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ECONOMIC DEVELOPMENTS IN THE MIDDLE EAST 1954-1955

Supplement to World Economic Survey, 1955

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PREFATORY NOTE

A report on economic conditions in the Middle East is issued each year by the Secretary-General of the United Nations as a supplement to the annual survey of the world economic situation, published this year under the title, World Economic Survey, 1955 (sales number: 1956.II.C.1). The present review, Economic Developments in the Middle East, 1954-1955, complements the annual surveys prepared by the secretariats of the regional economic commissions and brings up to date the series of annual studies on the Middle East, of which the ten-year survey, Economic Developments in the Middle East, 1945 to 1954 (sales number: 1955.II.C.2), was the most recent.

The work of reporting and analysing economic developments in the Middle East is being reorganized pursuant to plans for the expansion of economic studies of this area, and the present series of annual reviews is expected to be complemented by a number of studies on special aspects of economic development, including industrialization, transportation, public finance and other related matters. The aim of the present report is therefore limited to a general description of trends in production, trade, finance and development programmes during the past two years, leaving more detailed analysis to the special studies, on which work has been started.

This review was prepared by the Bureau of Economic Affairs in the United Nations Department of Economic and Social Affairs. In most cases, statistical data used in the text and tables were compiled by the Statistical Office of the United Nations. Wherever possible, official national and international sources were used, but in the absence of these, private sources were consulted. Because of the varied methods of compiling data, statistics for the various countries are not always strictly comparable. The arrangement of the countries in the tables and the discussion is based on analytical considerations alone.

EXPLANATORY NOTE

The following symbols have been used in the tables throughout the report:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A blank in a table indicates that the item is not applicable.

A minus sign (-) indicates a deficit or decrease.

A full stop (.) is used to indicate decimals.

A comma (,) is used to distinguish thousands and millions.

A slash (/) indicates a crop year or financial year, e.g., 1950/54.

Use of a hyphen (-) between dates representing years, e.g., 1950-1954, signifies the full period involved, including the beginning and end year.

References to "tons" indicate metric tons, and to "dollars" United States dollars, unless otherwise stated.

The term "billion" signifies a thousand million.

Details and percentages in tables do not necessarily add to totals, because of rounding.

Information regarding rates of exchange may be found in issues of the United Nations, Monthly Bulletin of Statistics.

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INTRODUCTION

Population

This report presents a synoptic view of the main economic trends during 1954 and 1955 in the Middle East, a designation which includes Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Saudi Arabia, the Sudan, Syria, Turkey, Yemen; Aden Colony, Aden Protectorate, Bahrein, Cyprus, Kuwait, Muscat and Oman, Qatar and the Trucial Coast. For some of these, however, data are lacking on certain aspects of the economy; the discussion therefore mainly concerns Egypt, Iran, Iraq, Israel, Lebanon, Syria and Turkey.

The Middle East - in the wider definition given above - had in 1954 a population of approximately 100 million. Annual population estimates for a number of countries including some, such as Iran, which have not yet taken any complete population census show that the population has increased markedly in recent years. The combined population of Egypt, Iran, Iraq, Israel, Lebanon, Syria and Turkey is estimated to have risen from 70.9 million in 1950 to 78.0 million in 1954, an increase of 10 per cent in four years. True, the group includes Israel, in which the situation is exceptional because there was in this period an enormous growth of 34 per cent owing to the inflow of thousands of immigrants.1/ But the result does not change significantly if Israel is excluded, the rate of population growth for the remaining six countries being 9.7 per cent.

Of the seven countries mentioned above Turkey is the only one which has taken a population census recently - in October 1955. This census has yielded some remarkable results, which may to some extent be representative of the situation in other Middle Eastern countries. It has, first, revealed a marked acceleration of population growth. The Turkish population in 1955, which by extrapolation from previous censuses had been estimated at 23.4 million, was found to be 24.1 million. Since the 1950 population had been 20.9 million, this indicated an annual increase of 3 per cent in the period 1950-1955, as against 2.3 per cent in the period 1945-1950. There is no indication that this acceleration is to any appreciable degree a statistical illusion resulting from better coverage. It is attributable to some extent to immigration, but chiefly to faster natural growth, which in turn results in the main from declining death

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1/ The number of Jewish immigrants, which, after changes in methods of selecting immigrants by the Jewish Agency at the end of 1951, fell from 173,900 in 1951 to 23,400 in 1952, amounted to 10,300 in 1953 and 17,500 in 1954. In the first seven months of 1955 a total of 16,900 were admitted as against 4,800 in the same period of the previous year. See United Nations, Economic Developments in the Middle East, 1945 to 1954 (sales number: 1955.II.C.2), pages 123 to 124; also Statistical Bulletin of Israel, English Summary (Tel Aviv), August 1955, page 421.

rates.2/ Part of the acceleration in natural growth rates may be due to the rising crude birth rate associated with an increased percentage of individuals of reproductive age in proportion to the total population. Owing to lack of official statistics on births in Turkey, it is not possible to follow changes in the birth rate closely, but it is known that the proportion of groups of reproductive age has increased since 1940,3/ mainly because the younger age groups (persons born after 1925) are more numerous, especially in relation to the group consisting of persons born in 1915-1925.4/ The rise in the crude birth rate in Egypt in recent years seems also to be chiefly due to the same factor, namely the increased percentage of reproductive age groups in the total population.5/

The Turkish census has also shown another important development, namely that the pace of urbanization has markedly quickened since 1950. The ratio of urban population to total population, which had risen only from 24.2 per cent to 25.2 per cent in the twenty-three-year period 1927-1950, attained 28.5 per cent in 1955.

Income

The statement made by the United Nations Economic Survey Mission which visited the area in 1949 to the effect that "the Middle East suffers from poverty in the extreme"6/ can no longer be accepted without some qualification. In this connexion a distinction should be made between the countries which export oil and those which do not. Though national income estimates for the former are lacking, there are indications that, owing to the continuous great increase in oil

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2/ In late 1950 and in 1951 approximately 154,000 persons from Bulgaria entered Turkey. The number of emigrants from Turkey is not known, but is probably negligible. Although there are no complete statistics on deaths in Turkey, the available partial data show a marked decline of the death rate in the past several years.

3/ Age group 20 to 44 formed 33.2 per cent of the total in 1940 and 33.6 per cent in 1950, while age group 20 to 29 rose from 13.8 per cent in 1940 to 17.2 per cent in 1950.

4/ The latter group is small probably on account of a great drop in the birth rate during the First World War and the war of independence. Moreover, since mortality was previously higher, it is likely that in this group a smaller percentage of the children born survived to the age of reproduction.

5/ In the period 1935-1939 the crude birth rate was 42.8 per thousand, on an average, whereas in the years 1951-1953 it was 45.0 per thousand or higher. The proportion of the age group 15 to 49 in Egypt's total population was 48.4 per cent in 1937 and 51.0 per cent in 1947. Since then no new census has been taken. Owing to early marriage, the reproductive group includes persons aged fifteen to nineteen.

6/ United Nations Economic Survey Mission for the Middle East, Final Report, part I (sales number: 1949.II.B.5), page 34.

production and the improved terms of payment for the producing countries,7/ income has risen regularly and markedly in most of them in recent years. But in the second group of countries, the rate of increase in national income has been both less uniform and less steady, being strongly influenced by short-term factors such as terms of trade and weather; in some years national income has shown a sudden marked increase while in others it has declined sharply.

Data on national income in 1954 and 1955 are scanty: 1954 figures are available only for Israel, Lebanon, Syria and Turkey, while for 1955 there are official estimates only for Israel. These data, which represent preliminary, and in some cases, quite rough estimates of national income by sectors of origin, are given in table A in the appendix. They show that, in 1954, national income at current prices declined in Turkey (though still remaining well above the 1950 level) and rose in Israel, Lebanon and Syria. For Israel and Turkey, there are also figures on national income at constant prices, which indicate that per capita real income in Israel rose by 7 per cent 8/ and in Turkey fell by 12 per cent.9/ In Lebanon, the increase at current prices was slight but, since the general price level dropped simultaneously,10/ the increase in real terms was probably greater.

For 1955 it is estimated that per capita national income in Israel increased by 10 per cent, at 1954 prices,11/ while Lebanon's national income is reported to have exceeded the 1954 level by nearly 5 per cent.12/ As regards the other countries, data on the most important indicators are still incomplete.

Table A shows that the agricultural sector was chiefly responsible for the changes in 1954. The drop in national income in Turkey resulted mainly from a decline of approximately 20 per cent (at 1948 prices) in the net value of agricultural production because of the poor harvest in 1954. The decrease in the contribution of wholesale and retail trade is also to a great extent attributable to the same factor, since in Turkey the bulk of commodities traded are farm products, and there is a high correlation between the net values of the two sectors. In Syria, agriculture contributed LS 210 million to the increase of LS 290 million in national income. Even in Israel, where only one-eighth of national income originates in agriculture, developments in this sector were influential factors in the increase in national income. In fact, agriculture and commerce were the two sectors showing the greatest relative increase in net values of production in 1954. In Lebanon, the share of all sectors in national income remained almost stable in 1954.

7/ See chapter 2 of this report.

8/ At 1950 prices, per capita national income rose from £I 283 to £I 302.

9/ At 1948 prices, per capita national income decreased from LT 556 in 1953 to LT 490 in 1954.

10/ The index of wholesale prices fell from 100 in 1953 to 92 in 1954. See chapter 4 of this report.

11/ Budget speech of Minister of Finance. Compared to the previous year, the increase in national income in 1955 originated to a much smaller extent from agriculture, since, owing to unfavourable weather, the net value of agricultural production rose only slightly (Jerusalem Post, 15 February 1956).

12/ Le Commerce du Levant (Beirut), 25 January 1956.

The net value of industrial production rose, in absolute terms, in Israel, Lebanon and Turkey, and apparently also in Syria, in 1954 but the rise was substantial only in Israel and Turkey. In Israel the ratio of this sector to total national income declined slightly from 23 per cent to 22 per cent.

It can be presumed that national income increased in 1954 in the petroleum producing countries (with the possible exception of Iran, where quantity oil production resumed in October 1954). It may have increased also in Egypt, where industrial output and agricultural production - especially the wheat and rice crops, and to some extent also the cotton crop - were well above the 1953 level.

Economic Development in the Middle East as a Whole

Variations within the region add to the difficulties of presenting a synoptic view of developments in the Middle East. The economies of the different countries are not complementary to any great extent, trade with nations outside the region being at present about ten times the value of trade within the region. However, these countries have many economic problems in common. Most of them are predominantly agricultural, with a common interest in irrigation, dry farming, and stockraising under semi-arid conditions. In view of the large fluctuations in agricultural output to which countries in this climatic zone are subject - cereal yield in a bad year in Syria or Jordan, for example, can still be as little as one-third of yield in a good year - most of them are interested in drought-resistant seeds and animals and more efficient methods of dry farming, while economic development through extension of the irrigated area is of vital importance to them. Many countries also have an interest in lessening their vulnerability to fluctuations in the output and prices of their primary products by building up manufacturing industry, but, except in Israel, employment in the industrial sector does not exceed 10 per cent of the occupied population, and the industrial structure in many is at an early stage of development, textiles and other secondary industries invariably occupying an important place. There is thus some justification for reviewing economic developments in the Middle Eastern countries together, and the presentation in the following chapters brings out many uniformities which would not otherwise be clear.

Economic life in the region generally is still largely dominated by the fate of the staple crops: cereals (wheat, barley, rice), fruits, oil-seeds and cotton. The economic effects of great changes in the output of such crops are clearly reflected in the figures of national income cited above and can be followed in some detail in the ensuing chapters, for example in the case of Turkey, where several years of rapid expansion in arable acreage and in yields were followed by a serious reversal in 1954, or in Syria and other countries of the Fertile Crescent, where good crops in 1954 were followed by the drought year of 1955. The importance to Egypt of the cotton crop, which now constitutes about 30 per cent of the total value of agricultural production and about 85 per cent of the value of all exports, has often been emphasized; changes in gross national product, industrial employment and the foreign trade balance can be seen to follow changes in the cotton crop with some regularity.

Although the expansion of industrial output in some Middle Eastern countries was relatively great in 1954-1955, owing in part to the great efforts made by governments to expand industry in the interests of diversification, the size of the industrial sector in almost all countries is still small, and its development

is largely dependent on the purchasing power of the farming community. The oil industry is an exceptional case. This industry, which throughout the Middle East does not employ more than 150,000 people, has a cumulative invested capital in the area (including refineries and pipelines) of about $2.6 billion and is now making direct contributions to governments of some $880 million a year (besides indirect contributions of about $200 million a year by way of wages to employees and local purchases of goods and services). The direct contribution to the current public revenues of the major oil producing countries is large, varying from 38.3 per cent in Iran to 97 per cent in Kuwait,13/ and some of them have, as shown in chapter 5, elaborate plans for using their oil revenues in the interest of development.

However, experience shows that the rate at which oil revenues accrue is far greater than the rate at which they can be effectively used for development and that, in some of the Persian Gulf States, the revenues even outstrip the total foreseeable potentialities of development. Thus, in one way or another, sometimes through official schemes such as the projected Arab Development Bank, sometimes through private initiative as in real estate developments in Cairo and Beirut, the oil revenues of the Persian Gulf States are gradually filtering through to other countries of the region with wider investment possibilities. The current size and probable future expansion of these revenues suggests that they could be a potent factor in the economic development of the area. In this connexion, it seems likely that the industry will no longer be so concentrated geographically, around the Persian Gulf area, as it has been in the past, since the discovery of new sources in Egypt and Israel.

The oil revenues are the most spectacular, although not the only encouraging, element in the favourable long-run economic prospects in the Middle East as a whole. The present economic difficulties of some countries of the area, as outlined in succeeding chapters, should be viewed in relation to these long-run prospects. The difficulties are typical of under-developed countries determined to press on with large schemes of public investment in the interest of rapid economic development. They are not lessened by the unsettled political situation in the Middle East with its accompaniment of heavy defence expenditures. In the effort to meet major financial requirements of public investment and defence, inflationary pressures have been created in some countries, leading to typical balance of payments difficulties deriving from the unsaleability of high-priced exports and the scarcity of foreign exchange to pay for imported raw materials and equipment. Foreign aid and foreign credits permitting a relatively high level of imports have helped in a few countries to contain these inflationary pressures, and restrictions on domestic spending had the same effect. However, inflation has not been checked completely and, as shown in chapter 4, the internal price level has continued to rise recently in several countries.

Difficulties in the marketing of exports appear in part responsible for the shift towards eastern European countries in the direction of the trade of Egypt and Turkey, although various other Middle East governments have also recently made bilateral or barter agreements with these countries.

13/ See appendix table H.

The long-run economic prospects of the Middle East as a whole remain rather favourable, and in the past few years progress towards utilizing the great potentialities for its economic development has been encouraging. Some of these potentialities have for some time been known to exist; thus, the prospects for a large expansion of irrigated acreage and a great increase in hydroelectric power production have been familiar for many years. Although the High Dam on the Nile represents a new concept, the power possibilities of the Aswan dam have been discussed for decades. So have the hydroelectric possibilities of the Litani River, which were first investigated under the French Mandatory regime. The Habbaniya dam on the Euphrates and the Wadi Tharthar dam for diverting flood waters of the Tigris - both of which were complete in 1956 - were first suggested in a report on irrigation in Mesopotamia which Sir William Willcocks made to the Turkish Government in 1912. In Israel, the possibilities of the Huleh Reclamation Scheme, which is to come into operation in 1956, were known twenty years ago. In the past few years it seems that the pace of development has unmistakably quickened and that some of the large development schemes now coming to fruition and some now in prospect, as described in chapter 5, may help to start a cumulative process of economic improvement in the area as a whole.

Chapter 1

PRODUCTION AND TRANSPORT

Agriculture

During 1954 and 1955, agriculture continued to receive growing attention in economic policy in Middle East countries. In recent development programmes, agriculture has been allocated large shares of the funds - in some cases the largest share,1/ because in most of these countries, promotion of agriculture involves the construction of costly irrigation projects. Available budget estimates indicate that, in general, public investment in agriculture has risen considerably during this period.2/

However, there was little evidence of any tendency to plan agricultural development within a framework of international specialization; on the contrary, the achievement of greater self-sufficiency by the encouragement of substitutions for imports continued to be a common trend. Though the trade and payments agreement concluded in 1953 among the Arab countries provides for customs exemptions and reductions for agricultural products originating in the participating countries,3/ and thus implies a certain relaxation of the principle of autarky in commercial policy and reorientation towards greater specialization, a corresponding adjustment in agricultural policies has not taken place, even in the countries which signed the agreements.4/ On the contrary, the tendency towards self-sufficiency in the region has recently been somewhat strengthened.

