 - 1973 for the establishment of new industrial enterprises or the enlargement of existing ones were as follows:

Year	1971	1972	1973
- Number of licenses granted	1237	770	993
- Estimated investments involved (LS million)	106.4	99.0	130.2

The Syrian Arab Republic makes ever increasing efforts to strengthen, expand and develop its industrial base. Thus the Second Five-year Plan 1966 - 1970 resulted in establishing a number of new industries, such as: nitrogen fertilizer, tractor assembly and agricultural implements, steel rolling, onion dehydration, china table-ware, telephones and telephone exchangers, etc., in addition to the large expansion and development schemes introduced into many other existing industries, like: textiles, portland cement, sugar, vegetable oils, soap, food canning, refrigerators and other metal-working industries, television sets, etc.

Allocated investments of the Third Five-year Plan 1971 - 1975 amount to 8000 million Syrian pounds; industry, fuel and power are the sectors to which the largest allocations have been made, as follows:

		Allocations (LS million)	Percentage with respect to total Plan allocations.
- Industry	public sector	1173	14.65 %
	private sector	150	1.88 %
	Total	1323	16.53 %
- Fuel and power		1014	12.67 %

However, a number of projects have recently been added to the Plan, particularly in the industrial field. These will be mentioned later on.

In order to give an overall picture of the achievements of industrial development in the Syrian Arab Republic, a number of statistical indices closely connected with the subject may be referred to, namely: industrial output ,value added, labour force, fixed capital formation, power consumption and exports.

A brief review of these indices is given in the following paragraphs.

1- Industrial output.

The average annual growth rate of industrial output during the period 1964 - 1972 reached 8.7%, which exceeds the average annual growth rate of gross output for all sectors for the same period by 2.1%, the latter being 6.6%.

Table 1 gives the value of the gross output at factor cost in the various economic sectors during the period 1964 - 1972:

Table 1. Value of Gross Output at Factor Cost by Sectors

(LS million, at constant 1963 prices).

Sector	1964	1966	1968	1970	1972
- Agriculture	1572	1285	1307	1373	1764
- Mining and manufacturing *	1678	1879	2053	2609	3086
- Building and construction	322	363	421	445	559
- Transport and communications	475	524	675	796	842
- Finance and insurance	85	87	97	125	164
- Wholesale and retail trade	840	890	901	1085	1250
- Ownership of dwellings	307	324	340	362	387
- Government	600	627	755	913	1209
- Services	310	365	417	480	579
Total	6189	6344	6966	8188	9840

Indices of gross output at factor cost for some sectors during the period 1964 - 1972 are shown in Table 2.

Table 2. Indices of Gross Output at Factor Cost.

(1963 = 100)

Sector	1964	1966	1968	1970	1972
- Agriculture	112.2	91.7	93.3	98.0	125.9
- Mining & manufacturing*	104.5	117.0	127.9	162.5	192.3
- Building and construction	99.4	112.0	129.9	137.4	172.6
- Transport and communications	114.5	126.3	162.7	191.8	202.9
Total	107.5	110.2	121.0	142.2	170.9

(*) Including: electricity, gas and water.

It is evident from figures mentioned in Tables 1 and 2 that industrial output almost doubled during the period 1963 - 1972, i.e., it increased by 92.3%. This is a clear indication of the rapid growth rate achieved by Syrian industry during that period. It is also evident that since the late 1960s industrial output began to realize higher growth rates than in previous years, due to economic prosperity of the various sectors as a result of the good agricultural harvest in 1969 and the start-up of production in a number of new industrial projects, besides the increase in the contribution of the oil sector in particular.

Table 3 shows the contribution of the various industries to the gross manufacturing output during the period 1968 - 1972.

Table 3. Contribution of the various industries to gross manufacturing output (At current prices, LS million)

	1968		1970		1972	
	LS million	%	LS million	%	LS million	%
a- Consumer goods industries:						
1- Food processing, beverages and tobacco industries.	516	29.9	863	36.8	1066	29.3
2- Textiles, wearing apparel and leather industries.	726	42.2	836	35.7	1550	42.5
3- Wood and furniture industries	72	4.2	88	3.8	149	4.1
4- Paper, printing and publishing industries	14	0.8	20	0.9	25	0.7
5- Basic metal industries	95	5.5	132	5.6	303	9.0
6- Metal products industries	15	0.9	20	0.9		
7- Domestic personal services	-	-	39	1.6	-	-
8- Miscellaneous	16	0.9	5	0.2	25	0.7
Subtotal	1454	84.4	2003	85.5	3118	86.3
b- Basic intermediate industries:						
1- Chemical industries and chemical products	183	10.6	231	9.9	459	12.6
2- Non-metallic products industries.	85	5.0	109	4.6	77	2.1
Subtotal	268	15.6	340	14.5	536	14.7
Total manufacturing industries.	1722	100.0	2343	100.0	3654	100.0

Figures given in Table 3 reveal that consumer goods industries rank first in relation to gross manufacturing output, accounting for about 85% of the total. The most important industries of this category are food processing, beverages and tobacco industries and the textiles, wearing apparel and leather industries, which account for about 72% of the gross manufacturing output and about 85% of the total output of consumer goods industries. Moreover, it should be pointed out that main bulk of production of consumer goods industries goes to local consumption and only limited amounts are exported.

The contribution of basic intermediate industries to gross manufacturing output is very low, representing only about 15%.

It is evident from these figures that the Country is still in the relatively first stages of industrialization, where the main proportion of industrial production comes from the consumer goods industries which are basically intended to serve the domestic market.

Data representing the manufacturing output in 1970 produced in enterprises belonging to:

a) The public sector

b) The private sector and

c) Mixed ownership

show that the largest proportion of manufacturing output comes from the public sector which accounts for 63.45%. The proportion accounted for by the private sector is 36.51%, while the contribution of enterprises with mixed ownership is almost negligible, representing only 0.04%. Relative figures and percentages are shown in Table 4. Such data clearly indicate the leading role played by the public sector in the industrial development of the Country, which is in line with the economic policy of the Government.

Table 4. Distribution of manufacturing output according to ownership of enterprises, 1970.

(at current prices, thousand Syrian pounds).

	manufacturing output	percentage
a- Public sector	1 487 116	63.45
b- Private sector	855 589	36.51
c- Mixed ownership	856	0.04
Total	2 343 561	100.00

2- Contribution of local industries to supplying domestic demand for manufactured goods.

Most of the new industries established over the last 20 years have concentrated on supplying the domestic market, with the net result that the pattern of industry did not change very much during the said period.

Local industries have been able to supply the domestic demand for manufactured goods (i.e., local production plus imports minus exports) to quite a good extent, reaching 79.6% in 1960 and 84.7% in 1970, as shown below.

	1960	1970
	LS million	
- Gross output, producer's value (at constant 1963 prices)	1424.7	2643.9
- Imports of manufactured goods	473.0	551.0
- Total	1897.7	3194.9
- Exports of manufactured goods	107.0	71.0
- Total demand for manufactured goods:	1790.7	3123.9
- Proportion of domestic demand satisfied by the local industry	79.6 %	84.7 %

3- Value added in industry

Value added in the industrial sector increased during the period 1964 - 1972 by 88%, i.e., by an annual growth rate of 8.2%, compared with the increase in all sectors of the economy during the same period which amounted to 51%, i.e., by an annual growth rate of 6.1%.

Table 5 gives the composition of the Net Domestic Product (NDP) at factor cost from 1964 to 1972 and shows the actual share as well as the percentage contribution of the major economic sectors to NDP .

It is evident from this table that the contribution of the mining and manufacturing sector to NDP showed a steady increase during the above mentioned period, and while it was 15.0% in 1964, it became 18.5% in 1972.

Table 5 also indicates that the most important economic sector is agriculture and that fluctuations in the contribution of this sector to NDP are reflected in the contribution of other sectors. This reveals the need for a radical change in the composition of

the Net Domestic Product in favour of manufacturing industry.

In this context it may be useful to show the contribution of labour force to the realization of value added in industry, since it enables estimation of employment efficiency and labour productivity in general. This index is given in the form of a ratio of value added to the number of persons employed in industry, as shown in Table 6.

Table 5. Composition of Net Domestic Product at factor cost

(At constant 1963 prices, LS million)

Sector	1964		1966		1968		1970		1972	
	NDP	%	NDP	%	NDP	%	NDP	%	NDP	%
- Agriculture	1292	33.7	1008	17.1	1025	24.3	1086	22.2	1443	24.9
- Mining and manufacturing*	574	15.0	577	15.5	693	16.4	920	18.8	1079	18.5
- Building and construction	104	2.7	121	3.3	142	3.4	141	2.9	183	3.1
- Transport and communications	323	8.4	339	9.1	451	10.7	556	11.4	597	10.3
- Wholesale and retail trade	535	13.9	544	14.6	621	14.7	672	13.7	720	12.4
- Other sectors	1006	27.3	1131	30.4	1289	30.5	1513	31.0	1794	30.7
Total	3834	100.0	3720	100.0	4221	100.0	4893	100.0	5816	100.0

(*) Including electricity, gas and water.

Table 6. Value added per person employed in industry

(At current prices)

	1966	1968	1970	1971	1972
- Value added in industry (LS million	645	743	1079	1456	1702
- Number of persons employed in industry (thousand)	117.0	120.3	140.7	173.6	200.0*
- Value added per person employed (LS)	5509	6172	7669	8390	8510

Value added per person employed in industry, as shown in Table 6, is low because of low productivity and redundant labour in many instances, a fact which stresses the need for adequate training in order to create a highly skilled and productive labour force. It also points to the need to introduce the principle of granting incentives and to link wages with production.

4- Labour force in industry

Although industrial development and expansion of industrial activities resulted in an increase in the number of persons employed, industry still suffers from a shortage of skilled labour, despite continued Government efforts to provide training and experience to the largest possible number of workers, in the steadily increasing number of training institutions and vocational training centres it has established.

Table 7 shows the development of the number of workers in industry during the period 1966 - 1971.

Table 7. Development of number of workers in industry

- Year:	1966	1967	1868	1969	1970	1971
- Number of workers (thousand)	117	115	120	125	141	174
- Index number	100	99	103	107	120	148

These figures show that the number of workers in industry started to increase at a higher rate by the end of the Second Five-year Plan 1966 - 1970, as a result of the implementation and start-up of a number of new projects listed in the Plan, besides the expansion underwent by the oil industry.

(*) Estimated figure

5- Fixed capital formation in industry

Fixed capital formation in the mining and manufacturing sector reached LS.400 million in 1972, compared with LS. 106 million in 1965, i.e., the increase achieved during the period 1965 - 1972 amounted to 277%; the average annual growth rate is 21%, a figure which has not been reached by any of the other economic sectors. This points out clearly to the great efforts made by the State to change the structural composition of national economy in favour of industry. Moreover, fixed capital formation in industry alone represents about one third of the total fixed capital formation for all sectors of the economy. Next to industry in this respect comes agriculture, then building and construction, followed by transport and communications.

Table 8 gives the distribution of total fixed capital formation over the various economic sectors during the period 1965-1972.

Table 8. Distribution of fixed capital formation by sectors.

(At fixed 1963 prices, LS. million)

	1965	1966	1968	1970	1972
- Agriculture	67	48	52	210	215
- Mining and manufacturing*	106	175	235	152	400
- Transport and communications	95	123	153	135	91
- Dwellings	104	117	150	202	194
- Other sectors	85	93	125	89	112
Total	457	556	715	788	1012

Moreover, it is expected that the percentage contribution of industry to fixed capital formation will show a large increase during the Third Five-year Plan, 1971 - 1975, due to the special interest devoted in the Plan to the industrial sector to make it a leading sector in national economy.

6- Power consumption in industry

As a result of the industrial development strategy followed by the Country which aims at changing the structural composition of national economy by increasing the percentage contribution of industry to national income, important developments occurred in electric power consumption in the industrial sector since the end

(*) Including: electricity, gas and water.

of the Second Five-year Plan, 1966 - 1970, when a number of large industrial projects implemented entered the production stage.

Power consumption in industry during 1972 showed an increase of 95% over the corresponding figure for 1965, i.e., the average annual growth rate reached 10.1%.

Table 9 shows the development of electric power consumption in industry during the period 1965 - 1972, as follows:

Table 9. Development of electric power consumption in industry.

Year	Total power consumption in the Country (million KWh)	Power consumption in industry (million KWh)	Percentage of power consumption in industry to total consumption %
1965	540	339	63
1966	570	357	61
1967	590	366	61
1968	620	401	64
1969	772	510	66
1970	850	511	60
1971	872	559	64
1972	997	664	66

It is evident from Table 9 that the percentage of electric power consumption in industry to total consumption in the Country ranges between 60 and 66%.

7- Industrial exports.

Syrian total export figures showed a large increase in 1972 due to the good agricultural harvest and the rise in exports of a number of items, such as cotton fibre and other raw materials, as well as manufactured and semi-manufactured goods, particularly textile yarns and fabrics.

Contribution of public and private sectors to total exports during the period 1964 - 1972 was 75% and 25% respectively, and the percentage of industrial exports to total exports during the same period ranged between 13.1% and 15.2%, which is quite low.

Table 10 gives the contribution of industry to the export trade during the period 1964 - 1972.

Table 10. Contribution of industry to the export trade

(LS million)

	1964	1966	1968	1970	1972
- Total exports	573	661	673	775	1097
- Industrial exports	88.4	99.4	98.7	109.1	166.7
- Percentage of industrial exports to total exports (%)	13.1	15.0	14.7	14.0	15.2
- Value of industrial output at current prices	1340	1665	1839	2621	3847
- Percentage of industrial exports to industrial output (%)	6.6	5.9	5.3	4.1	3.0

These figures show that the percentage of industrial exports to industrial output is very low indeed. This is a feature common to economies of developing countries where industrial goods are characterized by being mainly of the consumer type and are intended as import-substitutes, a fact which weakens their ability to compete in international markets.