Thus Egypt, which still strives to attain self-sufficiency in wheat by the device of minimum acreage prescriptions, in June 1954 permitted the growing of tobacco, which had formerly been prohibited, all tobacco being imported chiefly from Greece and Turkey. Although in Lebanon self-sufficiency in the principal agricultural products is obviously impossible, agricultural policy encourages the

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1/ See chapter 5, on development plans.

2/ Although figures on actual expenditure are generally lacking, it may be noted that in Egypt in the fiscal year 1955-56, approximately £E 28 million of the total appropriations of the National Production Council represented expenditure for agricultural development, compared with £E 10 million in 1953-54. In the development budget of Israel, the allocations for agriculture rose from £I 55 million in 1953/54 to £I 76 million in 1954/55, an increase of about 12 per cent (at constant prices). In Turkey, public investment in agriculture, which, together with private investment, had risen very sharply in the period 1950-1953, seems to have increased further in the subsequent two-year period, though perhaps at a lower rate than investment in other sectors.

3/ See chapter 3, on foreign trade and payments.

4/ Food and Agriculture Organization of the United Nations (FAO), Draft report of the Regional Working Party on Selected Problems of Production and Trade in the Near East (Tehran, October 1955; mimeographed).

production of commodities which are imported at present.5/ Israeli production of cotton - formerly all imported - met an important part of domestic demand in 1955 and the programmes now under way attempt to ensure complete self-sufficiency in this commodity.

Apart from the tendency towards self-sufficiency, the agricultural policies pursued by the individual countries of the region have other common traits, such as the relatively slight emphasis given to livestock development, discussed below. On the other hand, there are some national differences in agricultural policy, both with regard to targets and to the methods employed for reaching them. Thus, an active policy to bring about more equal land distribution has heretofore been confined mainly to Egypt, while measures to mechanize agriculture on a large scale were carried out particularly in Turkey. Price supports have been characteristic chiefly of the agricultural policies of Egypt and Turkey. Further details on these points will be found below, at the end of this section on agriculture.

Discussions of crop output in 1954 and in 1955 follow immediately; owing to climatic factors, production fluctuated markedly from one year to the next, and even within the same year developed differently in the various countries of the region.

Crop production in 1954

The total acreage sown to major crops in the Middle East, and the output of these crops in recent years is shown in table 1. The figures indicate that in 1954, or the crop year 1953/54, the area devoted to these crops had increased and that the greatest relative expansion was in cotton. The contribution of the individual countries to this expansion and the changes which have occurred in the acreage devoted to different cereals can be seen from tables B and C in the appendix. These tables reveal that the cotton area increased particularly in Egypt and Syria, and also rose in Iran and the Sudan. The rise in total grain acreage was due mainly to expansion in wheat, barley, maize, rice and oats, the wheat area increasing in Jordan, Iraq and Syria, and the barley area in Iraq, Israel, Jordan, Syria and Turkey. Egypt and Iraq grew more rice. These changes seem to have resulted chiefly from the movement of agricultural prices, which are under government control in several countries, notably Egypt and Turkey, as discussed below. In Egypt, moreover, the proportion of each holding to be sown to wheat or cotton is prescribed by the Government. Climatic factors, which sometimes have a marked effect on acreage,6/ do not appear to have played an appreciable role in the crop year 1953/54.

Figures on total cultivated area are lacking for a number of countries, but some inferences can be drawn from the data on the acreage of grains, pulses and cotton. It thus appears that in 1954 the cultivated area had increased in all

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5/ Memorandum of the Lebanese delegation to the FAO regional meeting in Beirut, September 1954.

6/ For example, where tilling cannot take place until the fall rains begin, and sowing must be completed some time before the frosts start, late rains entail a smaller sown area.

Table 1. Area and Production of Major Crops

Item and product	Annual average 1948-1952	1953	1954	1955 a/	Percentage change b/ 1953 to 1954	Percentage change b/ 1954 to 1955
Area (millions of hectares):						
Grains c/	18.68	22.81	23.41	...	2.6	...
Grains, excluding millet and sorghum	17.06	20.75	21.38	21.76	3.0	1.8
Pulses	0.76	0.73	0.77	...	5.5	...
Cotton	1.72	1.81	2.00	2.25	10.5	12.5
Production (millions of metric tons):						
Grains c/	19.93	27.98	24.96	...	-11.2	...
Grains, excluding millet and sorghum	18.42	25.59	22.71	23.62	-11.3	4.1
Pulses	0.78	0.79	0.82	...	3.8	...
Cotton	0.65	0.65	0.73	0.76	12.3	4.1

Source: Food and Agriculture Organization of the United Nations; crop years ending in year specified.

a/ Preliminary figures.
b/ Minus sign indicates decrease.
c/ Barley, maize, millet, oats, rice (paddy), rye, sorghum, wheat.

countries (except Egypt 7/ and possibly Lebanon), the greatest expansion in absolute terms being in Iraq, Syria and Turkey, the countries with the largest unused but potentially productive land reserves. This seems to have been brought about chiefly by ploughing new dry farming land.

Total production in 1954 in many cases did not rise in proportion to the changes in total acreage, except in the case of cotton. In pulses an increase of 5.5 per cent in acreage resulted in a rise in output of only 3.8 per cent, and grain

7/ Crop acreage rose in Egypt, from 3.94 million hectares in 1953 to 4.16 million in 1954, but this seems to be due to an increase in the proportion of double cropped areas.

Table 2. Indices of Per Capita Food and Agricultural Production[a/]

(Pre-war average = 100)

Item and region	1953/54	1954/55	1955/56
Food:			
Middle East	112	109	107
World[b/]	102	102	103
Agricultural production:			
Middle East	111	109	108
World[b/]	102	101	103

Source: Food and Agriculture Organization of the United Nations. Data also also include Eritrea, Ethiopia, Libya and Somaliland.

a/ For the Northern Hemisphere the figures relate almost entirely to the harvests in the first year of each crop year listed.

b/ Including estimates for China, eastern Europe and the Union of Soviet Socialist Republics.

production decreased by 11.2 per cent while acreage increased by 2.6 per cent. Since grains constitute the most important crop of the region, this suggests that total agricultural production in the Middle East declined somewhat in 1954, despite the expansion in acreage. This is confirmed by table 2,[8/] showing per capita food and agricultural production in the Middle East and in the world as a whole. The indices indicate that per capita output both of food alone and of all agricultural commodities decreased in 1954 by about 2 per cent, while the level of per capita world agricultural production remained virtually unchanged.[9/]

However, the stability in the regional production aggregates is not representative of the situation in 1954 in most of the individual countries. In fact, agricultural output in 1954 decreased substantially in Turkey, the chief producer of the region and declined to some extent in Iran as well, while it increased in the remaining countries.

8/ The indices for 1954 production in the Middle East appear in the column headed 1954/55. See footnote a/ in table 2.

9/ Though the data on which the table is based include Eritrea, Ethiopia, Libya and Somaliland in addition to those generally covered in the present report, the agricultural output of these countries is too small to affect the general picture.

The agricultural output of Turkey, which had been greatly expanded in recent years by the extension of the cultivated area and improved production practices, especially the extensive use of tractors, as well as by good weather, price supports and other factors, experienced a serious setback in 1954. The total area under crops was somewhat greater in 1954 than in the previous year (12.9 million as against 12.7 million hectares),10/ but on account of very severe drought, yields per hectare dropped sharply. The yield of wheat fell from 1.24 tons per hectare in 1953 (1.0 ton in the period 1948-1952) to 0.76 ton in 1954, and the yield of other cereals grown in the central Anatolian plateau, the principal grain producing region of the country, showed a similar drop. This resulted in a decrease in total grain production from 14.6 million to 9.6 million tons. The output of legumes also dropped, by about 16 per cent, while the production of industrial crops and of fruits did not change appreciably. On the whole the decline in tobacco production, for example, was compensated by the increase in the output of oil-seeds, citrus fruits and cotton. The sharp fall in Turkish agricultural production in 1954 is demonstrated in the figures in appendix table A, which shows the greatly reduced contribution of agriculture to Turkish national income in that year, and also in the quantum index of Turkish agricultural output, compiled by the Food and Agriculture Organization of the United Nations. The index for food production fell from 185 in 1953 to 151 in 1954, and the index of the output of all agricultural commodities declined from 187 to 156 in the same years (annual average for 1934-1938 = 100).

Scanty material available with respect to Iran indicates that agricultural production declined somewhat, although not nearly to the same extent as in Turkey. While the acreage under cereals did not change, the production of wheat decreased, owing largely to floods in various parts of the country.11/ Acreage devoted to sugar-beets and tobacco, as well as production of these crops, was smaller in 1954, compared with the previous year. However, because of somewhat higher yields, there was an increase in cotton and rice production.

In the remaining countries, on the other hand, developments in agriculture were favourable in 1954. The index of agricultural production for Egypt shows a rise in food production, from 136 in 1953 to 147 in 1954, and for all agricultural commodities, from 120 to 130 (annual average, 1934-1938 = 100). This was brought about chiefly by a much larger cereal crop, resulting from substantially higher yields. Wheat yields per hectare rose from 2.1 to 2.3 tons, and the yield of rice - whose area had also gained substantially, at the expense of corn and sorghum - increased from 3.67 to 4.32 tons. The larger wheat crop permitted a substantial reduction of imports, while larger rice crops made greater quantities available for export. On the other hand, the cotton crop was somewhat disappointing. Although cotton acreage expanded by almost 20 per cent, production rose by not quite 10 per cent. In addition to the effect of some long-term factors, such as the degeneration of cotton strains and poor drainage, the decline in cotton yields in 1954 is attributed to the occurrence in 1954 of the highest

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10/ Parliamentary budget committee, Report on the Turkish budget for the fiscal year 1956/57 (Ankara, 1956; in Turkish).

11/ Bank Melli, Annual Report, 1954/55 and Bulletin, No. 158-159, April/July 1955 (Tehran).

Nile flood in fifty years, and to damage by pests.12/ Output of sugar-cane and of onions rose in 1954.

As demonstrated by an important increase in the net value of agricultural production in Israel, developments were favourable in 1954. Citrus fruit production rose from 302,000 to 470,000 tons,13/ and there were increases in the wheat, barley and olive crops, ranging from 13 to 50 per cent. The rise in wheat and barley production followed an expansion in acreage, but was mainly due to higher yields. Barley yields amounted to 1.15 tons per hectare as against 0.91 ton in 1953.

The year 1954 has been characterized as "the best agricultural year of Lebanon, exceeding 1953, the best previous year, by a small margin".14/ The production of citrus fruits, one of the most important crops, rose from 75,000 to 100,000 tons, and the wheat crop considerably surpassed the 1953 level, entirely because of higher yields. Production of vegetables and dairy products also expanded. The result was that the net value of agricultural production rose despite falling prices (see table A).

Because of abundant rains, a relatively small amount of pest damage and other favourable circumstances,15/ 1954 was also a good year for Syrian agriculture. This is substantiated by national income estimates which show an important gain in the contribution of agriculture to the national income of Syria in that year. Some crops, such as millet, were smaller than in the previous year, but the majority - wheat, barley, cotton, tobacco, oil-seeds - were larger. The barley, cotton and oil-seed crops were above the 1953 level by 35 to 70 per cent, owing to expansion of acreage and higher yields. Cotton yields were 4.28 tons per hectare in 1954 compared with 3.67 tons in 1953.

Although, a spring flood, described as the most devastating in its history, caused great damage in Iraq in 1954,16/ in this country too, the harvest as a whole exceeded the previous one. While the barley crop increased only slightly,17/

12/ United States Department of Commerce, World Trade Information Service, Economic Developments in Egypt, 1954, part I, No. 55-34 (Washington, D.C., 1955).

13/ Central Bureau of Statistics and Economic Research, Statistical Abstract of Israel, 1954/55, No. 6, (Jerusalem). Since citrus fruits are harvested from November through March, the 1953 figure in appendix table C, represents production in 1954. See Food and Agriculture Organization of the United Nations, Yearbook of Food and Agricultural Statistics, 1954, "Production", (Rome).

14/ World Trade Information Service, Economic Developments in Lebanon, 1954, part I, No. 55-53.

15/ Bureau of Documents for Syria and Other Arab Countries (Bureau des documentations Syriennes et Arabes), La Syrie économique, 1954 (Damascus).

16/ United States Department of Commerce, Foreign Commerce Weekly, 28 June 1954 (Washington, D.C.).

17/ According to estimates of the Food and Agriculture Organization; other sources indicate a drop in barley production. See World Trade Information Service, Economic Developments in Iraq, 1954, part I, No. 55-28; and Foreign Commerce Weekly, 28 June 1954.

wheat production showed a substantial rise, owing both to greater acreage and to higher yields. There were also increases in the output of dates, rice and tobacco.

Agricultural output in 1955

Crop data for 1955 are incomplete at time of writing: the area and production of many crops, including pulses, millet and sorghum, both in individual countries and the region as a whole, are not known and, except for Israel, no over-all figure for quantum or value of total agricultural output in 1955 can be given for any country. A tentative sketch which emerges from the available material follows:

The total acreage under grains (except millet and sorghum) has increased further - by 1.8 per cent - with notable gains in the area under wheat, barley, rye and oats. Maize and rice acreages have contracted. The growth in the total wheat acreage was important in Iraq and Turkey and relatively large in Israel. Expansion in these countries more than offset the reduction in the wheat area in Egypt, from 754,000 to 640,000 hectares, as a result of the increase by the Egyptian Government in the maximum acreage limit for cotton.18/ The decline in the total area under rice, was caused by contractions in Turkey and, in particular, in Iraq (because of climatic conditions), while in Egypt the area sown to this crop remained almost stable. There was an important increase in the total area under cotton owing to the expansion of acreage in Egypt (by 15 per cent), in Iran (10 per cent), in Syria (33 per cent) and in Turkey (12 per cent). In the Sudan, cotton acreage did not change appreciably. In 1954/55 the expansion in total crop acreage seems to have been most marked in Turkey, where it rose from 12.9 million hectares in 1954 to 13.8 million hectares in 1955; there is also indication of a further rise in acreage in Iraq.

Production figures indicate that the total output of grains (excluding millet and sorghum), which had declined by 11.3 per cent in 1954, rose about 4 per cent in 1955, although the acreage increase was much less. Cotton production rose by only 4 per cent, also much less than the acreage increase. In view of the rise in grain and cotton output, it seems probable that in the region as a whole total agricultural production was somewhat higher in 1955 than in the previous year. Although the indices in table 2 show a decline of one point in the per capita figures, they imply a slight rise in total agricultural production (of one to one and a half points). The regional production aggregates, however, which are heavily weighted by the figures for Turkey, do not reflect variations in developments in individual countries. It appears that in most countries where agricultural output in 1954 had recorded marked increases, these increases had, in 1955, greatly slowed down or even given way to decreases, while in the countries in which it had previously declined, there was distinct recovery.19/ Only in Egypt does the moderate increase in total agricultural production in 1954 seem to have continued in the following year.

18/ See discussion of production methods and price policy at the end of the section on agriculture.

19/ Food and Agriculture Organization of the United Nations, Draft report of the Regional Working Party on Selected Problems of Production and Trade in the Near East.

Agriculture in Iraq, Israel, Jordan, Lebanon and Syria suffered greatly in 1955 from unfavourable weather conditions. In Iraq, a severe drought in the spring and summer reduced rain-fed crops in the north and lowered the level of rivers in the south, thus preventing effective irrigation. Despite an extension of acreage, wheat production fell by 60 per cent and barley by about 40 per cent. The rice crop dropped 45 per cent because only a much smaller area could be sown. The situation made it necessary for the Iraqi Government to import wheat.20/

Drought in Israel in the first months of 1955 led to the loss of great areas of wheat, barley, fodder and legumes, and to reductions in the citrus, grape, olive and deciduous fruit crops.21/ Because of substantially increased acreage, wheat production exceeded the 1954 level, but barley production fell from 90,000 tons in 1954 to 40,000 tons in 1955, and output of citrus fruit declined from 472,000 to 390,000 tons. However, these losses have been offset by the increased production of industrial crops, especially cotton. Cotton, which was first planted experimentally only two years ago, yielded 6,500 tons 22/ in the Hebrew year beginning September 1954 and thus helped to increase the gross value of agricultural production (at 1954 prices) by 3.5 per cent, from £I 331 million in 1954 to £I 343 million in 1955.23/

Drought reduced the wheat crop in Jordan by 70 per cent, in Syria by nearly 50 per cent. The barley crop in Syria showed a similar decrease;24/ however, cotton production rose 6 per cent. In Lebanon the drought affected the output of fruits and legumes. The losses sustained by some of these crops is estimated at 40 to 50 per cent of the normal yield.25/ Production of citrus fruits, wheat and barley, however, was somewhat higher than the previous crop, or equal to it.