It is also evident from Table 10 that industrial exports increased 87% during the period 1964 - 1972, i.e., by an average annual growth rate amounting to 8.2%.

IV- BRIEF REVIEW OF INDUSTRIAL PROJECTS LISTED IN THE THIRD FIVE-YEAR PLAN 1971-1975 AND PROJECTS ADDED TO THE PLAN.

As mentioned earlier, manufacturing industry has been allocated 16.53% of the total investment allocations of the Third Five-year Plan (1971 - 1975) which amount to LS 8000 million. The Plan comprises in the manufacturing field a number of projects, most important of which are the following:

a- Textile industry projects:

1- Expansion of the Homs Company for Spinning and Weaving, by the addition of 37000 cotton spindles and 500 cotton fabric looms. Capacity: 7557 tons/year cotton yarn.

2- Expansion of the Shahba Spinning and Weaving Company in Aleppo, by the addition of 15000 spindles. Capacity: 6700 tons/year cotton yarn.

3- Expansion of the Hama Company for Cotton Spinning by the addition of 40500 spindles. Capacity: 4200 tons/year cotton yarn.

4- Wool scouring and upgrading plant: production capacity 10 000 tons of raw wool per year

5- Cotton weaving unit in Damascus, comprising 500 looms.

6- Expansion of the woollen carpets plant in Damascus, to increase production capacity by 130 000 square metres.

7- Expansion of the silk carpets plant in Aleppo, to increase production capacity by 60 000 m^2.

8- Expansion of the Nylon and Hosiery Company in Damascus, in order to develop this industry and group together hosiery plants belonging to the Company.

9- Ready made wearing apparel plant. Capacity 360 000 pieces of different kinds per year.

10- Cotton spinning mill in Idlib, of 75000 spindles. Capacity 8844 tons/year cotton yarn.

11- Cotton spinning mill in Deir Ez-Zor, of 75000 spindles. Capacity 12725 tons/year cotton yarn.

12- Textile design and quality control centre.

b- Chemical and engineering industry projects.

1- Development of the Storage Batteries and Liquified Gases Company in Aleppo, to increase production capacity by 75000 storage batteries per year and 63 m^3 of gaseous oxygen per hour.

2- Four cement plants in:

- Adra, about 25 Km north of Damascus, capacity 2000 tons/day.
- Hama, capacity 1000 tons/day.
- Aleppo, capacity 1000 tons/day.
- Tartous, capacity 3200 tons/day.

3- Leather tanning complex in Damascus, capacity 3000 sheep-skins per day.

4- Plastic injection plant in Damascus.

5- Metal fabrication plant in Damascus.

6- Expansion of the safety matches plant.

7- Development of the pharmaceuticals plant in Damascus.

8- Development of the glass plant in Damascus.

9- Expansion of the Hama porcelain tiles plant.

10- Tractor assembly plant in Aleppo, capacity 2000 tractors/ year.

c- Food industry projects.

1- Brewery project in Damascus, capacity 5 million litres per year.

2- Baker's yeast plant in Homs, capacity 10 tons yeast/day.

3- Food canning plant in Jableh, processing capacity 15000 tons of vegetables and fruits per year.

4- Citric acid plant in Aleppo , capacity 1800 - 2500 tons per year.

5- Food canning plant in Idlib, processing capacity 10 - 12 thousand tons of tomatoes and 600 tons of pickled olives per year.

6- Baby food and fruit juice plant in Damascus.

Besides the above mentioned projects, a number of new important projects have been added to the Third Five-year Plan 1971 - 1975. These include the following:

a- Textile industry projects:

1- Cotton spinning mill in Latakia, of 75000 spindles. Capacity 9912 tons/year cotton yarn.

2- Cotton spinning mill in Qalamoun, of 75000 spindles. Capacity 9912 tons/year cotton yarn.

3- Two cotton spinning mills in Hama, each of 30000 spindles. Total capacity: 8000 tons/year cotton yarn.

4- Cotton spinning mill in Deir Ez-Zor, of 37000 spindles. Capacity: 7557 tons/year cotton yarn.

b- Chemical and engineering industry projects.

1- Sanitary ware plant in Damascus. Capacity: 5000 tons/year.

2- Nitrogen fertilizer and ammonium salts plant.

3- Triple superphosphate plant in Homs or Deir Ez-Zor.

4- Soda ash and other sodium chloride derivatives complex.

5- Calcium carbide plant.

6- Steel wire plant, capacity 13000 tons/year.

7- Blectric cables plant, capacity 2000 tons of copper and 4000 tons of aluminium per year.

8- Glass plant in Aleppo, capacity 40000 tons of sheet glass and glassware per year.

9- Asbestos cement plant in Aleppo, capacity 8000 tons/year.

10- Lead pencil plant.

11- Iron and steel scrap foundry in Hama.

12- Pulp and paper plant.

13- Neon-lamp transformers plant; capacity1 million pieces/ year.

14- Electric lamp plant. Capacity: 8 -10 million incandescent lamps and 1 - 2 million neon lamps per year.

c- Food industry projects:

1- Sugar plant in Rakka, capacity 3000 tons of sugar-beet processing per day, and 400 tons of raw-sugar refining per day.

2- Dairy products plant, capacity 10000 tons/year.

V- CONCLUSIONS

It is possible from the review given in preceding pages to draw up some broad lines on the course and direction of industrial development in the Syrian Arab Republic, and give an insight into its future objectives.

In the first place, it is evident that industry achieved a good growth rate, compared with corresponding figures in many developing countries. Moreover, this growth rate exceeded the rate of growth of national economy, with the result that the relative importance and contribution of industry to national income kept a steady increase, thus enabling industry to catch up with agriculture in the contribution made to national income in recent years, and it is expected that it will surpass it in the not-too-distant future. This constitutes one of the main targets of development plans.

It is also noticed that investments in the manufacturing sector are largely directed towards production of consumer and import-substitution goods. Industrial exports and export-oriented industries have not yet received the importance they deserve. The main exception to this came in the Third Five-year Plan 1971 - 1975, which aims at increasing the percentage industrialization of cotton fibre locally produced and establishing the projects necessary for raising production of export-oriented cotton yarn. This led to the result that the rate of growth of industrial exports did not keep pace with and lagged behind the growth rate of industrial output. This implies that industry still relies on other sectors in securing part of its needs of foreign currency.