In Turkey, the output of most crops, because of larger areas and higher yields, increased substantially from the low levels of 1954. Cereal crops rose from 9.7 million tons in 1954 to 13.1 million tons in 1955, while the production of pulses rose from 419,000 to 469,000 tons.26/ However, since Turkey also experienced some effects of the drought which affected the neighbouring countries, the yield and output of most crops - with certain exceptions, such as sugar-beets and barley - were lower than in the record year 1953.

Available figures for Iran, another country where developments in agriculture do not seem to have been favourable in 1954, generally also show larger crops in 1955. Wheat and sugar-beet production, especially, appear to have risen.

20/ Iraq Times, 26 July 1955 and 1 November 1955 (Baghdad).

21/ Israel Information Office, Israel Digest, 9 December 1955 (New York).

22/ Speech of the Minister of Finance, in Haaretz, 15 February 1956 (Jerusalem).

23/ The increase in the previous year was 18.5 per cent.

24/ Le Commerce du Levant, 21 May 1955 and 18 June 1955 (Beirut). The loss in Syrian exports resulting from the drop in the cereal crop was evaluated at LS 100 million (ibid., 3 August 1955).

25/ Le Commerce du Levant, 23 July 1955.

26/ Parliamentary budget committee, Report on the Turkish budget for the fiscal year 1956/57.

In Egypt, smaller acreage combined with somewhat lower yields resulted in a drop in wheat production, from 1.73 million tons to 1.45 million tons. However, the production of other crops, especially rice and cotton (which was substituted for wheat as the prescribed acreage was increased) has risen. Rice output, despite slightly smaller acreage, considerably exceeded the 1954 crop because of a further rise in yields. On the other hand, the drop in the cotton yield continued from 5.54 tons per hectare in 1953 to 5.25 tons in 1954 and 5.02 tons in 1955, but on account of the much larger area devoted to cotton, production of this crop rose by about 10 per cent.

Livestock

One characteristic of developments in agriculture in the Middle East during the post-war period has been a marked discripancy between the rate of growth in the livestock sector and in crop production, especially grains. While the latter showed remarkable expansion in the years 1950-1953, particularly in some countries - Turkey, for example - the livestock output either remained stationary or developed only very slowly. The increase in livestock population was slight, and there was little or no shift from extensive to intensive forms of livestock breeding - from sheep raising to cattle raising and dairy farming, for example.27/ Moreover, the average yield per animal of different livestock breeds did not change substantially, and the increase in the total output of livestock products was slight. As has been pointed out elsewhere,28/ this was due chiefly to the following factors: improvement in livestock breeding is a slow process and measures for this purpose have not had time to bear fruit in the relatively short period which has elapsed since their adoption; domestic demand for livestock products is restricted because of low income levels and national nutrition habits; export possibilities are limited, partly because of lack of transportation facilities and appropriate equipment and partly because of insufficient efforts to secure markets abroad; and, finally, agricultural price supports have not usually been applied to livestock products.

In the period under review no important changes in the situation have appeared. Estimates of changes in the total livestock population of the region as a whole, and of some individual countries, are given in table 3, which is based on the conversion of different kinds of livestock into "livestock units". The data reveal that the total number of livestock in the region has risen only slightly in the last two years; in fact at a lower rate than the human population, which increased by over 2 per cent annually. To some extent this may be explained by the fact that the total includes camels and horses, whose numbers have tended to decline because of competition from mechanical means of transport. There is a somewhat larger increase in the indices which cover only cattle, buffaloes, sheep and goats (the main meat and milk sources of the Middle East) in

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27/ However, as compared with 1939, the number of sheep and goats has greatly decreased in Egypt, while the number of buffalo and cattle grew considerably.

28/ Food and Agriculture Organization of the United Nations, Problems of Food and Agricultural Expansion in the Near East (Rome, 1955).

Table 3. Indices of Livestock Numbers,[a] Selected Countries
(1947/48-1951/52 average = 100, except as indicated)

Country and item	1952/53	1953/54	1954/55
Total, Middle East:			
Cattle, buffaloes, sheep, goats ...	114	116	117
Camels, horses, donkeys, mules	98	101	102
Total	113	115	115
Egypt:[b]			
Cattle, buffaloes, sheep, goats	88	89	91
Camels, horses, donkeys, mules	91	95	99
Total	89	90	93
Israel:			
Cattle, sheep, goats	166	182	212
Syria:			
Cattle, buffaloes, sheep, goats	120	125	131
Camels, horses, donkeys, mules	109	108	118
Total	119	123	130
Turkey:			
Cattle, buffaloes, sheep, goats	110	111	111
Camels, horses, donkeys, mules	104	104	103
Total	110	111	111

Source: Food and Agriculture Organization of the United Nations.

a/ Different kinds of livestock have been converted into "livestock units" by use of the following conversion factors: camels 1.1; buffaloes, horses and mules 1.0; cattle and donkeys 0.8; sheep and goats 0.1 (Food and Agriculture Organization of the United Nations, Yearbook of Food and Agricultural Statistics (Rome, 1955), page 308; the conversion factors are only approximately valid for the individual countries).

b/ 1951/52 = 100.

spite of the drought of 1954.29/ Even if allowance is made for this factor, however, the gain was very modest.

The rate of increase of the livestock population has varied markedly in different countries. It was much higher in Israel and Syria than in Egypt;30/ it was particularly low in Turkey, where, in addition to the above-mentioned factors, domestic demand for meat rose substantially while conversion of pastures into crop land increased. The result has been that prices of edible animal products and of live animals have increased in Turkey in recent years much more than prices of foodstuffs of plant origin, despite the support given to the latter by the Government. This may be seen from the following indices of wholesale prices in Turkey (1951 = 100).

	1952	1953	1954	1955 (Eleven months)
Edible livestock products	111	118	139	144
Live animals	118	123	136	144
Other foodstuffs	100	94	108	116

Source: Central Statistical Office, Bulletin of Statistics, November 1955 (Ankara), page 19.

However, increasing prices in Turkey are but slowly reflected in increasing supplies of animals and animal products because the elasticity of supply is low. Owing to the small amount of fodder grown, and for other reasons, stable feeding is not widespread and improvement in pasture areas has up to now been limited in extent. The supply of animals is governed mainly by natural factors such as weather and the availability of natural grassland.

Data are not adequate to ascertain whether changes have occurred in the quality and yield of livestock. Figures on the output of livestock products are also scanty. The production of wool (greasy basis) has, in most of these countries, remained practically unchanged. On the other hand, because of the

29/ Dry years sometimes cause considerable losses in sheep and goat flocks in the Middle East. Thus, the sheep population of Turkey declined from 27.3 million in 1953/54 to 26.8 million in the following year, and a substantial drop is expected in 1956 in the sheep population of Iraq as a result of drought in 1955 (United States Department of Commerce, Foreign Commerce Weekly, 7 November 1955).

30/ The drop in Egypt's livestock population between 1951/52 and the following year has been described as an indirect effect of land reform. A great part of the livestock belonged to large landowners who, upon the enactment of the land reform law, sold much of their stock to slaughter-houses. According to an estimate of the Ministry of Agriculture, it seems probable, however, that cattle and buffalo populations will be restored in the next few years, since the 1954 livestock census revealed a significant rise in the percentage of younger animals. Abd-El-Razzak Sidky, Agricultural Production, 1948-1952, 1953 and 1954, published (in Arabic) by the Egyptian Ministry of Agriculture (Cairo, January 1955).

Table 4. Utilization of Fertilizers, by Country

(Thousands of metric tons)

Country and item	1938	1948/49-1952/53 average	1953/54	1954/55	1955/56
Total, Middle East:					
Nitrogenous fertilizers	80	120	140	150	150
Phosphoric acid	10	30	40	45	60
Potash fertilizers	...	5	20	20	20
Cyprus:					
Nitrogenous fertilizers	...	...	2.5	2.7	3.0
Phosphoric acid	...	4.8[a]	4.7	5.3	5.8
Egypt:					
Nitrogenous fertilizers	76.0	98.2	111.2	112.0	112.1
Phosphoric acid	8.7	16.7[b]	15.0	15.0	15.0
Potash fertilizers	0.2	0.6[b]	0.5	0.5	0.5
Israel:					
Nitrogenous fertilizers	-	5.3	11.3	9.4	10.0
Phosphoric acid	-	6.8[d]	9.8	8.2	16.0
Potash fertilizers	3.1[c]	1.1[d]	4.0	...	...
Lebanon:					
Nitrogenous fertilizers	-	1.8[e]	3.2	4.2	4.2
Phosphoric acid	...	0.6[e]	1.9[f]	2.5[g]	2.5
Potash fertilizers	...	1.2[e]	2.0[f]	2.7[g]	3.2
Sudan:					
Nitrogenous fertilizers	...	4.7[d][e]	5.1	10.5	10.0
Syria:					
Nitrogenous fertilizers	...	0.9[a]	2.0	3.2	3.5
Potash fertilizers	...	0.1[a]	0.2	0.3	0.4
Turkey:					
Nitrogenous fertilizers	0.2	6.5[d]	4.3	5.2	5.5
Phosphoric acid	-	3.6[d]	6.6	13.6	20.0
Potash fertilizers	0.2	1.9[d]	9.9	9.6	9.6

Source: Food and Agriculture Organization of the United Nations.

a/ 1952/53 figure.
b/ Average of three years.
c/ Data for Palestine.
d/ Average of four years.
e/ Partly estimated.
f/ 1954.
g/ 1955.

growth of domestic demand, meat production has risen in the Middle East as a whole, from 0.9 million metric tons in 1953 to 1.1 million tons in 1954. Except in Israel, milk production has generally shown only a slight rise, while in Turkey it dropped from 3,380,000 tons in 1953 to 2,560,000 tons in 1954. This may be connected with a poor harvest, which resulted in greatly reduced supplies of food.

Production methods and price policy

Some improvement in methods of agricultural production has been achieved in the last two years in the Middle East, though in relation to what remains to be done in this field, the achievement must be considered modest.

The use of fertilizers has continued to increase. According to estimates of the Food and Agriculture Organization of the United Nations, the utilization of nitrogenous fertilizers in the region as a whole in the crop year 1954/55 was 25 per cent above the annual average for the period 1948/49-1952/53, while the use of phosphoric acid and potash fertilizers rose by 50 and 300 per cent, respectively, in the same period (see table 4).

This development was aided by a rise in domestic fertilizer output in the region. The total production of superphosphates in Egypt, Israel and Turkey increased from 82,000 tons in 1950 to 200,000 tons in 1954. Moreover, in 1955 new fertilizer plants began operation in Israel and Turkey, while all three countries have planned further additions.31/

The increase in the use of fertilizers has been especially marked in countries other than Egypt, where their use was previously very high. However, except in Israel and Lebanon, the quantity of fertilizers utilized per hectare of cultivated area is still quite low despite the recent rise.

Seeds have also been improved. Egypt plans to sow the entire wheat and rice area with improved seeds and to convert 10 per cent of the maize area to hybrid maize. With a view to stopping the degeneration in cotton strains, a similar seed improvement programme for cotton has been in process since 1954.32/ In the agricultural development programme of Lebanon for the year 1954/55, LL 450,000 was allotted to seed improvement.33/ In Turkey, the quantity of improved seeds distributed to farmers has greatly increased; cotton seed thus distributed, for example, amounted to 12,000 tons in 1955 as against 350 tons in 1950.34/ In Iran, the growing of Shahpassand wheat is reported to have been extended in four years from ten villages to 20,000.35/ In some countries, however, the targets set for seed improvement can hardly be attained by government action alone; private seed growers will probably have to participate more fully in the programmes.

31/ See the section on "Industry", which follows.

32/ Abd-El-Razzak Sidky, op. cit.

33/ Memorandum of the Lebanese delegation to the FAO Regional Meeting in Beirut, September 1954.

34/ Parliamentary budget committee, Report on the Turkish budget for the fiscal year 1956/57.

35/ Annual Report of the United States Operations Mission to Iran, 30 June 1955 (Washington, D.C.).

In all countries measures have been taken for more effective control of animal and plant diseases and for improving livestock. In Iran, for instance, the pest control programme established by the Ministry of Agriculture, which started with an attack on locusts now includes many other pests.36/ In the year beginning March 1954, 12.5 million livestock were vaccinated.37/ Cross-breeding of domestic cattle, sheep and poultry with imported foreign stock continued, and attempts were made to revive the production of alfalfa - of which Iran is said to be the original home - for improved feed.38/

The use of farm machinery has also further increased, as can be seen from table 5. The number of tractors rose in 1954 and 1955 in most countries for which figures are available - particularly in Israel, Syria and Turkey. In Iran, 822 tractors were sold to farmers by the Agricultural Bank and the Ministry of Agriculture in 1954/55.39/

Table 5. Tractors[a/] used in Agriculture, by Country

(Number)

Country	1950	1953	1954	1955
Aden	...	52	102[b/]	150[b/]
Cyprus	443[b/]	1,022[b/]	1,181[b/]	...
Egypt	...	8,850	...	...
Iran	1,186[b/]	...	...	...
Iraq	...	280	249	...
Israel	2,300	3,386	3,531	3,685
Jordan	84[c/]	243[b/]	305[b/]	...
Lebanon	121	112	135	160
Sudan	120	89	91	91
Syria	642	1,155	1,454	...
Turkey	10,227	35,670	37,832	41,053
Total	22,000	51,860	54,800	...

Source: Food and Agriculture Organization of the United Nations; and report on the Turkish budget for fiscal year 1956/57.

a/ Both continuous tread and wheel types.
b/ Tractors used for all purposes, including road-building.
c/ 1951.

36/ Annual Report of the United States Operations Mission to Iran, 30 June 1955.

37/ Bank Melli, Annual Report, 1954/55 and Bulletin, No. 158-159, April/July 1955.

38/ Annual Report of the United States Operations Mission to Iran, 30 June 1955, pages 15 and 16.

39/ Bank Melli, Annual Report, 1954/55 and Bulletin, No. 158-159, April/July 1955.

In general greater stress has been laid on training machine operators and mechanics, on maintenance of machinery and on ensuring adequate supplies of spare parts. In Lebanon a training centre for better utilization of machinery was recently created,40/ and in Iran many training courses were given on machinery operation, maintenance and repair.41/ However, there have been no signs of appreciable improvement in the simpler implements appropriate to small farms, such as are used by the great majority of smallholders, although their possible improvement, and ways in which the use of such improved implements could be spread, are being studied in some countries.

Available figures on irrigated areas show an expansion in most of the countries covered. The gain has been especially important in Israel - from 600,000 dunams in 1952/53 to 750,000 in 1953/54 and to 880,000 dunams in 1954/55,42/ owing largely to the completion of the Yarkon-Negeb pipeline.43/ The irrigated area in Syria increased from 509,000 hectares in 1953 to 514,000 hectares in 1954,44/ and in Turkey, from 63,000 to 350,000 hectares in the period 1950-1955.45/ The extent of irrigated area does not appear to have changed in Jordan from 1952 to 1954.46/ However, in 1955 it is possible that in Jordan, as well as in Iraq - for which recent figures are also lacking - there was some increase in irrigated acreage, since in both countries a number of small water projects were expected to be completed in this period.47/ In Egypt, there seems to have been practically no change in recent years in irrigated area, which in this country coincides with the area under cultivation. However, plans have been prepared for construction of a high dam (Sadd el Aali) in Upper Egypt, which would bring about a very considerable extension of irrigated area.48/ In addition, some work has been done on improving drainage, in the hope of reversing recent trends in cotton yields.

40/ Memorandum of the Lebanese delegation to the FAO regional meeting in Beirut, September 1954.

41/ Annual Report of the United States Operations Mission to Iran, 30 June 1955.

42/ Central Bureau of Statistics and Economic Research, Statistical Abstract of Israel, 1954/55, page 72. One dunam equals 0.1 hectare.

43/ Government Year-book, 1955.

44/ Estimated by the Food and Agriculture Organization of the United Nations.

45/ Parliamentary budget committee, Report on the Turkish budget for the fiscal year 1956/57; the figure of 63,000 hectares, however, seems to refer only to the area irrigated by government projects.

46/ Estimated by the Food and Agriculture Organization of the United Nations.