Industrial development cannot be realized efficiently unless it is part of an integrated strategy for economic development. In addition, it is essential to concentrate on industries which have a large effect on developing economic structure and achieving its equilibrium. One of the most prominent tasks that faces industry in the coming years lies in establishing the basis that will allow industry to continue its growth at rates exceeding the growth rates of other economic sectors. This may be achieved by paying special aatention to export-oriented industries and by enlargement and diversification of the industrial base, so as to overtake the stage of consumer goods production and enter the field of intermediate and basic industries and, if possible, heavy industries too. The degree of domestic industrialization should be increased to the maximum possible extent as well and the close link between industry and agriculture must be borne in mind.

All this should be accompanied by raising the technical level of industry, improving quality of manufactured goods and ensuring compliance with world standard specifications, lowering of production costs, securing experience and technical know-how needed and training of manpower to improve skills and productivity, in order to enable locally manufactured goods to enter export markets confidently and open their way in face of international competition.

A Italio-M.Orient.
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Colloque International
sur
LA COOPERATION ECONOMIQUE ENTRE
LES PAYS ARABES ET L'INDUSTRIE ITALIENNE

du 12 au 14 juillet 1974 à
l'Université de Calabre (Cosenza)

LA COOPERATION PETROCHIMIQUE ITALO - ARABE

par

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LA COOPERATION PETROCHIMIQUE ITALO-ARABE

Juillet 1974

Z. B. TERZIAN

Nous vivons en ce moment une période charnière de l'histoire de l'industrie pétrolière et même de l'histoire de l'énergie tout court. Ce qu'on a appelé "crise de l'énergie" ne recouvre en fait qu'un ensemble de signes marquant le passage progressif du pétrole à d'autres sources d'énergie telles que l'énergie nucléaire, l'énergie solaire, l'énergie géothermique, les huiles des schistes, le charbon gazéifié, etc.. Sur le plan strictement commercial le niveau actuel des prix du pétrole rend d'ores et déjà ce passage concevable pour certaines sources d'énergie de substitution. Certes, de gros efforts devront encore être fournis, en particulier sur le plan technologique. Des problèmes aussi importants et aussi cruciaux pour l'avenir de l'humanité que celui de l'environnement devront être surmontés. Mais l'on peut d'ores et déjà entrevoir le moment où les hydrocarbures, après avoir assuré une part déterminante de la consommation énergétique mondiale, commenceront petit à petit à céder la place à d'autres ressources énergétiques et, au bout du compte, cesseront presque complètement un jour d'être brûlés comme combustibles pour jouer un rôle plus "noble" et finalement plus profitable à l'humanité, celui de matières premières servant aux industries pétrochimiques, chimiques et pharmaceutiques.

Parler donc de l'industrie pétrochimique dans un tel contexte, c'est parler de l'avenir; et parler de la coopération pétrochimique italo-arabe, c'est entrer de plein pied dans un de ces domaines clefs où se jouera de plus en plus en plus la coopération entre pays arabes et pays européens et, plus généralement, entre pays producteurs d'hydrocarbures et pays industrialisés consommateurs d'hydrocarbures ou de leurs produits. Mais dans quel cadre faut-il envisager et placer cette coopération?

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Nous assistons en ce moment à un bouleversement général des données en place dans l'industrie pétrolière, à une réorganisation du marché international du pétrole, à une redistribution des rôles et à un réajustement des forces et des équilibres.

A l'origine de ces changements on trouve, en tout premier lieu, le désir de plus en plus rigoureusement affirmé par les pays producteurs d'hydrocarbures, de sortir du sous-développement par une utilisation optimale de leurs ressources naturelles. Cet objectif ne peut évidemment être atteint que par la soumission du secteur des hydrocarbures aux impératifs du modèle de développement national choisi par le pays producteur concerné. Cela suppose donc d'abord et avant tout le contrôle par l'Etat producteur de son secteur pétrolier, de l'intégration de ce secteur dans l'économie nationale et dans la planification de cette économie. La place occupée par le secteur pétrolier est trop importante, en effet, dans l'économie des pays producteurs pour que ceux-ci puissent se permettre plus longtemps de laisser ce secteur emprisonné dans des systèmes d'exploitation controlés par des sociétés étrangères dont les politiques sont dictées par des considérations de profits ~~purs~~ pures en contradiction ou en marge des intérêts nationaux du pays.

Les formes de cette prise en main de l'industrie pétrolière peuvent évidemment changer d'un pays à l'autre. L'ensemble du processus peut démarrer plus ou moins rapidement selon les pays et s'engager parfois dans des voies qui ne seraient en fait que des trompe-l'oeil. Mais il reste que le phénomène général est en lui-même aussi naturel qu'irréversible.

Cette prise en main du secteur des hydrocarbures par les pays producteurs constitue certes une condition préalable à l'utilisation optimale des hydrocarbures en vue du développement économique, mais elle ne saurait constituer en elle-même un but; ce n'est là qu'un moyen, le seul acceptable il est vrai, devant nécessairement déboucher sur l'intégration du secteur pétrolier dans l'économie nationale du pays. Intégration, car trop longtemps le pétrole n'a constitué qu'une matière extraite presque à la sauvette et exportée à l'état brut vers les pays consommateurs, sans racines réelles et sans effets inducteurs industrialisants à l'intérieur de l'économie des pays producteurs. Les activités en amont de la production pétrolière restaient sous le contrôle des sociétés concessionnaires tandis que les activités en aval n'étaient développées qu'au minimum possible.

En 1973 la production de pétrole brut dans les pays arabes a atteint près de 19 millions de barils/jour, tandis que la capacité de raffinage de ces pays restait en deça de 2 millions de b/j, soit près de 10 % seulement du pétrole produit sur place.

L'industrie pétrochimique est restée quant à elle dans un état embryonnaire alors que des conditions aussi favorables pour son développement que l'existence d'une matière première abondante et peu coûteuse (le gaz naturel ou le gaz associé), la présence de capitaux cherchant à s'investir et l'absence de problèmes d'environnement militaient en faveur de son expansion.

80 % environ du gaz ~~naturel~~ associé produit dans les pays arabes, l'une des matières premières les plus importantes de l'industrie pétrochimique, continuent encore à être brûlés en pure perte. Pour l'ensemble des pays de l'OPEP, les quantités de

gaz brûlé en 1972 ont été estimées à plus de 100 milliards de mètres cubes, soit une quantité sensiblement égale au total de gaz consommé dans les pays de l'Europe occidentale au cours de la même année. Aux prix actuels, les quantités de gaz brûlé en 1972 par les sociétés concessionnaires opérant dans les pays de l'OPEP représentent une valeur d'au moins $ 5 milliards.

Ce gaspillage stupide et criminel d'une source d'énergie et d'une matière première aussi précieuse que le gaz naturel constitue l'un des aspects les plus frappants du pillage des richesses naturelles des pays en voie de développement par les grandes sociétés pétrolières. Devant l'altérnative : conserver le gaz produit en le réinjectant dans les gisements, au prix d'investissements très faibles du reste, ou s'en débarasser en le brûlant, ces sociétés ont jugé plus "économique" de le brûler en faisant subir ainsi aux pays producteurs et, on le voit à présent, à l'ensemble de l'humanité des pertes incalculables au cours des quelque cinquante dernières années.

Voilà quelques uns des "résultats" de la politique délibérément pratiquée par les sociétés concessionnaires depuis plus d'un demi-siècle déjà : garder les pays-hôtes dans le sous-développement aussi longtemps que possible, les cantonner dans le rôle de percepteurs d'impôts et de redevances, limiter au maximum le traitement des hydrocarbures dans les pays producteurs en essayant d'exporter le pétrole le plus possible et le plus vite possible à l'état brut , avant que les "indigènes ne se réveillent".

Cette politique diamétralement opposée aux intérêts des pays producteurs, n'a pu avoir cours qu'avec l'aval et souvent l'encouragement des Etats consommateurs. Ceux-ci ont fait

de la non-intervention dans les affaires des sociétés pétrolières leur règle de conduite en y voyant un axiome de leur stratègie de sécurité des approvisionnements. On sait ce qu'il en est résulté comme conséquences pour les pays européens; le cartel pétrolier, dominé par les sociétés américaines, a acquis une telle position sur le marché mondial du pétrole, que la politique pétrolière d'un pays européen peut difficilement se prétendre libre de son influence; les objectifs pétroliers de ce pays auraient peu de chance de se réaliser s'ils n'étaient en harmonie ou, du moins, en non-contradiction avec les intérêts et les objectifs des sociétés du cartel. Un bel exemple nous en a été donné lors de la"guerre du pétrole", déclenchée à la suite de la guerre d'octobre 1973, quand les grandes sociétés pétrolières ont réparti les approvisionnements pétroliers au gré de leurs intérêts, faisant fi des injonctions de pays dont ces sociétés étaient supposées assurer le ravitaillement.

Il est temps que les pays européens se rendent à l'évidence, et l'Italie est bien placée pour le reconnaître, elle qui depuis 1953 essaie, avec la création de l'ENI, de mener une politique pétrolière nationale à la fois plus indépendante du cartel et plus conforme aux intérêts des pays producteurs, que la sécurité des approvisionnements des pays importateurs d'hydrocarbures ne peut plus se concevoir en termes de confrontation, mais de coopération. Une coopération basée sur la recherche des intérêts communs entre pays producteurs et pays importateurs d'hydrocarbures, les intérêts nationaux des pays intéressés étant les seules constantes sur lesquelles peuvent valablement se fonder des relations aussi vitales pour les parties en cause que les relations pétrolières.

C'est dans ce cadre général et en conformité avec ces principes de base que l'on doit placer et envisager entre l'Italie et les pays arabes toute coopération économique se voulant stable et tournée vers l'avenir.

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La coopération pétrochimique ne peut faire exception à cette règle. Bien au contraire; ici bien plus qu'ailleurs se trouvent réunies les conditions favorables à une coopération mutuellement profitable entre pays industrialisés importateurs d'hydrocarbures et pays en voie de développement producteurs d'hydrocarbures.

La demande mondiale de produits pétrochimiques va en croissant et les perspectives offertes montrent que l'industrie pétrochimique n'est encore qu'au début d'une ère qui promet d'être longue et prospère. Des produits pétrochimiques tels que les matières plastiques, les fibres synthétiques et le caoutchouc synthétique, connaissent actuellement des taux de croissance très élevés. A l'inverse de la plupart des métaux, par exemple, qui ont abordé depuis longtemps leur phase de maturité et, pour certains, leur phase de déclin, les différents produits pétrochimiques enregistrent des taux de croissance supérieurs à 15 % dans la plupart des cas.

Les prévisions établies par les organismes spécialisés des Nations Unies, notamment l'IDCAS et l'UNIDO, indiquent qu'en 1985 la consommation mondiale d'éthylène atteindra près de 82,8 millions de tonnes/an alors que la capacité mondiale de

production d'éthylène n'est actuellement que de 39,0 millions de tonnes/an, Compte tenu de l'obsolescence et du remplacement d'une partie des installations actuellement en service, la capacité mondiale de production d'éthylène devrait augmenter de près de 53,0 millions de tonnes/an d'ici 1985 pour permettre à l'industrie de faire face aux besoins du marché mondial. Pour le propylène, les aromatiques et l'ammoniac les différentes prévisions s'établissent comme suit (en millions de tonnes/an) :

	Propylène	Aromatiques	Ammoniac
Capacité mondiale requise en 1985	36,0	41,0	155,0
Capacité mondiale en service en 1974	21,0	23,0	83,0
Capacité additionnelle requise compte tenu de l'obsolescence	19,0	18,0	72,0

L'écrasante part de la production pétrochimique mondiale est actuellement assurée par les pays industrialisés d'Europe et d'Amérique et la majeure partie de l'approvisionnement des pays en voie de développement (près de 2/3 du total de leurs importations pétrochimiques) provient de ces pays : une première moitié de l'Europe occidentale, l'autre moitié étant fournie à égalité par le Japon et les Etats Unis. Cette situation semble cependant devoir changer dans un avenir prochain non seulement pour des raisons subjectives, à savoir la volonté des pays arabes producteurs d'hydrocarbures de développer leurs industries de raffinage et de pétrochimie, mais aussi pour des raisons objectives tenant aux avantages offerts sur les plans des coûts de production, des capitaux nécessaires aux nouveaux investissements et des problèmes d'environnement, pour un développement de l'industrie pétrochimique dans les pays arabes producteurs d'hydrocarbures.

Le problème des coûts de production est devenu particulièrement aigu après la dernière hausse des prix du pétrole.

Les industries pétrochimiques européennes et japonaises se servent essentiellement du naphta comme produit de base et il semble peu probable que cette situation puisse changer à moyen - terme. En 1974 quelque 48,6 millions de tonnes de naphta seront consommées par l'industrie pétrochimique européenne. Cette quantité sera portée à près de 83,5 millions de tonnes/an en 1985 sur la base des prévisions actuelles relatives au développement de l'industrie pétrochimique européenne. Or, les prix du naphta ont augmenté considérablement au cours des dernières années et il semble que pour la période 1974-1985 on doit s'attendre à une fourchette de prix allant de $ 100 à $ 200 la tonne. Cette situation porte évidemment les producteurs d'oléfines à chercher des substituts au naphta. Il semble par ailleurs acquis que le naphta sera presque complètement remplacé par le gaz naturel dans la production d'ammoniac et d'engrais.

Les Etats-Unis à leur tour connaissent de sérieuses difficultés. Les matières de base traditionnellement utilisées par l'industrie pétrochimique américaine - gaz de raffinerie, gaz naturel (éthane, propane et butane), gaz naturel liquéfié - se feront de plus en plus rares, obligeant les producteurs américains à se tourner de plus en plus vers d'autres produits de base notamment le naphta. Cette substitution entraînera une augmentation considérable des coûts de production américains.