47/ Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et les marchés des pays arabes, 31 January 1955 and 30 September 1955 (Damascus).

48/ See chapter 5 of this report, on development plans.

In most countries of the region, large irrigation projects are being planned or are in course of construction, and it is anticipated that some of these will be completed in the next few years.49/

Progress has also been made in land reclamation by means of drainage. In Israel, for example, the first two stages in the draining of the Huleh marshes were completed in 1955.50/ It may also be noted that Egypt, by creating a land reclamation organization in March 1954, has centralized all matters dealing with this task, heretofore handled by different departments.51/

Several countries of the region have instituted programmes of land reform. The most far-reaching measures in this field have been taken by Egypt, where the agrarian reform law of 1952 provided for marked reductions in rents and for the expropriation of practically all holdings exceeding 200 feddan,52/ for redistribution to landless farm workers and smallholders. By February 1955, of the total of approximately 567,000 feddan subject to sequestration, 415,000 feddan had been taken over by the Government.53/ However, the bulk of the expropriated area was still being administered by the Government,54/ and a relatively small part of it had been allotted to farmers. In all, the land distributed in the period from 1 November 1953 to 31 October 1954 amounted to 101,000 feddan, the beneficiaries consisting of over 28,000 families. In addition, 92,000 feddan had been sold by large landowners to small farmers, prior to requisitioning. The 1955 programme of the Higher Committee for Land Reform called for a further distribution of 100,000 feddan, to be completed in four years instead of five, as originally planned,55/ and by September 1955, 261,000 feddan had been distributed. Prior to the actual distribution of land, the Government attempts adequate preparation, including the organization of beneficiaries into multiple-purpose co-operatives and gives attention to the maintenance of existing irrigation and drainage systems. Though their final effects on production have not been fully studied, the reform measures have fulfilled some of the requirements of social justice, and have

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49/ The larger projects include some which, by reason of the huge capital outlay they involve and the great increase in production they envisage, are expected to have an important influence on the development of the entire economy. These projects are treated in chapter 5 of this report, on development plans.

50/ Israel Information Office, Israel Digest, 24 and 29 July 1955.

51/ United States Department of Commerce, Foreign Commerce Weekly, 17 May 1954.

52/ One feddan equals 0.42 hectare. In the case of families with children, maximum holdings are somewhat higher.

53/ Reply of the Egyptian Government to a United Nations questionnaire on land reform, June 1955.

54/ At the end of October 1955, the Government was administering 241,000 feddan of the requisitioned area.

55/ United States Department of Commerce, Foreign Commerce Weekly, 13 June 1955.

contributed to gains in the income of beneficiaries and of tenants in general.56/ However, they cannot be considered the final solution to the pressing problem of land scarcity.

In other countries, land reform programmes either do not provide for the expropriation of large estates, or allow for it only in exceptional circumstances;57/ actual measures consist in large part of the distribution of government-owned land to farmers. In 1954 and 1955, new laws were enacted to this effect in some countries;58/ in these and in others distribution of government lands has continued. In Iran, for example, more than 30,000 hectares of crown lands were distributed in 1954/55 to 2,315 families, while in Turkey the allotments in the first ten months of 1955 amounted to 74,600 hectares.59/ In Iraq, in accordance with the Miri Sirf Land Development Law of 1945, a committee is at present implementing the law in six large-scale projects. By 1956, 2.2 million meshara (550,000 hectares) had been distributed to some 15,500 farmers. It is planned to distribute a further 500,000 hectares in the next five years.60/ The serious regional problem of excessive fragmentation, however, has not yet been resolved.

In the interest of agricultural development, some governments have favoured price supports for staple crops. For a number of years, for example, the Egyptian Government has prescribed minimum acreages for wheat and maximum acreages for cotton,61/ with a view to attaining self-sufficiency in cereals and preventing over-production of cotton and consequent fluctuations in price. The Government determines the prices of these products by undertaking to buy all wheat and cotton offered, at prices set each season.

Under the system which prevailed until recently, the marketing of cotton was almost completely controlled by the Government through the Egyptian Cotton Commission, an agency created for this purpose. The commission established not only the buying price of cotton but also its selling price on the basis of New York price quotations for United States cotton (plus premiums for Egyptian medium-staple

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56/ It is estimated that the income of direct beneficiaries (new landowners) has doubled and provision for a maximum limit on rents has led to a reduction of £E 40 million in the total amount of land rent paid by tenants (reply of the Egyptian Government to a United Nations questionnaire on land reform, June 1955).

57/ The Turkish land law of 1945 originally provided for the sequestration of large properties, but this provision was amended shortly after the enactment of the law.

58/ In 1954 in Iran and in 1955 in Syria. Bank Melli, Annual Report, 1954/55 and Bulletin, No. 158-159, April/July 1955; Arab News Agency, Limited, Mideast Mirror, 25 June 1955 (Cairo).

59/ Parliamentary budget committee, Report on the Turkish budget for the fiscal year 1956/57; also reply of the Turkish Government to United Nations questionnaire on land reform, September 1955.

60/ See also Iraq Times, 5 January 1955, 7 February 1955 and 14 December 1955.

61/ United Nations, Economic Developments in the Middle East, 1945 to 1954 (sales number: 1955.II.C.2), pages 33 to 36.

and long-staple varieties). Merchants could buy cotton at any price but could export it only at the official selling price since all exports had to be made through the commission.

In the crop year 1953/54, the Government's decision that at least 30 per cent of each holding should be devoted to wheat, and that the official buying price should be raised from £E 3.3. per ardeb 62/ to £E 5, led to a marked increase in wheat production. On the other hand, moderate buying and selling prices for cotton encouraged exports and greatly reduced stocks, despite an increase in production resulting from somewhat higher acreage limits than in the previous year.63/ Since cotton prices on the world market recovered to some extent in 1954, the Egyptian Government at the beginning of the 1954/55 season raised its buying prices for cotton 64/ - and its selling prices proportionately more - and increased further the maximum limit of cotton acreage.65/ The wheat price was, however, lowered from £E 5 per ardeb to £E 4.5 and, although the minimum wheat acreage limit of 30 per cent was officially maintained, the wheat area in fact decreased, partly because of the technical impossibility, arising from rotation requirements, of contracting the area devoted to other crops without also contracting the area under wheat, and partly, perhaps, because of evasion of the law.

The result was a smaller wheat crop and a larger cotton crop in 1955. On the other hand cotton exports declined in the 1954/55 season owing to higher prices 66/ set by the Egyptian Cotton Commission and also to other factors, especially uncertainty about the intentions of the United States Government with regards to the disposal of its cotton stocks. Moreover, the inflexible selling prices of the commission led to the appearance on the market of import premiums through "entitlement accounts",67/ which fluctuated widely.68/ Besides encouraging speculation in the cotton trade, this development threatened to jeopardize the external stability of Egyptian currency. Therefore, a certain liberalization of the system was decided on in June 1955, whereby the Government established a

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62/ One ardeb equals 150 kilogrammes.

63/ The maximum cotton area in Upper Egypt was increased from 30 per cent of each holding in 1952/53 to 37 per cent in 1953/54; it remained 30 per cent in Lower Egypt.

64/ For example the buying price of Karnak was increased from 58 tallaris per kantar in September 1953 to 65 tallaris in September 1954, while its selling price rose from 69.6 to 84.3 tallaris in the same period (5 tallaris equals £E 1; one kantar equals 44.9 kilogrammes).

65/ In Lower Egypt, from 30 per cent to 33 per cent; in Upper Egypt, from 37 per cent to 40 per cent.

66/ Abandonment of the link between prices of Egyptian cotton and world market prices led to a shift to other sources of supply by some large spinners, particularly of Askmouni. Egyptian Economic and Political Review, September 1955 (Cairo).

67/ See chapter 3, on foreign trade and payments.

68/ National Bank of Egypt, Economic Bulletin, vol. VIII, No. 2 (Cairo, 1955); International Belgian Bank in Egypt, Revue Economique Trimestrielle, October 1955 (Cairo).

minimum buying price for cotton but ceased to determine the selling price. The Alexandria market in futures, closed on account of excessive speculation in 1952, was reopened on 26 September 1955 after certain modifications in its statutes 69/ to control speculation and the system of entitlement accounts was abolished.70/ Export prices are now determined on the free market and are thus allowed to fluctuate, a floor being provided, however, by the existence of the Government's minimum buying price. In addition, the maximum limit of cotton acreage has been reduced for the year 1955/56 to 33 per cent of each holding, in both Upper Egypt and Lower Egypt. The minimum wheat acreage, on the other hand, has been raised from 30 per cent to 33 per cent 71/ though the buying price of wheat was lowered from £E 4.5 per ardeb to £E 3.9.

In Turkey, the Government provides price support for a much larger number of agricultural commodities than in Egypt, but it does not attempt to control acreage. Since cultivated areas are greatly dispersed and transportation facilities inadequate, such control would be very difficult. Different forms of price support have been instituted; government agencies and industries which use all or an important part of certain crops (for example, sugar factories and the tobacco monopoly) are under obligation to buy these commodities either at prices set by the Government or - in the case of commodities traded on the free market - at prices which contribute to the stability of the market. More important are the price supports for certain products, chiefly grains, of which government agencies and industries are not significant users. For about twenty years the Government has set the prices at which it is prepared to buy any quantity offered of these products. The Office of Soil Products, which now has charge of these purchases, sells the commodities in Turkey or exports them after cleaning and grading.

The rise of Turkish grain production in the period 1950-1953 led to a great expansion in the organization, activities and equipment of the Office of Soil Products. In particular, facilities for storing, handling and moving grain were increased substantially. A programme involving a capital outlay of LT 110 million, which, when completed, is expected to raise storage capacity from 411,000 tons in 1950 to 2.2 million was drawn up; in 1955, capacity had reached 1.1 million tons.72/ Before 1951 purchasing prices for grains as established by this agency were not entirely out of line with world market prices. When world prices began to fall, however, government prices were not reduced; on the contrary, they were increased in 1952 and were again raised slightly later, with a view to encouraging production. In 1955, the average price set by the Government for medium quality wheat was LT 290 (or $103) per ton, exclusive of premiums for better grades, compared with $80 in the United States.73/ Free market prices of grains closely followed prices set by the Government until 1954; but recently, because of a poor harvest in 1954, they have risen at a faster rate than Government prices. However, since it is more convenient for most farmers to sell to the Government, the support prices still govern the actions of producers.

69/ International Belgian Bank in Egypt, Revue Economique Trimestrielle, October 1955.

70/ See chapter 3, on foreign trade and payments.

71/ National Bank of Egypt, Economic Bulletin, vol. VIII, No. 4 (1955).

72/ Parliamentary budget committee, Report on the Turkish budget for the fiscal year 1956/57.

73/ Wholesale price in Kansas City in June 1955 for hard winter, No. 2.

In exporting, the Office of Soil Products has frequently accepted world market prices lower than its support prices and has therefore incurred losses. These losses, as well as the expenditures for financing the increase in its stocks, were not covered by tax revenues but by resort to the Central Bank, and this contributed to inflationary pressure in the economy.74/ It has recently been decided in principle to discontinue this practice.75/

74/ See chapter 4.

75/ Declaration of Prime Minister, quoted in Cumhuriyet, 30 January 1956 (Istanbul).

Industry 1/

In 1954, industry appears to have made progress in the Middle East as a whole (see table 6), and there are indications that the rate of progress was accelerated in 1955. Industrial development was most marked in Egypt, Israel and Turkey. Industrial consumption of electricity in Egypt, Iraq, Israel, Syria and Turkey (considered as a group) increased by 18 per cent in 1953 and 21 per cent in 1954 (see table 7).

The rate of expansion in the output of capital and producers' goods, such as cement, steel and fertilizers, appears to have been more rapid than that of consumers' goods, like beverages, sugar and textiles. Mining development was uneven: production of ores for export declined generally in 1954, while the output of minerals destined for local consumption increased.

Industrial capacity in the region continued to increase in 1954 and 1955, and many new plants began operations in various fields. Primary emphasis was placed on the development of fuel and power and the expansion of industries producing such commodities as sugar and other processed foodstuffs, cement, glass, paper, textiles, fertilizers, steel and metal products. The expected increase in production was destined largely for the replacement of imports, with some exceptions: in Egypt, for instance, efforts were made to raise the output of cotton yarn for export, and in Israel production of a wide variety of manufactured goods for exports was encouraged.

Probably most of the investments in industry and mining, excluding petroleum, were financed from domestic sources, and a large part was undertaken by governments, especially in Egypt, Iran, Iraq and Turkey. Most of the countries passed new laws - or revised existing ones - to encourage investment of foreign private capital, which hitherto has been largely confined (apart from petroleum investments) to Israel and Turkey.

The principal phases of industrial developments in individual countries during this period are discussed briefly below.

Egypt

Industrial activity in Egypt expanded in 1954, as shown in table 8, and in 1955 there were indications that the general rise in output of manufactured goods had continued. Investment in industry and mining increased considerably in the two-year period. The National Production Council allocated the equivalent of $36.7 million for 1954/55 and $55.1 million for 1955/56 for developing electric

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1/ A more detailed study of industrialization in the Middle East has been undertaken by the United Nations Bureau of Economic Affairs; it will include aspects of industrial development not treated here. The petroleum industry, especially developments by oil companies, is discussed in chapter 2.

Table 6. Indices of Output of Leading Industries, Major Producing Countries

(1952 = 100)

Product and country	1948	1950	1953	1954
Electricity (Aden, Cyprus, Egypt, Iran, Iraq, Israel, Lebanon, Syria, Sudan, Turkey)	56	77	121	138
Sugar (Egypt, Iran, Lebanon, Syria, Turkey) ..	77	73	108	118
Olive oil (Cyprus, Iran, Israel, Jordan, Lebanon, Syria, Turkey)	57	69	69	100
Beer and wine (Cyprus, Egypt, Iraq, Israel, Lebanon, Syria, Turkey)	86	84	90	117
Tobacco (Iran, Israel, Jordan, Lebanon, Syria, Turkey)	100	73	114	113
Cigarettes (Egypt, Iran, Israel, Jordan, Lebanon, Syria, Turkey)	74	82	111	125
Cotton yarn (Egypt, Lebanon, Syria, Turkey) ..	87	87	105	117
Cotton fabrics (Egypt, Iran, Lebanon, Syria, Turkey)	66	72	105	115
Paper and cardboard (Egypt, Lebanon, Turkey) .	41	80	103	130
Alcohol (Egypt, Israel, Lebanon, Syria, Turkey)	86	116	118	112
Matches (Egypt, Iran, Israel, Lebanon, Syria)	79	88	103	112
Soap (Egypt, Israel, Lebanon, Syria)	78	89	92	114
Sulphuric acid (Egypt, Israel, Turkey)	56	72	111	155
Superphosphates (Egypt, Israel, Turkey)	31	54	81	131
Nitrogenous fertilizers (Egypt, Turkey)	3	3	118	163
Cement (Egypt, Iran, Iraq, Israel, Lebanon Syria, Turkey)	68	90	115	135
Steel (Egypt, Turkey)	50	62	108	127
Glass (Egypt, Israel, Lebanon, Turkey)	80	75	134	136

Source: United Nations Bureau of Economic Affairs.

Table 7. Industrial Consumption of Electric Power, Selected Countries

(Millions of kilowatt-hours)

Country	1948	1950	1952	1953	1954	1955 first half
Egypt	400.0[a]	540.0[a]	650.0[a]	720.6	790.6	...
Iraq	29.0	54.9	119.7	159.1	261.0	...
Excluding petroleum industry	12.0	15.4	28.7	41.8	51.4	...
Israel[b]	96.9[c]	140.6	176.8	206.7	270.1	144.1
Syria	18.4	27.6	31.4	36.4	41.9	23.2
Turkey[d]	135.6	162.0	214.8	270.0	327.6	181.4

Source: Federation of Egyptian Industries, Annuaire, 1953/54 and 1954/55 (Cairo); Ministry of Economics, Statistical Abstract of Iraq, 1950 and 1954 (Baghdad); Central Bureau of Statistics, Statistical Abstract of Israel, 1952/53 and Statistical Bulletin of Israel (Jerusalem); Bureau of Documents for Syria and Other Arab Countries, L'Industrie syrienne, September 1955 (Damascus); Central Statistical Office, Bulletin of Statistics, September 1955 (Ankara).

a/ Partly estimated.
b/ Sales to industrial enterprises.
c/ 1949.
d/ Data cover Ankara, Istanbul and Izmir; total consumption of electricity in these three cities averaged 36 per cent of the total for the entire country in the period 1952 to 1954.

power, industry and mining.2/ Private local investment, as reported by the Federation of Egyptian Industries, rose from $8.5 million in 1953 to $18 million in 1954.3/ Private foreign investment was relatively small, amounting to $2 million in 1954, of which $1.8 million was in petroleum.