Face à cette situation, il est évident qu'une industrie pétrochimique arabe installée à proximité immédiate de sources d'approvisionnement peu coûteuses et abondantes se trouverait considérablement avantagée. Pour ne citer qu'un exemple à l'appui

de cette thèse, on peut montrer que la différence entre les coûts de production de l'ammoniac dans les pays arabes, d'une part, et en Europe et au Japon de l'autre, peuvent aller du simple au double. En prenant comme cas type la production d'ammoniac à partir du gaz naturel, on remarque que dans les pays arabes la matière de base, le gaz, coûte de $ 0,20 à $ 0,40 les mille pieds cubes, tandis qu'en Europe ou au Japon le même volume de gaz coûte de $ 0,80 à $ 1,20. Calculés sur cette base, les coûts de production d'ammoniac dans les pays arabes se situent entre $ 29 à $ 35 la tonne, tandis qu'en Europe ou au Japon la même production coûte entre $ 50,0 à $ 64,0 la tonne. Les écarts seraient encore plus importants si l'on considérait l'éthylène pour lequel les coûts de production , à partir d'éthane, dans les pays arabes, sont près de trois fois inférieurs aux coûts atteints en Europe ou au Japon par la production d'éthylène à partir du naphta.

Aux avantages tenant aux coûts de production s'ajoute le fait non moins important qu'une industrie pétrochimique arabe n'aurait pas à connaître les aléas liés aux approvisionnements des pays importateurs éloignés de leurs sources de ravitaillement. Les pays arabes possèdent près de 60 % des réserves mondiales de pétrole brut avec, fin 1973, quelque 355 milliards de barils. Leurs réserves de gaz naturel, soit près de 319.965 milliards de pieds cubes, représentent, quant à elles, près de 18 % des réserves mondiales.

Nous avons déjà eu l'occasion de souligner au début de cet exposé les pertes immenses causées par le gaz brûlé en pure perte de la part des sociétés concessionnaires opérant dans les pays arabes. Des mesures devront être incessament prises pour que cesse ce gaspillage. Plusieurs projet d'exploita-

tion du gaz naturel ou de réinjection du gaz associé dans les gisements pétroliers sont en cours de réalisation actuellement et il est certain que dans un avenir prochain les pays arabes se trouveront en possession d'importantes disponibilités en gaz.

Sur le plan du raffinage plusieurs pays arabes producteurs de pétrole ont exprimé leur détermination de développer leurs industries de raffinage de manière à passer progressivement de leur statut d'exportateurs de pétrole brut à celui d'exportateurs de produits pétroliers. Il en est ainsi notamment de l'Algérie, de l'Irak et de la Libye. Sur ce plan-là aussi on peut d'ores et déjà prévoir que les pays arabes disposeront bientôt d'importantes quantités de naphta, de gaz de raffineries et d'autres dérivés pétroliers, qui pourront servir aussi à leurs industries pétrochimiques.

A ceux-ci —avantages liés aux coûts de production et à l'approvisionnement— s'ajoute une troisième considération ayant trait aux possibilités de financement des projets pétrochimiques dans les pays arabes. La pétrochimie est une industrie hautement capitalistique. Les complexes pétrochimiques sont de vastes ensembles industriels utilisant un matériel très coûteux : fours, réacteurs devant supporter des températures et des pressions très élevées et devant résister à la corrosion, catalyseurs, etc... De telles installations exigent de gros investissements. C'est une industrie où le chiffre d'affaires par employé ou le capital investi atteignent un des plus hauts niveaux connus dans les autres industries. Or, les pays arabes producteurs de pétrole ont maintenant, plus que jamais, les moyens financiers nécessaires pour financer sans problème le développement d'une industrie pétrochimique sur leur propre sol. On prévoit ainsi, pour la seule année 1974, que les revenus pétroliers des pays arabes

s'élèvent à quelque $ 51,7 milliards. Il serait évidemment pour le moins imprudent de faire des pronostics pour les années à venir. Il y a tout lieu de penser cependant, que ces capitaux qui sont pour une part importante placés dans des valeurs-refuges à l'étranger (on estime que vers le milieu de 1973 les capitaux arabes à l'étranger s'élevaient à près de $ 23 milliards) trouveront tout intérêt à s'investir dans des projets de développement d'une industrie pétrolière intégrée dans ces pays.

On notera enfin que les problèmes d'environnement qui se posent avec de plus en plus d'acuité en Europe, au Japon et aux Etats Unis et qui commencent à peser lourd dans les charges industrielles de ces pays, seront pour longtemps encore inexistants dans la plupart des pays arabes producteurs de pétrole où des vastes étendues s'offrent à l'installation d'unités industrielles.

Toutes ces raisons militent objectivement en faveur du développement rapide d'une industrie pétrochimique et d'une industrie de raffinage dans des pays pour lesquels il s'agit d'intensifier l'utilisation des hydrocarbures comme matières premières pour la fabrication de produits pouvant directement servir à leur développement économique : protéines de synthèse utilisables pour l'alimentation, engrais chimiques, tuyaux d'irrigation, fibres synthétiques, produits pharmaceutiques, insecticides, plastiques.

La production pétrochimique arabe reste actuellement très faible en considération des possibilités offertes.

Au niveau de la production des matières pétrochimiques de base (oléfines, aromatiques) et des produits intermédiaires, les pays arabes n'ont pas encore réellement démarré. Seules de petites quantités de dodécyl-benzène, de benzène, de toluène et de paraxylène sont fabriquées actuellement dans ces pays.

Au niveau de la production des engrais azotés, le monde arabe est un peu mieux équipé. Plusieurs pays arabes possèdent des usines de production d'ammoniac et d'urée (Algérie, Arabie Séoudite, Egypte, Irak, Koweit, Qatar ...) et la plupart de ces pays se suffisent dans ce domaine.

Sur le plan de la transformation des produits pétrochimiques de base, la production arabe s'est essentiellement limitée, jusqu'à présent, aux produits plastiques, au caoutchouc synthétique et aux détergents. La production reste cependant insuffisante à satisfaire la consommation arabe. Quant aux fibres synthétiques, les pays arabes importent pour le moment toutes les quantités nécessaires à leur consommation.

La production pétrochimique arabe est appelée cependant à connaître une expansion rapide. La politique de développement économique des pays arabes exige cependant de très gros efforts sur le plan de la technologie qui reste le talon d'achille de ces pays. C'est pourquoi, dans les accords passés avec des firmes ou des organismes originaires des pays importateurs d'hydrocarbures, les pays arabes attendent d'abord et avant tout une aide technologique pour la formation d'une main-d'oeuvre et de cadres nationaux.

On saisit ainsi le sens de l'interdépendance et de la complémentarité des intérêts entre pays producteurs et pays consommateurs d'hydrocarbures et, plus particulièrement, entre pays arabes et pays européens, industrie arabe et industrie européenne.

L'industrie italienne est certes présente dans les pays arabes où elle apporte une contribution appréciable à la réalisation de plusieurs projets pétrochimiques ou de raffinage.

C'est le cas notamment de Snam Progetti, Snam Auxini, Fergal et d'autres qui travaillent actuellement dans des projets pétrochimiques et des raffineries en cours de réalisation en Algérie, au Koweit, en Libye, au Maroc. Mais la présence italienne a certainement la possibilité de prendre plus d'ampleur et plus de signification.

Dans une proposition adoptée le 4 octobre 1972, la Commission des Communautés Européennes avait souligné, pour la première fois, la nécessité d'établir avec les Etats producteurs d'hydrocarbures "une coopération allant au-delà du problème du pétrole et qui soit véritablement une collaboration économique et technique dans l'intérêt mutuel".

Plus que jamais les pays arabes sentent la nécessité de développer cette collaboration et de l'approfondir avec les pays européens. La tenue de ce colloque fournit la preuve, s'il en était besoin, que ce sentiment est partagé par l'Italie et par l'industrie italienne.

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Tout au long de cet exposé nous avons mis l'accent sur la coopération telle que l'envisagent actuellement et de plus en plus les pays arabes dans les différents domaines économiques et en particulier dans le secteur pétrolier. Nous avons sciemment omis de parler de lieux communs tels que les exportations italiennes de produits pétrochimiques vers les pays arabes, la part de ces exportations dans les importations pétrochimiques totales des pays arabes, etc..., car nous jugeons qu'il est fondamental, surtout en cette phase de transition,

pour tous ceux qui veulent réellement parler de coopération, de collaboration avec les pays arabes sans se servir de ces deux grands mots comme de simples couvertures, d'envisager sérieusement cette coopération et cette collaboration comme une recherche mutuelle des intérêts mutuels des parties en cause. Nous avons simplement essayé dans cet exposé d'apporter une modeste contribution à cette recherche en faisant le point de la situation pétrolière internationale actuelle et en exposant une approche qui prévaut de plus en plus dans les pays arabes à l'égard de l'avenir de l'industrie pétrolière et des possibilités de coopération avec les pays industrialisés importateurs d'hydrocarbures.

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DEVELOPMENT OF THE LIBYAN ECONOMY
A REVIEW AND OUTLOOK

The assessment of the current Three-Year Plan(1973/1975) of the L.A.R. in its second year 1974, indicates that the economic and social development has proceeded in its designed course towards achieving progress and prosperity. A satisfactory progress has been made in rectifying disequilibrium in the economic and social structure, despite certain problems and difficulties encountered. This development has been achieved by virtue of the upsurge in development expenditure, intensified capital formation and efforts exerted in implementing development programmes and projects in all sectors of the national economy, particularly in agriculture and industry. A large scale agricultural revolution is taking place in the country through the four major integrated agricultural development projects, namely , Jefara plain, Jebel Akhdar, Fezzan and Kufra & Serir with a view to reach self-sufficiency in essential foodstuffs as early as possible. Moreover, the basic foundation of an industrial development is being laid by giving priority in the current Plan to the food, building materials, petrochemical and chemical industries. This is in addition to the due attention given to the regional development in an attempt to coordinate this approach and the sectoral implementation with a view to gradually overcome the severe imbalances in the standards of living of the population living in the desert area and the rest of the community or to generalize economic activity throughout the country in order to develop new cities and settlement areas.

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The size of expenditure of the Development Budget during 1974 amounted to about LD. 816.7 million or 89.1 % performance in comparison with the revised plan allocations amounting to about LD. 916.2 million , or 110.4% in comparison with the original allocations amounting to LD. 740 million. Thus the total Development Budget expenditure put together for 1973 and 1974 of the Three-Year Plan , amounted to about LD. 1232.3 million , noting that the first year represents three-quarters (i.e., from 1st. April to the end of December 1973) . The magnitude of expenditure in 1974 amounting to LD. 816.8 million becomes significant when compared with the expenditure in the years preceding the current Three-Year Plan. It exceeds by about LD. 26 million the total expenditure made in the three years 1970/71 , 1971/72, 1972/73, aggregating to LD. 790.8 million. It also exceeds by about LD. 256.8 million , the total expenditure made in the preceding eight years, 1962/63-1969/70, amounting to LD. 560 million.

However, considering the gross domestic fixed investment in the national economy during the first two years of the Plan, 1973 and 1974 , i.e. if we add to the gross fixed investment stated in the Development Budget the investments of public bodies and institutions which are not involved in the Development Budget, plus the investments of the private sector, we find out that intensive investment programme has been implemented during the above two years, amounting to LD. 1513.3 million. A salient feature of this programme is the significant transformation in the traditional

oil mining activity to the other non-oil economic sectors. The latter sectors received 96.2 % of the total investment programme while the oil-mining sector received 3.8% , against 60% for non-oil sectors and 40% for oil-mining sector in the preceding eight years (1964/1971) .Further more , larger expansion took place in the public sector, which received 81.5% of the total investment programme , while the private sector received 18.5% against 43% for the public sector , and 57% for the private sector in the preceding eight years.

The preliminary estimates of growth, as measured by the Gross Domestic Product (GDP) indicate that a satisfactory rate of growth was achieved in 1974;with respect to the non-oil economic sectors as a whole . The relevant rate of growth was 28% (at current prices) against a planned rate of growth of 17.5% (at 1972 prices). Coupled with the very substantial (96%) growth of GDP in the oil and natural gas mining sector during the year 1974, the overall growth of GDP for the economy as a whole amounted to The large increase in the output of the oil and non-oil sectors of material production, as a result of liberal facilities of credit, mechanization and extension services, etc. , made it possible to sustain and support the growth in the sectors of construction, trade, finance, public and social services . Consequently , personal incomes increased substantially , a more equitable distribution of income and wealth has been achieved, and a social security system has been developed. Among the other tangible achievements, mention may be made of the following :

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a) Better employment opportunities have been greatly expanded. Close to 70 thousand additional employment was generated during the year 1974. Due to shortage of Libyan workgers, a larger part of this employment expansion has gone to non-Libyan workers whose numbers increased by about 53 thousand during the year.

b) A rapid stride has been made in the field of education. The number of students in general educational institutions, and technical vocational and teacher training institutes reached a record number of 661 thousand in 1974.

c) The health services have sizeably expanded throughout the country, with special consideration for the needs of the citizens in the remote areas. Several new hospitals have been constructed and the number of beds increased from 8,830 in 1972 to 10,241 in 1974. With a further rise in the number of doctors, the doctor-population ratio improved to 1:1300. By the end of 1974, the number of specialized hospitals increased to 21; and that of the mother and child care centers to 92.

d) As many as 12,933 housing units were constructed in the public sector , in addition to 17,867 housing

units constituted in the private sector, thus making a total of 30 800 units in 1974 , more that two and a half times of the 11 850 housing units constructed in 1973. This progress has helped to overcome the shortage of dwelling units and to achieve stability and settlement of the population.

e) The number of supervisors and technicians who graduated from the vocational training centers rose from 2,640 in 1973 year, to 3,140 in 1974 . This represents a record increase of 19% in the year, and this development is significant to fill the felt gap between the professionals and skilled workers. Through a crash training programme, 10 376 Libyans have been provided a short-term (six months) training course , so as to enable them to be semi-skilled workers.