2/ Report of the National Production Council for 1955 (Cairo, 1955; in Arabic). The 1955/56 development budget included $30.2 million for power, $15 million for petroleum and $5.7 million for a fertilizer plant.

3/ Annuaire, 1954/55 (Cairo), pages 14, 15. In 1954, private investments were made in the following fields: metallurgy $6.7 million, construction materials $3.1 million, foodstuffs $2.4 million, textiles $1.3 million and mining $1.5 million.

Table 8. Egypt: Output of Principal Industries

(Thousands of metric tons, except as indicated)

Product	1950	1952	1953	1954
Mining:				
Gold (kilogrammes)	334	533	450	541
Manganese ore (metal content)	44	55	82	51
Phosphate rock	397	524	508	527
Salt	567	498	388	451
Textiles: a/				
Cotton yarn	49.2	55.7	59.4	64.4
Cotton fabric (millions of metres) b/	157.8	219.8	233.4	240.9
Rayon yarn	1.9	2.3	2.5	3.4
Rayon staple	1.4	1.7	2.6	2.9
Woollen fabrics	1.1	0.8	1.1	0.8
Other industries:				
Electricity (millions of kilowatt-hours)	...	978	1,200	1,339
Sugar	195	229	274	271
Beer (thousands of hectolitres)	131	123	84	85
Cigarettes (millions)	1,376	1,666	2,701	2,434
Paper and cardboard	20	20	20	24
Soap	69 c/	67	56	74
Matches (billions)	17 c/	16	16	16
Glassware	6	9	10	11
Cement d/	1,022	947	1,097	1,237
Steel	25	50	58	90
Alcohol (millions of litres)	15	11	13	14
Nitrate fertilizers e/	-	17	19	22
Sulphuric acid	38	44	40	44
Superphosphates	69	106	68	108

Source: Statistical Office of the United Nations; Federation of Egyptian Industries, Annuaire, 1954/55 (Cairo).

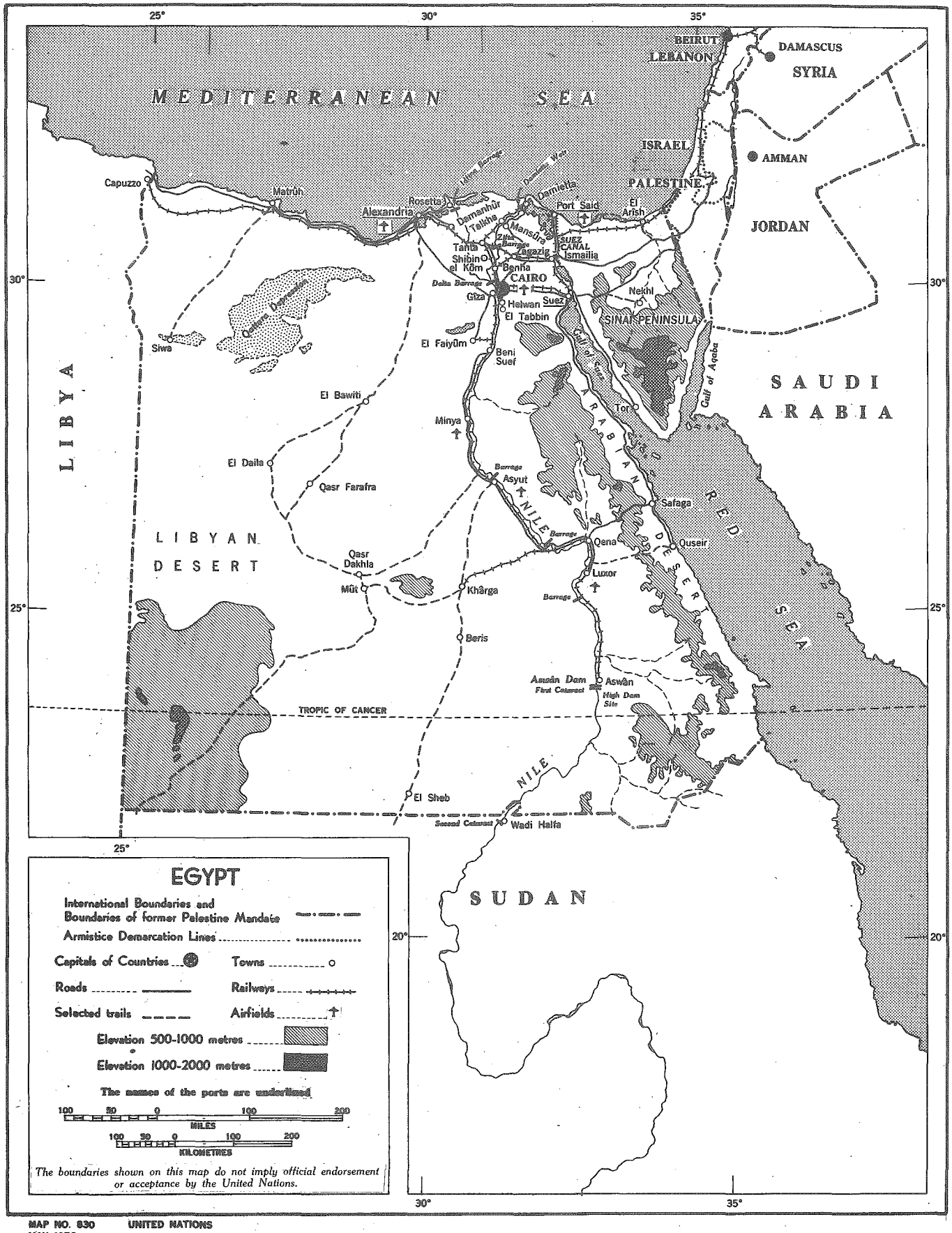
a/ Partly estimated figures for 1955 are as follows: cotton yarn, 71,000 metric tons; cotton fabric, 245 million metres.

b/ Data cover about 70 per cent of total production.

c/ 1951 figure.

d/ Estimated output in 1955: 1,355,000 metric tons.

e/ Nitrate content; data for twelve months ending 30 June of year stated.



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The Egyptian Government took several measures to encourage industrial expansion. Customs duties on imports of raw materials and machinery were reduced or abolished, while those on imports of competitive goods were raised. Premiums were offered for the export of minerals.4/ Foreign exchange was made available to private investors for imports of machinery. The Industrial Bank was directed to assume a more active part in the development of industry, and as a result, new loans, credits and direct participation by the bank amounted to $4.9 million in 1954 alone, compared with $5.2 million over the preceding four years. Laws relating to corporations and to foreign investment were revised in 1954 to improve provisions governing investment of foreign capital. The settlement in 1954 of the dispute between the Government and the oil companies over the domestic market prices of locally produced petroleum products was followed by new petroleum concessions and an intensified search for oil by petroleum companies. In addition, the Government accelerated the implementation of its own projects concerned primarily with the output of electric energy and fertilizers and the refining and distribution of petroleum products.

Several power projects were under construction during this period; their costs, when completed, were estimated at $166 million, of which $85 million had been spent by June 1955 and $31 million allocated for 1955/56.5/ The Talkha station, with a capacity of 42,500 kilowatts, started to supply electricity to the northern part of the Nile delta in 1955 (see the accompanying map for location of some of these projects). The capacity of the northern Cairo power station was raised by 60,000 kilowatts in 1955. Work began in 1955 on the southern Cairo station, with a capacity of 120,000 kilowatts, which was expected to begin operation in April 1957. Another major project planned was the building of a thermal plant at El Tabbine, with a capacity of 45,000 kilowatts. The plant would use gases released from the projected steel factory at Helwăn; it was expected to come into operation in the second half of 1957.6/ Construction was also continued on the Aswan dam hydroelectric project, with a total capacity of 345,000 kilowatts, to supply electricity to a nitrogen fertilizer plant then under construction and to irrigation pumps. The power plant was scheduled to begin operation in 1958.

The fertilizer plant at Aswan - planned to produce annually 370,000 tons of ammonium nitrate containing 20.5 per cent nitrogen - was to be finished by the end of 1960.7/ Egypt now imports 87,000 tons of nitrogen fertilizer annually, and it is expected that this project will contribute to Egypt's self-sufficiency in this product. It was estimated that the project would cost $63 million, and would use 1,350 million kilowatt-hours of electricity from the Aswan dam hydroelectric plant. Another project was the construction of a steel mill, with an initial output capacity of 220,000 tons per annum, at Helwăn, twenty miles south of Cairo. The mill was scheduled to start operations by October 1957. Its estimated cost

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4/ United States Department of Commerce, World Trade Information Service, Economic Developments in Egypt, 1954, part 1, No. 55-34. See also chapter 3 of this report, on foreign trade and payments.

5/ Report of the National Production Council for 1955.

6/ Federation of Egyptian Industries, Annuaire, 1954/55.

7/ Report of the National Production Council for 1955.

was $46 million, and it was to be financed by the Government, domestic banks, private domestic investors and the German firm supplying the equipment. The plant was expected to use iron ore from the Aswan mines, and about 320,000 tons of imported coke annually.8/ A number of factories under private ownership are being built to produce rubber tires and tubes, paper products, ceramics, electric wire and cable, automobile batteries, automotive spare parts and railway rolling stock. Some of the plants were expected to begin operations in 1955.

Mineral development activity in 1954 and 1955 was concentrated on iron ore and petroleum. Exploration for petroleum was stepped up, with the result that new reserves were discovered in 1954 and 1955.9/ The iron ore deposits near Aswan were being brought into production to supply the ore requirements of the projected steel plant. The ore is reported to have an iron content of 50 per cent; the deposit is believed to be extensive and close to the surface, ranging in thickness between 0.7 and 1.5 metres. Government exploration activities in the Sinai peninsula resulted in the discovery of copper deposits in four areas in 1954. Their extent has not yet been ascertained.

Iran

In Iran, industrial and mining activities (exclusive of petroleum operations) experienced a setback in 1954 and early 1955, following the appreciation of the rial, which resulted in a large increase in imports and a fall in exports of carpets and minerals. The situation appears to have improved somewhat in the latter half of 1955, following measures taken by the Government to curb imports, and after financial assistance was extended to industrial enterprises by the Bank Melli and other Government agencies.10/ Available figures on industrial output in Iran are shown in table 9.

In the Government sector, industrial facilities expanded slowly. Primary emphasis was placed on the development of the sugar, textile and cement industries and on electric power,11/ but glass and bottle making, light engineering industries and food processing 12/ were also included. In 1955, a Government-owned cotton textile mill with 10,000 spindles and 340 mechanical looms, having a capacity of 15 million metres per annum, began operations, and another plant with 20,000 spindles, privately owned in part, was under construction. Orders had been placed in Italy in 1953 for the equipment of two textile plants of 30,000 spindles each, costing $10.2 million together, plus a jute mill with 120 mechanical looms and a capacity of 4.3 million metres per annum. The latter was under

8/ The Financial Times, 28 November 1955 (London).

9/ See chapter 2 of this report, on petroleum.

10/ Seven-Year Plan Organization, daily, weekly and fortnightly bulletins (Tehran; in Persian).

11/ Imports of sugar and cotton textiles amounted to 25 per cent of total imports in 1954/55. There was a large household demand for electricity, which in 1953 required the installation of power plants totalling about 70,000 kilowatts in large cities.

12/ Annual Report of the United States Operations Mission to Iran, 30 June 1955.

Table 9. Iran: Output of Certain Industries
(Thousands of metric tons, except as indicated)

Product	1950	1952	1953	1954
Mining:				
Coal	200	170	150	155
Iron oxide a/b/	7	8	5	7
Lead (metal content)	-	2.1	1	12
Manganese ore (metal content)	4	3	1	6
Zinc ore (metal content)	-	12	5	5
Sulphur	...	...	...	10
Salt	100	200	220	...
Industry:				
Electricity (millions of kilowatt-hours)	200 c/	...	...	550
Cement d/	54	53	65	62
Sugar e/	28	70	72	71
Cigarettes (millions) a/	4,190	5,155	5,772	6,681
Tobacco a/	4	5	5	5
Matches (millions of boxes)	308	328	380	...
Carpets a/b/ (metric tons)	4,600	4,900	5,300	4,600

Source: Statistical Office of the United Nations; Ministry of Finance, Statistique annuaire du commerce extérieur de l'Iran (Tehran); Seven-Year Plan Organization, Daily Bulletin, 5 January 1955, Fortnightly Bulletin, 7 September 1955 (Tehran).

a/ Twelve months beginning 20-22 March of the year shown.
b/ Exports.
c/ 1948.
d/ Output in 1955 (partly estimated), 74,000 metric tons.
e/ Output in 1955 (partly estimated), 70,000 metric tons.

construction in 1955 and parts of the equipment had arrived. The construction of two sugar refineries was completed in 1954, one with a capacity of 350 tons of sugar-beets a day, and the other with a capacity of 850 tons of sugar-cane, for which raw materials have to be imported. Three additional sugar refineries, each with a daily capacity of 350 tons of sugar-beets, were under construction in 1955.13/ The capacity of the cement industry was raised in 1955 from 300 tons per day to 800 tons. Contracts were signed in late 1955 for the construction by 1957 of two additional plants with a combined capacity of 900 tons daily.

13/ Bank Melli, Annual Report, 1954/55, Bulletin, Nos. 158-159, April-July 1955.

Electric generating capacity, excluding that of the petroleum industry, increased from 86,000 kilowatts in 1950/51 to 125,000 in 1953/54. The municipality of Tehran had two projects under construction, one with a capacity of 50,000 kilowatts, and the other with a capacity of 10,000 kilowatts. Thirty-eight smaller generators, with a combined capacity of about 5,000 kilowatts, were imported by the Seven-Year Plan Organization in 1955.

Very little information is available on domestic private investments; there is some indication that they have continued to expand. Government policy encourages private investment in industry by extending credits and technical assistance, as well as by providing protection against foreign manufactured goods. The Industrial Development Bank, which is about to be established by the Seven-Year Plan Organization, is also expected to assist private investors and stimulate industrial development.

Iraq

In 1954 and 1955, the output of most industrial products in Iraq rose. In 1954, consumption of electric power by industrial enterprises (exclusive of the petroleum industry) increased 23 per cent, and the total use of electricity rose 14 per cent - reaching 390 million kilowatt-hours. Cement production increased from 124,000 metric tons in 1952 to 177,000 tons in 1953 and 180,000 tons in 1954, while brick production rose appreciably. The output of vegetable oils, soap and margerine also increased, owing to the installation of new machinery in several plants. The production of cotton piece-goods remained at the 1953 level, but the output of woollen textiles declined about 25 per cent, owing partly to the fact that the Government placed military orders abroad.14/

Expansion of industrial facilities included the construction of several new factories as well as an increase in capacity of existing plants. The construction of the Government-owned petroleum refinery at Dora was completed, and the plant began operations in late 1955; $31 million was invested in the refinery, which has a capacity of 1.2 million tons of petroleum products annually, to be used for local consumption. A lubricating oil plant, with a capacity of 25,000 tons per annum is being added to the refinery; it will cost $9.5 million and will start operations in 1957.

The Industrial Bank of Iraq helped to finance a new jute factory, a spinning and weaving plant, and a firm for the manufacture of construction materials. The Industrial Bank's capital was increased from the equivalent of $1.4 million to $8.4 million in 1952. The bank was established by the Government to develop and assist industry; by the end of 1953 it had invested nearly $2.5 million in industrial firms.15/ Implementation of the industrial projects of the

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14/ United States Department of Commerce, World Trade Information Service, Economic Development in Iraq, 1954, part 1, No. 55-28.

15/ The bank cannot lend more than ID 20,000 ($56,000) to any private company, but may participate in the capital of a company up to a maximum of ID 250,000 ($700,000). Lord Salter, The Development of Iraq (London, 1955).

Development Board, which had proceeded at a slow rate before the end of 1954, was accelerated.16/

The five-year plan of 1955 allocated the equivalent of $122 million for industry. The plan included the construction of a bitumen refinery at a cost of $4.8 million, with a capacity of 60,000 tons of asphalt per year; a cotton spinning and weaving plant at a cost of $8.7 million, with a capacity of 25 million square yards of calico per annum; and two cement plants at a cost of $14.3 million, with a combined capacity of 250,000 tons of cement annually. These factories were under construction in 1955 and were expected to start functioning before the end of 1956. Other projects included the construction of a sugar refinery with a capacity of 10,000 tons of beet-sugar per season, and installation of three thermal power plants of 40,000, 30,000 and 20,000 kilowatts, respectively, at Baghdad, Dibbis (near Kirkuk) and Basra.17/ A mining survey was undertaken in January 1954, and preliminary explorations revealed the presence of large sulphur deposits, glass sands, bitumen and limestone suitable for cement production.

The provisional results of the industrial census taken in Iraq in 1954 showed that 104,500 persons were engaged in industry, including 14,200 in petroleum operations. There were 23,624 industrial units (including handicrafts), of which 270 employed more than twenty persons apiece. A great number of these plants were concentrated around Baghdad, where larger firms (employing more than twenty persons apiece) numbered 116 and employed 19,915 persons, and smaller firms numbered 4,672 and employed 11,686 persons. This concentration was mainly due to the availability of power, labour, communications and markets in the Baghdad area. The large undertakings were principally public utilities and factories manufacturing construction materials, textiles and tobacco products.

Israel

Industrial output increased in 1954 and 1955, although the rate of increase slackened somewhat, compared with previous years. At current prices the gross value of industrial and mining production (excluding electricity and repair workshops) rose from £I 580 million in 1953 to about £I 720 million in 1954, while the net value of industrial and mining output increased from £I 219 million to £I 270 million in the same period.18/ It has been officially estimated that real industrial and mining output increased by between 15 and 20 per cent in 1954 and by 12 to 15 per cent in 1955 (see table 10).19/ Sales of electricity to industrial enterprises reached 270 million kilowatt-hours in 1954, a rise of 31 per cent over

16/ Of the equivalent of $87 million allocated for industrial development under the 1951 six-year plan, the amount actually spent was under $6 million in the four-year period ending early in 1955.

17/ The Development Board has been advised that, under present conditions of low demand and cheap fuel, generation of thermal electricity is more economical than generation of hydroelectricity (Lord Salter, op. cit.).

18/ Government Year-book.

19/ Ibid.; summary of statement of the Minister of Finance in the Knesset, Jerusalem Post, 15 February 1956.

Table 10. Israel: Output of Principal Industries

(Thousands of metric tons, except as indicated)

Product	1950	1952	1953	1954	1955[a]
Electricity (millions of kilowatt-hours)[b]	464.1	668.6	759.3	895.6	892.4
Irrigation	85.0	139.7	172.4	200.7	234.3
Industrial use	140.6	176.8	206.7	270.3	251.4
Cement	380.1	445.9	464.8	563.1	540.7
Refined oils	12.5	17.2	16.3	14.2	14.5
Margarine	7.8	12.2	13.8	7.8	8.3
Soap	9.0	8.8	8.9	9.4	7.2
Detergents	...	7.1	9.4	9.2	7.8
Flour	158.1	196.7	239.0	252.0	193.3
Chocolate, sweets and jams	10.7	9.3	13.2	12.6	10.9
Canned fruits	1.0	1.4	1.8	3.0	2.2
Preserved and pickled vegetables	7.3	11.7	11.0	7.0	6.3
Citrus beverages (millions of litres)	7.5	18.1	11.6	18.7	20.2
Beer (millions of litres)	12.3	15.4	14.0	14.3	13.2
Wine (millions of litres)	3.1	5.5	3.9	8.5	3.2
Araq, cognac, other spirits (millions of litres)	3.1	2.7	2.1	2.4	2.4
Cigarettes	1.5	2.0	2.0	2.0	1.7
Matches (thousand gross of boxes)	291.8	352.5	425.1	381.5	318.1
Salt	7.2	12.5	21.0	20.6	16.8
Nails and rivets	-	2.0	2.5	2.4	...
Plywood (thousands of cubic metres)	-	7.6	10.7	15.7	17.6
Plate glass (millions of square metres)	-	0.9	1.6	1.7	1.0
Electric bulbs (millions)	-	-	1.5	2.1	2.3
Tires (thousands)	-	21.4	115.8	144.0	147.8
Superphosphates	-	24.4	33.0	70.5	82.1
Sulphuric acid	-	7.3	16.2	42.1	57.2

Source: Central Bureau of Statistics, Statistical Abstract of Israel, 1954/55; Statistical Bulletin of Israel (Jerusalem).

a/ First ten months.
b/ Total sales.

1953, and there was a further increase of 29 per cent in the first half of 1955 over the corresponding period in 1954.20/

The increase in industrial output was due both to a rise in employment and to higher productivity of workers and plants. Total days worked by employees in all industries, including new enterprises, increased by about 10 per cent in 1954, and by 8 per cent in 1955; productivity per worker rose between 5 and 6 per cent in 1954 and 1955. A large number of factories, especially those established since 1948, stepped up utilization of their productive capacity and many of them introduced second and third shifts. The expansion of industrial output was made possible by greater demand for various consumer goods in the local market, increased exports of manufactured goods and larger imports of raw materials. The Government encouraged exports by increasing the credit fund for exporters, establishing a fund to finance imports of raw materials needed for export goods and allowing exporters to use part of the foreign exchange proceeds from their exports for the import of raw materials and replacement goods.21/

Investment in industry and mining declined in 1954, but rose in the following year. In 1954, gross investment at current prices was estimated at £I 68 million, compared with £I 70 million in 1953. However, because of the rise in prices (particularly building costs) and larger amounts of depreciation in 1954 than in 1953, real net investment in industry and mining declined appreciably. In 1954, 115,000 square metres of industrial premises were completed, as compared with 142,000 square metres in 1953, and 65,000 square metres of new building was started, as compared with 100,000 square metres in the previous year. The value of imports of industrial equipment declined by 27 per cent in 1954 (although, owing to a drop in import prices, the decline in volume was somewhat lower), but increased in the first ten months of 1955 by 15 per cent over the corresponding period in 1954. Government expenditures for the development of industry, crafts, mining and power amounted to £I 36 million in 1953/54 and £I 40 million in 1954/55; the budget estimate for 1955/56 was £I 44 million.

Lebanon

Industrial production in Lebanon showed little change in 1954. The net value of total industrial output, adjusted for changes in prices, increased by 2.5 per cent as compared with a rise of 12.5 per cent from 1952 to 1953.22/ During this period imports of manufactured goods increased from $157 million in 1952 and $164 million in 1953 to $219 million in 1954. The number of industrial establishments (excluding artisan workshops) increased by seventy-seven in 1954

20/ Central Bureau of Statistics, Statistical Bulletin of Israel, October 1955; figures do not include electricity generated by industrial plants for their own consumption.

21/ Israel Office of Information, Israel Digest, 24 February 1956.

22/ The net value of industrial production in Lebanon, as estimated by the Economic Research Institute of the American University in Beirut, was LL 141 million in 1954, LL 139 million in 1953 and LL 137 million in 1952. The share of industry in national income was 12.4 per cent in 1952, 12.0 per cent in 1953, and 11.9 per cent in 1954.

as compared with an increase of 234 in 1953. No figures are available on the annual value of new investments, but total investment in industry (excluding public utilities, concession industries and handicrafts), is estimated to have increased from LL 147 million in 1950 to about LL 220 million in 1954 (see table 11).

To promote industry and other activities conducive to economic development, the Government in July 1954 exempted new establishments with a capital of over LL 1 million from income taxes during the first six years of their operation.23/ Other measures raised duties on imports of some manufactured articles, such as cotton textiles, and reduced or abolished duties on imports of machinery and raw materials, including minerals. In 1954, an Agricultural, Industrial and Real Estate Bank was formed with a capital of $2.3 million, of which $905,000 was subscribed by the Government. The bank is entitled to borrow, with Government guarantee, up to $11.3 million from the Bank of Syria and Lebanon; 40 per cent of the total funds are earmarked for industrial development.24/ The bank began operations in 1955, and by August of that year had received 150 applications for industrial loans.

During 1954 and 1955 several new industrial plants started operations. A cement plant with an annual capacity of 70,000 tons was opened in 1955, and another, with a capacity of 150,000 tons per annum, was under construction.25/ The petroleum refinery at Sidon, representing an investment of $8 million, began to operate in February 1955. Sugar refining capacity was expanded to supply the local market. Plans were under consideration for the construction of a steel mill and the erection of an automobile assembly plant.26/

Substantial efforts were made to overcome the serious shortage of electricity. Total electric generating capacity was raised from 20,000 kilowatts in 1953 to 56,700 kilowatts at the beginning of 1955.27/ A thermal station at Zouk, with a capacity of 15,000 kilowatts, began operations in January 1956, and a second 15,000 kilowatt station was scheduled to begin operating at the end of 1957. Three other hydroelectric plants, with a combined capacity of 27,000 kilowatts, were under construction. The first stage of the Government power and irrigation project on the Litani River was scheduled for completion in 1961.28/

23/ Le Commerce du Levant, 3 July 1954.

24/ Ibid., 17 July 1954.

25/ The annual output capacity of the cement industry in Lebanon was expected to increase to 550,000 tons. Annual domestic cement consumption is about 300,000 tons; in recent years Lebanon has exported between 20,000 and 40,000 tons of cement a year to neighbouring countries.

26/ Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et les marchés des pays arabes.

27/ Bank of Commerce of Lebanon, Economic Review, January-February 1956 (Beirut).

28/ See chapter 5 on development plans, for further details.

Table 11. Lebanon: Industrial Establishments,[a/] 1954

Industry	Establishments (number)	Employees (number)	Capital investment (millions of Lebanese pounds)	Production (thousands of tons)
Food processing	797	5,367	60.8	67.5
Beverages	170	1,115	14.8	51.9
Textiles	133	5,872	68.9	9.5
Wearing apparel	43	1,037	4.0	0.8
Wood	209	1,754	6.8	60.2
Furniture	46	564	2.9	1.9
Paper and products	21	112	1.0	1.0
Jute and hemp	2	176	2.0	0.5
Printing	213	1,492	9.6	3.3
Tanning and leather	104	842	4.9	5.9
Rubber	22	393	0.2	0.9
Chemicals	123	1,023	12.8	51.8
Non-metallic quarrying	448	3,203	9.0	35.2
Metallic products	130	2,200	13.1	18.5
Electric machinery and equipment	8	114	1.3	0.7
Miscellaneous	49	319	7.8	28.1
Total	2,518	25,583	219.9	337.7

Source: Bank of Commerce of Lebanon, Economic Review, No. 22, November 1955 and corrigendum (Beirut).

a/ Excluding handicrafts, public utilities and concessions.

Syria

Industrial production as a whole continued to increase in Syria in 1954 and 1955. The output of some industries is given in table 12. Electricity used by industrial enterprises rose 15 per cent between 1953 and 1954 and by 16 per cent in the first nine months of 1955, compared with the corresponding period in 1954. However, in 1955 several industries were in difficulties because of over-production, the narrowness of the local market and the lack of foreign outlets. The textile industry, the most important in Syria, was most severely affected, and several textile factories in Aleppo closed down.

During the latter half of 1955, the Government concluded a number of commercial agreements, largely with other Middle East countries, designed to facilitate the export of Syrian manufactured goods. The Government also studied the possibility of establishing a fund for assistance to the textile industry and of setting up an industrial bank to further industrial expansion. The Treasury had already guaranteed LS 18.4 million in bank loans to various industrial enterprises, of which LS 12.2 million was outstanding at the end of 1954.29/

Figures are not available to measure investment in industry in recent years. However, industrial capacity has expanded, mainly as a result of private investment. In 1954, the textile industry was expanded by the addition of 14,900 spindles in Damascus. Sugar refining capacity was also raised. A brewery was built in Damascus and another was being erected in Aleppo. A cement plant was under construction in Homs in 1955.30/

The electric power industry, which had been nationalized in 1951 and 1954, was expanded by the installation of a 10,000-kilowatt thermal plant in Hameh, near Damascus; this began operations in October 1954. Expolration activities in eastern Syria led to the discovery of a natural gas field, and the Government expects to use it to produce electricity and supply local industry with power. A more important project was the establishment of a petroleum refinery with an annual capacity of 750,000 tons, to refine Iraqi crude petroleum in transit through Syria, for domestic consumption. Early in 1956, Parliament allocated $23 million for its construction, and bids have been received from several foreign firms.

Turkey

The net value of Turkish industrial and mining production (at 1948 factor cost) was estimated at LT 1,396 million in 1954 - $498.5 million at the official rate of foreign exchange. This represents a rise of 6.5 per cent over 1953 levels and 17.2 per cent over those of 1952.31/ The slackening in the rate of increase in 1954 was partly due to a shortage of foreign exchange for the import of raw materials and spare parts for machines, but partial data available for 1955 indicate that the rate was again rising (see table 13).

In 1954, the volume of output of some minerals, such as chrome and manganese, declined because of lower prices, and exports fell because of slackening demand abroad. Industrial and mining production indices are given below (1952 = 100).32/

29/ Bureau of Documents for Syria and Other Arab Countries, La Syrie économique, 1954.

30/ Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et le marché syriens (Damascus).

31/ Central Statistical Office, National Income of Turkey, 1938, 1948-54 (Ankara, 1955).

32/ Ministry of Finance, Explanatory Note to 1956 Budget Estimates (Ankara, 1955).

Table 12. Syria: Production of Certain Industries

(Metric tons, except as indicated)

Product	1950	1952	1953	1954	1955
Electricity sales (millions of kilowatt-hours)	81	99	114	129	105[a]
Sugar (thousands of metric tons)	-	19	30	38	...
Araq	820	1,016	794	465	95[b]
Wine	170	299	175	214	69[b]
Alcohol	295	477	577	621	377[b]
Cigarettes (millions)	1,360	1,575	1,645	1,770	1,678[c]
Tobacco	585	754	883	996	965[c]
Salt (thousands of metric tons)	19	14	20	...	...
Cotton yarn	4,700	6,300	6,900	7,600[d]	...
Cement (thousands of metric tons)	68	151	224	249	262[d]

Source: Statistical Office of the United Nations; Ministry of National Economy, General Monthly Bulletin of Current Statistics (Damascus).

a/ Nine months.
b/ Seven months.
c/ Eleven months.
d/ Partly estimated.

	Mining	Manufacturing	Food processing	General
1953	119	105	115	112
1954	105	121	125	118
1955[a]	105	133	163	133

a/ Preliminary figures for the first nine months.

In recent years, industry and mining have developed rapidly in Turkey, with the help of large investments, for which total annual figures are not available. The Government continued to encourage industrialization, either directly or through

Table 13. Turkey: Output of Principal Industries

(Thousands of metric tons, except as indicated)

Product	1950	1952	1953	1954	1955[a]
Mining:					
Antimony ore (metric tons; metal content)	1,386	928	690	713	...
Chrome ore (chrome content)	207	394	447	275	...
Iron ore (metal content)	143	305	315	371	...
Magnesite (metric tons)	400	900	400	1,100	...
Manganese ore (metal content)	16	39	44	24	...
Coal	4,361	4,846	5,654	5,711	5,006[b]
Lignite	1,212	1,387	1,641	2,100	1,661[b]
Lead ore (metric tons; metal content)	100	900	4,400	6,100	...
Pyrites	...	50	55	60	...
Salt	310	323	350	481	...
Sulphur	6	8	10	10	...
Zinc ore (metric tons; metal content)	-	900	4,000	5,500	...
Industry:					
Electricity (millions of kilowatt-hours)	790	1,020	1,183	1,387	1,063[c]
Sugar, refined	150	207	181	194	...[d]
Beer (thousands of hectolitres)	195	227	218	311	235[d]
Wine (thousands of hectolitres)	93	203	204	239	...
Cigarettes (billions)	16	19	21	24	...
Tobacco (metric tons)	2,300	3,200	2,800	3,100	...
Cotton yarn	30	35	36	40	21[b/d]
Cotton fabrics (millions of metres)[b]	101	116	118	132	118[d]
Wool yarn	7	10	10	10	...
Woollen fabrics (thousands of metres)[b]	4,400	4,100	4,400	4,100	3,400[d]
Paper and cardboard	18	27	28	38	39[d]
Cement	396	459	483	679	816
Pig-iron	113	197	216	196	201
Steel	91	153	163	169	188
Coke	432	504	612	636	502[c]
Sulphuric acid	11	16	19	19	15[d]
Superphosphates	13	21	22	21	14[d]
Copper (smelter production)	12	23	24	25	22
Glassware (metric tons)	8,300	7,800	12,000	12,500	14,300[d]

Source: Statistical Office of the United Nations; Central Statistical Office, Bulletin of Statistics (Ankara).

a/ Eleven months, unless otherwise stated.
b/ Production of government-owned enterprises.
c/ Nine months.
d/ Ten months.

its autonomous agencies, and it provided sizable credits to private investors.33/ Foreign investment was further encouraged by the revision in 1954 of the 1951 foreign investment law.34/

In developing industry, the Government placed particular emphasis on the electric power, sugar, textiles and building material industries, because raw materials for these industries could be secured locally, and their products could replace imported goods. The plan for power development envisaged the construction of several thermal and hydroelectric stations, to raise total installed capacity from 438,000 kilowatts in 1952 to over one million kilowatts in 1958, at a cost of LT 1,450 million. By 1954, capacity had increased to 540,000 kilowatts and was expected to rise to nearly 800,000 kilowatts by the end of 1956. Projected expansion of the sugar industry included the establishment of eleven sugar refineries requiring an investment of LT 300 million. Eight of the refineries were constructed between 1953 and 1955, bringing the annual capacity to 300,000 tons, compared with an output of 130,000 tons in 1950. Yearly capacity was expected to reach 376,000 tons with the addition of three new refineries in 1956.