From the foregoing analysis, it is clear that the Libyan Arab Republic has embarked upon an ambitious development programme and an impressive progress is being made in practically all sectors of the economy. This is not to deny the problems and bottlenecks being faced without which the progress could be even faster . For instance, the huge construction programme faces the problem of inadequate capacity of the contracting firms in the country. In this massive programme of development , the country has taken all the necessary steps to co-operate with friendly and neighbouring countries

in implementing the plan which has proved a good example of international co-operation , and to the mutual advantage of the Libyan Arab Republic and the collaborating countries . This co-operation is expected to widen and intensify further as the country launches its Five-Year Plan , 1976/1980.

The Libyan Arab Republic conciders development a challonge to attain a just and prosperous society .The new approach to development being set by the Libyan Government is there for other developing countries in similar situations to examine and to adopt whatever suits their social and economic conditions.

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LIBYAN ARAB REPUBLIC
MINISTRY OF PLANNING & SCIENTIFIC RESEARCH

ACTUAL EXPENDITURE OF THE DEVELOPMENT BUDGET BY ADMINISTRATIVE SECTOR, 1973 & 1974

(At aurrent price in LD.million)

ADMINISTRATIVE SECTOR	April December 1973	1974	T o t a l	Relative Distribution (%)
Agriculture & Agrarian Reform	35.9	90.6	126.5	10.3
Integrated Agricultural Development	53.0	120.9	173.9	14.1
Industry & Minerals	63.3	101.8	165.1	13.4
Petroleum	28.5	50.0	78.5	6.4
Electricity	42.3	77.7	120.0	9.7
Transport & Communications	33.8	78.1	120.9	9.8
Education	36.8	52.5	89.3	7.2
Public Health	9.8	16.5	26.3	2.1
Labour	3.1	7.3	10.4	0.8
Youth & Social Affairs	3.7	7.6	11.3	0.9
Housing & Utilities	60.9	140.6	201.5	16.4
Economy & Tourism	2.3	2.4	4.7	0.4
Information & Culture	4 2	5.4	9.6	0.8
Local Administration	36.4	54.7	91.1	7.4
Planning	1.2	1.4	2.6	0.2
Administrative Development	0.3	0.3	0.6	0.1
Reserve	0.0	0.0	0.0	0.0
TOTAL	415.5	816.8	1232.2	100.0

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GROSS DOMESTIC FIXED INVESTMENT
BY ECONOMIC ACTIVITY IN
1973 , 1974

(At current prices in LD. Million)

Economic Activity	1973 (Final)	1974 (Estimated)	Total	Relative Distribution (%)
Agriculture, Forestry & Fishing	79.4	185.0	264.4	17.5
Oil & Natural Gas Mining	32.3	25.0	57.3	3.8
Other Mining & Quarrying	1.9	3.8	5.7	0.4
Manufacturing	75.2	105.0	180.2	11.9
Electricity , Gas & Water	87.6	101.0	188.6	12.5
Construction	22.4	27.0	49.4	3.2
Wholesale & Retail Trade, Restaurants & Hotels	5.6	8.0	13.6	0.9
Transport , Storage & Communications	87.1	125.0	212.1	14.0
Finance, Insurance & Real Estate	0.2	0.2	0.4	---
Housing Ownership	138.2	170.0	308.2	20.4
Public Service (excluding Education & Health).	37.8	51.0	88.8	5.9
Educational Services	45.6	52.0	97.6	6.4
Health Services	21.5	22.0	43.5	2.9
Other Services	1.5	2.0	3.5	0.2
Total :	636.3	877.0	1513.3	100.0
The Public Sector	499.3	734.0	1233.8	81.5
The Private Sector	136.5	143.0	279.5	18.5

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RATES OF GROWTH PLANNED & ACHIEVED
in 1974

Economic Activity	GDP in LD.Million ,1973 (Final)	GDP in LD.Million,1974 (Estimated)	Rate of Growth Achieved 1974 (%)	Planned Annual Rate of Growth in 1974 (%)
Agriculture, Forestry & Fishing	60.0	69.0	15.0	16.0
Oil & Natural Gas Mining	1071.8	2100.0	96.0	5.0
Mining & Auarrying	12.0	16.0	33.5	21.0
Manufacturing	50.8	61.0	20.0	2[illegible].0
Electricity,Gas & Water	10.8	31.0	20.5	22.5
Construction	261.2	370.0	41.5	30.0
Wholesale & Retail Trade, Restaurants and Hotels	124.8	162.5	30.0	10.0
Transport,Sotrage & Communications	129.3	157.3	22.0	15.5
Finance,Insurance, Real Estate & Business Services	51.6	59.0	14.5	9.0
Housing Ownership	84.3	95.0	12.5	16.0
Public Services (excluding Education and Health).	158.0	200.5	27.0	8.0
Educational Services	71.8	97.0	35.0	17.0
Health Services	31.7	42.0	32.5	14.0
Other Services	11.2	12.5	11.5	9.5
Gross Domestic Product	2129.3	3455.0	62.0	16.5
Non-Oil Sectors	1057.5	1355.0	28.0	17.5
Oil & Natural Gas Mining	1071.8	2100.0	96.0	5.0

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VALUE OF IMPORTS IN THE FIRST EIGHT MONTHS OF 1974 AS COMPARED WITH SAME PERIOD in 1973

(IN LD. THOUSAND (

	Commodity Groups	First eight months 1973	First eight months 1974	Rate of increase (%)	Structure (%)	
					1973	1974
0.	FOODSTUFFS & LIVE ANIMALS	55276	97390	76.2	16.3	18.1
1.	BEVERAGES & TOBACCO	1166	2339	100.6	0.3	0.4
2.	INEDIBLE RAW MATERIALS (excluding Fuel).	11274	20080	78.1	3.3	3.8
3.	MINERAL FUELS & RELATED MATERIALS	6935	7919	14.2	2.0	1.5
4.	ANIMAL & VEGETABLE-OIL & FATS	4969	6467	30.1	1.5	1.2
5.	CHEMICALS	15483	17828	15.1	4.6	3.3
6.	MANUFACTURED PRODUCTS CLASSIFIED MOSTLY ON THE BASIS OF MANUFACTURING MATERIALS	81747	154031	88.4	24.1	28.7
7.	TRANSPORT MACHINERY & EQUIPMENT	121922	173452	42.3	36.0	32.3
8.	MISCELLANEOUS PRODUCTS	40143	57549	43.4	11.9	10.7
9.	COMMODITIES & ITEMS UNCLASSIFIED ON THE BASIS OF KIND	--	55	--	--	--
	T O T A L	338915	537110	58.5	100.0	100.0

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