In the cotton textile industry, the number of spindles rose from 260,000 in 1950 to 600,000 in 1954, and was expected to reach one million in 1956; the number of looms increased from 6,000 to 10,870 between 1950 and 1954. In the woollen industry, the number of spindles rose from 54,100 to 187,000 between 1950 and 1954, and the number of looms from 1,400 to 2,480 in the corresponding period. The annual capacity of the paper industry at Izmit increased from 18,000 tons to 50,000 tons yearly between 1950 and 1955, at a cost of LT 28 million.

In order to meet the increasing demand for cement for building, construction of twenty-one cement factories, with an output capacity of about 2 million tons per annum, was undertaken. Three of the plants began operations in late 1955 and early 1956; of the remaining eighteen plants (estimated to cost LT 263 million), ten were expected to begin operations in 1956, enabling the country to produce up to 2 million tons of cement a year. To expand the capacity of the Karabük steel mill, LT 73.4 million was spent between 1950 and 1955 - raising the output of the rolling mill from 78,000 tons in 1950 to 137,000 tons in 1954 and of steel from 92,000 tons to 162,000 tons. Further investment was expected to raise the annual capacity of the rolling mill to 300,000 tons, and that of steel output to between 350,000 and 400,000 tons by 1956. A project was under way to construct a plant at an estimated cost of LT 45 million to produce 25,000 tons of window glass, 20,000 tons of soda ash and 10,000 tons of caustic soda per year by 1957. A private superphosphate factory completed in 1954 has an annual capacity of 100,000 tons. Another plant was under construction by the Government in Kütahya, at a cost of LT 104 million, to produce 60,000 tons of ammonium sulphate, 50,000 tons of ammonium nitrate, 6,000 tons of nitric acid and 1,000 tons of ammonia annually, starting in 1958.

33/ The Industrial Development Bank, established by the Turkish Government and the International Bank for Reconstruction and Development, extended LT 147 million in credit between mid-1951 and the end of 1955 to private investors who had undertaken to invest LT 415 million in addition to this sum.

34/ Foreign capital investment between 1951 and 1955 amounted to about LT 150 million, and an additional sum of LT 230 million had been approved for investment. See also chapter 3.

The Eti Bank began construction of a factory to produce 70,000 tons of sulphuric acid per annum.

In the field of mining, a programme to expand the annual output capacity of coal mines from 4 Million tons in 1948 to 7 million tons in 1957, at a cost of LT 381 million, was confirmed, and LT 285 million had been spent by the end of 1955. Another project was being implemented to raise the yearly productive capacity of lignite mines from 1.3 million tons in 1950 to 3 million tons, at a cost of LT 62 million, of which LT 46 million had been invested by the end of 1955. Petroleum exploration was intensified with the participation of foreign capital, and a Government refinery, constructed at a cost of LT 56 million started operations in 1955. In addition, there were substantial investments for the development of chrome, manganese, iron, copper, sulphur and other mines. Since 1950, the Government has invested LT 14.5 million in prospecting for lignite, iron, wolfram, chrome, pyrite and petroleum.35/

Other countries

Aside from petroleum production and refining, there was little industrial and mining activity in the other countries of the Middle East, except for mining in Cyprus. However, in recent years a beginning has been made in most of these areas in establishing modern industrial enterprises, especially in the power field.

In Aden, a thermal power station with a capacity of 15,000 kilowatts was under construction in 1955, and a hydroelectric plant with a capacity of 10,000 kilowatts was planned. A large oil refinery, with an annual capacity of 6 million tons, started operations in 1954.36/ In Bahrein, a 4,000-kilowatt power station was built, to use natural gas as fuel.37/ In Cyprus, mining activities were stepped up, and in 1954 the output of minerals exceeded the 1953 production level, but was lower than that of the peak year 1952 (see table 14).38/ Two plants for processing minerals were opened in 1955. Production of electricity reached 49.3 million kilowatt-hours in 1954 - a rise of 85 per cent over 1953. Construction was under way to increase electric power capacity from 29,270 kilowatts to 42,750 kilowatts. In addition, a cement plant, with an ultimate annual capacity of 60,000 tons, and a vegetable canning factory costing $840,000, were scheduled to start operations in 1955.39/

35/ Ministry of Finance, Explanatory Note to 1956 Budget Estimates.

36/ United Nations, Summary of information from Non-Self-Governing Territories (mimeographed document A/3114, February 1956). Le Commerce du Levant, 31 October 1954.

37/ Le Commerce du Levant, 14 May 1955.

38/ The total value of mineral exports was $27 million in 1954, as compared with $22 million in 1953 and $29 million in 1952. The labour force in mining numbered 5,800 in 1954.

39/ United States Department of Commerce, World Trade Information Service, Economic Developments ir Cyprus, part 1, No. 55-37.

Table 14. Cyprus: Output of Electricity[a/] and Minerals[b/]

Product	1950	1952	1953	1954
Electricity	12.2	19.1	27.4	49.2
Asbestos	15.0	16.6	14.5	15.6
Chrome ore (chrome content)	7.8	5.5	3.7	4.4
Copper ore (metal content)	15.6	20.3	20.7	22.3
Pyrites	606.0	973.0	955.0	799.0
Salt	4.1	-	2.0	4.8

Source: Statistical Office of the United Nations.

a/ In millions of kilowatt-hours.
b/ In thousands of metric tons.

In Jordan, industrial and mining development continued, but lack of capital was the main factor in hampering progress. Production of phosphates was raised from 40,000 tons in 1953 to 80,000 tons in 1954, and was expected to be over 200,000 tons in 1955. A project was planned to expand production to 500,000 tons in the first stage and to 2 million tons in the second stage. Early in 1955, the Economic Council of the Arab League approved a plan for the establishment of a company in Jordan to exploit the potash resources of the Dead Sea. The project, which envisages an output of 70,000 to 100,000 tons a year, would require an investment of $12.3 million, of which Jordan would finance $2.1 million, other Arab countries supplying the balance. The establishment of another factory costing $9.8 million and producing 100,000 tons of superphosphates annually, was also considered. The Yarmouk River project, estimated to cost $17.2 million, included the installation of a hydroelectric plant for the production of about 200 million kilowatt-hours per year. The erection of a textile plant, to produce 11 million metres of cotton and rayon textiles per year, was also planned. It would require an investment of $6.3 million. A permit was issued by the Government for the establishment of a foundry, at an estimated cost of $2.1 million, with the participation of German capital. In addition, a vegetable oil factory, a sugar refinery and a brewery were under construction in 1955.[40/]

In Kuwait, electric power capacity was raised from 7,750 kilowatts in 1953 to 15,000 kilowatts in 1954 and 30,000 kilowatts in 1955, and the Development Board approved a further extension through the installation of two 20,000-kilowatt steam

40/ Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et les marchés des pays arabes, 1955 issues.

or gas generators at an estimated cost of $6.7 million. A sand and lime brick factory was constructed at a cost of $2.1 million.41/

In Saudi Arabia two generators were erected in 1954 in Mecca and Taif, with a capacity of 4,000 kilowatts and 1,000 kilowatts, respectively. Another thermal plant, with a capacity of 5,000 kilowatts, was under construction in Jidda. The construction of a cement factory, at Hofuf in eastern Saudi Arabia, was being contemplated.42/ There were also plans for the utilization of natural gas produced in conjunction with crude petroleum.43/

In the Sudan, development of industry was slow owing to the lack of capital, skilled workers and power. However, a meat processing and canning factory, for processing 50,000 cattle per season, started operations in 1953. Recently, a small candy factory and a modern soap factory began operations, and a brewery was also constructed. A project was under consideration for growing and processing raw sugar to meet the local demand for sugar, estimated at almost 90,000 tons per year.44/

In Yemen, where practically no modern industry exists, the Government invited an Italian economic mission to give advice on development projects; construction of a textile plant had been begun before their visit. There were also schemes for the erection of a power station at Sanaa, a cement plant at Hodeibah, a glass factory at Sanaa and a hydroelectric power station.45/

41/ United States Department of Commerce, World Trade Information Service, Economic Developments in Kuwait, 1954, part 1, No. 55-26.

42/ World Trade Information Service, Economic Developments in Saudi Arabia, 1954, part 1, No.55-58, and Foreign Commerce Weekly, 11 July 1955.

43/ See chapter 2, on petroleum.

44/ World Trade Information Service, Basic Data on the Economy of Sudan, part 1, No. 55-11.

45/ Le Commerce du Levant, 20 July 1955, and The Financial Times, 7 September 1955.

Transportation

All countries of the Middle East, even those, such as Egypt, which have excellent natural means of communication, are handicapped by inadequacies in their transport systems. In some cases, potentialities for production are not utilized because of the difficulty of sending surpluses to trade centres, while those commodities which are produced meet with high transportation costs that restrict their markets. In other cases, existing transport facilities constitute a bottleneck in implementing development projects.

In recent years there has been growing awareness of the importance of improvement in transport. Public investment in this sector has increased in all these countries, and its further expansion forms part of all their development programmes. In the programmes of Iran and of Turkey, allocations for transport and communications form the largest single category of investment.

Emphasis on the development of different modes of transportation has varied from country to country. Thus, Iran has concentrated chiefly on railways, and Lebanon, Syria and Turkey on highway and port construction. These points are treated in further detail in the first part of this section. Traffic volume, as explained in the second part of the section, has increased in the last two years in most of the countries. There has also been some shift of traffic, from rail or river transport to highways.

Improvement in transport facilities

In Egypt, stress has been laid on improving both railways and highways. Funds amounting to £E 19.95 million were allotted for renewal of rails and rolling stock, and for related projects, under a five-year programme starting in 1954. Of the United States economic aid to Egypt in 1954/55, amounting to $40 million (£E 14 million), about one-half was allocated to this programme. Sums totalling £E 9 million were allotted to the construction of roads and bridges during the three years 1952/53 to 1954/55, while £E 3 million of the United States aid in 1954/55 was devoted to the same purposes. Under a five-year programme 1/ starting in 1954, £E 5.2 million was allotted to investments in inland water transport, this sum to be supplemented by a further £E 1.5 million in United States aid.

Improvement of port facilities was also included in the Egyptian development programme. In 1954, when the merchant marine of Egypt totalled 112,900 tons, the Government of Egypt approved the extension of a loan of £E 6 million to Egyptian companies, plus an annual grant of £E 125,000 to be used by these companies in doubling the tonnage of their fleets.2/ The sum of £E 1.5 million has been allotted in the 1955/56 development budget for the purchase of two oil tankers as a nucleus for an oil tanker fleet.

1/ This is in reality the first stage of a ten-year programme. National Bank of Egypt, Economic Bulletin, vol. VIII, No. 4 (Cairo, 1955).

2/ Report of the National Production Council for 1955.

A further development in freight transport facilities during 1954 and 1955 was the construction of two petroleum pipelines from Suez to Cairo, costing approximately £E 3 million and approaching completion.

Iran has concentrated on the construction of new railway lines and improvement of the existing network and equipment, and expenditures have been at a considerably higher level than in 1952 and 1953. In the year ending March 1955, about 151 million rials were spent on completion of the lines between Meshed and Tehran and between Tehran and Tabriz. In 1955 a loan of $14 million was obtained from the Export-Import Bank of Washington for the purchase of equipment, which was expected to lead to an increase of 50 per cent in the capacity to move traffic between the Persian Gulf port of Khorramshah and Tehran. To relieve the pressure on the trans-Iranian railway system, an oil pipeline from Abadan to Tehran, with a capacity of 2 million tons and a length of 920 kilometres, was under construction by the National Iranian Oil Company in 1955, at a cost of $32 million.

Some construction was carried out in 1955 by the Ministry of Roads in collaboration with the Plan Organization, and work has also proceeded on the improvement of a number of airports.3/

In Iraq, particular attention has been given to highways and bridges.4/ The second five-year programme, for 1955-1959, has allocated ID 79.2 million, or 26 per cent of total investments, for the development of the transport system, including ID 15.5 million for the modernization and extension of the railway system 5/ - unlike the first five-year plan, which made no provision for this purpose.

In Israel, improvements have been made in all sectors of transportation. Expenditures on transport and communication facilities in the development budget rose from £I 12.4 million in 1953/54 to £I 25.5 million in 1954/55, and have been estimated at £I 19.7 million in the budget for 1955/56. The Israeli mercantile fleet, which had a total displacement of 119,000 tons in 1954, was recently reduced somewhat, but by the end of March 1955, the fleet amounted to thirty vessels with a total displacement of 108,885 tons and a total load displacement of 150,851 tons.6/ It has been reported that by the end of 1955 the Israeli fleet would have an additional nine ships, while six old vessels would be withdrawn from commission.7/

The first stage of the Negeb railway line, seventy-five kilometres long, has recently been completed. In 1954 and 1955, improvements were made in the ports of Haifa and Jaffa, resulting in greater efficiency and an expansion of capacity for handling goods in the two ports; the dry dock at Haifa is now in operation.

3/ Bank Melli, Balance Sheet, 21 March 1955 (Tehran). Plans for the further development of transport and communication in Iran are discussed in chapter 5.

4/ Further details are given in chapter 5.

5/ Lord Salter, op. cit.

6/ Government Year-book, 1955 (Jerusalem, 1955).

7/ At the beginning of 1956, total tonnage of the merchant fleet was estimated at 135,000 tons, and 136,000 tons of new shipping have been ordered.

The most notable development in air transport has been the completion of a larger international aircraft testing and repair station at Lod airport.8/

In Lebanon, expenditures on highway construction and on the improvement of seaports and airfields were considerably larger than for railways. Appropriations for highway construction and improvement totalled LL 12.5 million in 1954, in addition to $1.5 million contributed by United States aid to this project. The international airport of Beirut was officially opened in 1954, and the first stage in the improvement of the port of Tripoli, scheduled for completion by 1957 at an estimated cost of LL 10 million, was under way.9/

Syria also stressed the construction of highways and ports rather than railways. Outlays on highway development totalled LS 5.38 million in 1953, and were estimated at LS 9.28 million for 1954.10/ In 1954 and 1955, the Syrian Government started work on a large-scale programme, which was formulated in consultation with the International Bank for Reconstruction and Development and other international agencies, for the development of transportation facilities, including the construction of a highway between Aleppo and the agricultural region of Jesira at an estimated cost of LS 45 million, to be completed in four or five years. The programme also includes expansion of the Latakia port from its present capacity for handling 400,000 tons per year to 700,000 tons.11/

The largest expenditures have been made in Turkey, where transportation is impeded to a greater extent than in some other countries of the region by natural obstacles, such as rugged terrain. The implementation of the highway programme has been accelerated, budget allocations rising from LT 184 million in 1954/55 to LT 312 million in the following year. The length of macadamized or asphalt highways increased from 15,100 kilometres in 1950 to 27,000 kilometres at the end of 1954. Parts of the port and airfield development programmes, involving a total cost of LT 650 million and LT 50 million, respectively, were completed in 1954 and 1955. The merchant fleet has been modernized,12/ and total tonnage was increased in 1954. Repair and renewal of existing railway lines and equipment has continued,13/ but construction of new railway lines has been slower than in the pre-war period.

8/ Government Year-book, 1954 and 1955.

9/ Association of Lebanese Industrialists, Le Commerce du Levant, 7 July 1954 and 11 December 1954.

10/ International Bank for Reconstruction and Development, Economic Development of Syria (Washington, D.C., 1955).

11/ Le Commerce du Levant, 17 October 1954. Construction work on the Latakia port has been under way since 1951. The port handles the bulk of Syrian cotton exports and a sizable part of other exports.

12/ In the period 1951-1955, LT 146 million was spent by the State Maritime Bank for purchases of steamships and for improvement of the dockyards and ports which it administers.

13/ In 1950-1955, the sum of LT 250 million was spent for this purpose. A programme prepared in 1953, now being implemented, involved further expenditures in the following years.

Table 15. Railway Freight Traffic, Selected Countries

(Average of twelve months)

Item and country	1952	1953	1954	1955[a]
Net ton-kilometres (millions):				
Egypt[b]	136.0	126.0	148.0	...
Iran[c]	66.9	85.3	98.9	104.8
Iraq[d]	60.5	59.3	71.3	...
Israel	7.5	8.2	10.4	11.0
Lebanon	3.5	3.7	3.5	3.8
Syria	10.4	10.9	11.6	10.6
Turkey	278.0	297.0	316.0	332.0[e]
Tons carried (thousands of metric tons):				
Egypt[b]	362.0	393.0	491.0	...
Iran[c]	117.0	150.0	178.0	195.0
Iraq[d]	180.1	184.9	209.9	...
Israel	69.7	83.0	109.3	111.0
Lebanon	44.0	51.0	46.0	56.0
Syria	60.0	84.3	78.2	...
Turkey	778.0	855.0	905.0	958.0[e]

Source: United Nations, Monthly Bulletin of Statistics, March 1956; National Bank of Egypt, Economic Bulletin, vol. VII, No. 4 (1954); Iraq: Ministry of Economics, Statistical Abstract, 1954 (Baghdad, 1955); Ministry of National Economy, Statistical Abstract of Syria, 1953 and 1954 (Damascus, 1954 and 1955).

a/ Average of nine months for Iran, Israel, Lebanon and Syria.
b/ Data refer to state railways only; year ending 30 April.
c/ Twelve months beginning 22 March of the year stated.
d/ Twelve months ending 30 April of the year stated.
e/ Average of eleven months.

Volume of traffic

In the two-year period under review, the volume of traffic increased in all countries of the region, though in some cases the increase has not been continuous. Railway freight traffic, in terms of net ton-kilometres, increased in 1954, except in Lebanon, and continued to expand during 1955 in four out of the five countries for which figures are available (see table 15). Since no significant extension of the railway network took place in this period, 14/ the volume of traffic was influenced chiefly by changes in the volume of production and trade. The drop in 1955 in Syria, for instance, was closely connected with low agricultural output during that year.15/

Table 16 indicates that, in general, passenger traffic on railways has increased at a much slower rate than freight traffic. In Iraq, there has even been a slight decline in the number of passengers carried, though passenger-kilometres have risen.

Some types of railway traffic appear to have been affected by competition from motor transport. Data on the number of vehicles, which do not extend beyond 1954, show a remarkable increase in 1953 and 1954 in nearly all countries (see table 17). The rate of increase in passenger cars in this period ranges between 5 per cent (Egypt) and 31 per cent (Iran), and in commercial vehicles, between 4 per cent (Egypt) and 57 per cent (Iraq). Since these percentages greatly exceed the rate of growth in production and population, they indicate that the share of the motorcar in total traffic is growing rapidly. In Turkey, where spending on highway improvement has been heavy, it has been estimated that while railway freight traffic (measured in net ton-kilometres) expanded by about 30 per cent in 1950-1953, highway freight traffic rose by 65 per cent. The highway improvements have increased the speed of transportation and have led to reduced operating costs and consequently to lower rates. Some of this expansion of course represents replacement of animals as a source of power, but it also may have been at the expense of certain kinds of railway traffic. Thus, a shift from railways to highways in passenger traffic seems to have occurred in some countries.

Only Egypt, Israel and Turkey have merchant fleets of any significance. Coastwise shipping is very important to Turkey, and both the merchandise tonnage and the number of passengers carried between Turkish ports have risen. Marked fluctuations in the tonnage of goods loaded and unloaded in Iran and Turkey in recent years (see table 18) have arisen chiefly from the movement of Iranian petroleum exports and of Turkish cereal trade and chrome exports.

14/ Between 1953 and 1954, the length of railways in use increased somewhat in Egypt (from 4,269 to 4,278 kilometres), in Israel by 46 kilometres, and in Turkey (from 7,621 to 7,696 kilometres). See National Bank of Egypt, Economic Bulletin, No. 4 (1954); Israel, Government Year-book, 1954; Turkey, Central Statistical Office, Bulletin of Statistics, No. 19, 1955 (Ankara).

15/ The sharp fall in Turkey's agricultural output in 1954 did not affect the railway freight figures because wheat exports increased greatly in the first half of the year; the effect of the 1954 harvest on railway traffic became apparent only during 1955 when wheat exports ceased.

Table 16. Railway Passenger Traffic, Selected Countries

Country and year	Number of passengers (thousands)	Passenger-kilometres (millions)
Egypt:[a]		
1952	78,900	3,002
1953	78,200	3,060
1954	80,300	3,263
Iran:[b]		
1952	1,428	309
1953	1,703	377
1954	1,755	412
Iraq:[a]		
1952	3,450	474
1953	3,020	525
1954	...	...
Israel:[c]		
1952	1,780	119
1953	2,270	160
1954	2,530	177
Lebanon:		
1952	60	5
1953	70	6
1954	90	8
Syria:		
1952	...	30
1953	...	37
1954	...	48
Turkey:[d]		
1952	60,320	3,145
1953	61,500	3,449
1954	61,966	3,893

Source: United Nations, Statistical Yearbook, 1955; National Bank of Egypt, Economic Bulletin, vol. VII, No. 4 (1954), page 245; Iraq: Ministry of Economics, Statistical Abstract, 1954, page 197; Israel: Government Year-book, 1952, 1953 and 1954; Turkey: Central Statistical Office, Bulletin of Statistics, No. 19 (1955), page 11.

a/ Twelve months ending 30 April of the year stated.
b/ Twelve months beginning 22 March of the year stated.
c/ Twelve months ending 31 March of the year stated; including military traffic.
d/ Twelve months beginning 1 March of the year stated.

Table 17. Number of Motor Vehicles in Use, Selected Countries

(Thousands of units)

Country and item	1952	1953	1954
Egypt:			
Passenger cars	67.9	69.4	71.0
Commercial vehicles	19.5	19.5	20.5
Iran:			
Passenger cars	22.4	24.1	29.3
Commercial vehicles	20.2	21.2	24.8
Iraq:			
Passenger cars	16.0	13.0	18.4
Commercial vehicles	7.3	11.5	11.5
Israel:			
Passenger cars	13.8	15.0	16.1
Commercial vehicles	17.9	19.0	20.7
Lebanon:			
Passenger cars	14.8	16.6	18.7
Commercial vehicles	4.1	4.2	4.5
Syria:			
Passenger cars	5.9	7.0	8.5[a/]
Commercial vehicles	5.7	6.0	8.2[a/]
Turkey:			
Passenger cars	23.9	27.7	28.6[a/]
Commercial vehicles	30.1	33.5	36.9[a/]

Source: United Nations, Statistical Yearbook, 1955; for Turkey: Central Statistical Office, Bulletin of Statistics, No. 20 (1955).

a/ Number on 1 January 1955.

Suez Canal traffic expanded steadily during 1954 and 1955. The number of passages rose by 3.8 per cent between 1953 and 1954, while the net tonnage of ships passing through the canal increased by 10.3 per cent. As a result, both the receipts and the expenditures of the operating company increased, its expenditures in Egypt rising from £E 10.9 million in 1953 to £E 11.6 million in 1954. There are indications that traffic increased further during 1955.16/

16/ National Bank of Egypt, Economic Bulletin, vol. VIII, Nos. 2 and 4 (1955).

River transportation is negligible in most countries of the region but is vital for Egypt and of some importance in Iraq. In Egypt, there was further expansion in river traffic in 1954. The river fleet of Egypt is estimated at 12,182 units that carry on the average of about 5 million tons of goods a year - about 23 per cent of the total freight traffic - of which the most important items are cotton, cotton-seed, imported fertilizers and fuel oil.17/ In Iraq, the total registered tonnage of the river fleet increased from 139,400 tons in 1952/53 to 139,600 tons in 1953/54.18/

Air traffic - consisting mostly of passenger traffic - has grown in practically every country (see table 19).

Table 18. International Seaborne Shipping, by Country

(Thousands of metric tons)

Item and country	1952	1953	1954	1955
Goods loaded:				
Egypt	166	217	227 a/	234
Iran	47	27	175 a/	...
Iraq b/	45	60	62	...
Israel	19	31	51	52
Lebanon c/	20	25	31	34
Syria d/	22	29	56	21 f/
Turkey e/	...	225	185	168 f/
Goods unloaded:				
Egypt	406	347	396	418
Iran	38	40	43	...
Iraq	33	40	40	...
Israel	93	103	117	128
Lebanon c/	73	79	94	124
Syria d/	14	17	17	23 f/
Turkey e/	...	241	216	305 f/

Source: United Nations, Monthly Bulletin of Statistics, March 1956; Statistical Yearbook, 1955. Syria: Directorate of Statistics, General Monthly Bulletin of Current Statistics, January 1956 (Damascus, 1956). Data represent averages of monthly quantities of goods loaded and unloaded in external trade.

a/ Including petroleum exports by consortium in the last two months of 1954.
b/ Excluding petroleum.
c/ Port of Beirut; including coastwise traffic.
d/ Port of Latakia; including coastwise traffic.
e/ Excluding timber and livestock.
f/ Ten months' average.

17/ National Bank of Egypt, Economic Bulletin, vol. VIII, No. 4 (1955).

18/ Ministry of Economics, Iraq, Statistical Abstract, 1954 (Baghdad, 1955).

Table 19. Civil Aviation Passenger Traffic, by Country
(Thousands of passenger-kilometres)[a/]

Country	1952	1953	1954	1955[b/]
Egypt	4,297	2,688	3,312	4,069
Iran	1,157	1,204	1,602	...
Iraq	911	1,147	1,655	1,719
Israel	8,669	10,673	10,729	12,680
Lebanon	2,503	3,574	4,360	5,658[c/]
Turkey	3,870	5,525	4,435	4,719[d/]

Source: United Nations, Monthly Bulletin of Statistics, March 1956; Iran: computed from data in United Nations, Statistical Yearbook, 1955.

a/ Figures are for passenger-kilometres flown by national airlines in scheduled services, without regard to point of departure or destination.

b/ Ten months' average unless otherwise specified.

c/ Seven months' average.

d/ Five months' average.

Chapter 2

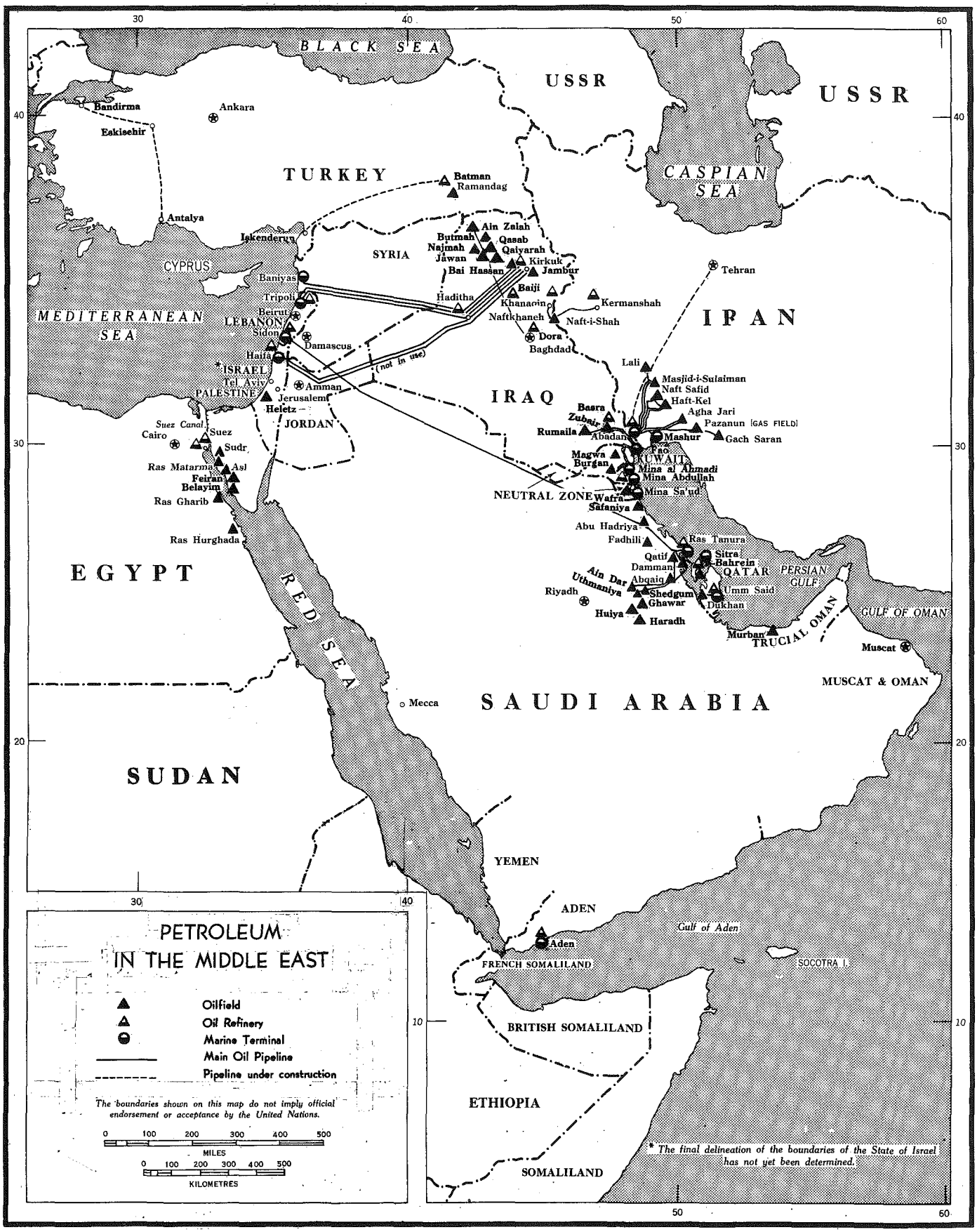
Growth of Petroleum Industry

The petroleum industry of the Middle East continued to make rapid progress during 1954 and also in 1955. The Iranian oil industry, whose production had been drastically curtailed after July 1951, stepped up its activities following settlement of the nationalization dispute in October 1954. Discoveries of new oil deposits and further exploration of existing oilfields (see map, opposite) raised the estimate for proved crude petroleum reserves of the Middle East to about two-thirds of the world total. Output in the region reached 162 million metric tons in 1955, accounting for 20.6 per cent of world output of crude oils and natural gasoline. Production of refined products regained its 1950 level of about 40 million metric tons in 1955, largely as a result of the increased output of the Abadan and Aden refineries. Exports of crude petroleum and refined products rose with output, and supplied the greater part of the demand in the Eastern Hemisphere. Development of oil handling facilities and refining capacity continued, the latter rather slowly. Some progress was made in utilization of natural gas, though most of it continued to be flared off. Exploration activities were extended to almost all countries and territories of the region following the granting of new concessions and licences to petroleum companies. Capital investment in the petroleum industry of the region has averaged about $200 million per annum during the past five years, most of this sum being financed by ploughing back part of income. The direct income of the Middle Eastern countries from petroleum rose sharply, to $880 million in 1955, following revision of profit-sharing agreements; and the amount of such revenues spent by the governments for economic development increased. Domestic consumption of petroleum products also expanded appreciably, the annual rate of increase for the region as a whole being 10 to 12 per cent in recent years.

Exploration and New Concessions

Increased exploration and drilling activities in the Middle East during 1954 and 1955 led to the discovery of new petroleum reservoirs in Kuwait, Saudi Arabia, Iraq, Egypt and Israel, and the extension of some existing oilfields in the first three countries. According to an estimate published in January 1956, the region's crude petroleum reserves, recoverable by methods currently in use and under present economic conditions, amounted to 230 billion barrels, the equivalent of 31 billion tons, at the end of 1954; a lower estimate, however, placed the reserves at 126 billion barrels.1/ All but a small percentage of these reserves are located in Iran, Iraq, Kuwait and Saudi Arabia. According to earlier estimates, United States-controlled companies had access to 64 per cent of the region's proved reserves, British and Dutch-controlled companies

1/ Wallace E. Pratt, "The Impact of the Peaceful Uses of Atomic Energy on the Petroleum Industry", Peaceful Uses of Atomic Energy (Government Printing Office, Washington, D.C., January 1956) and Arabian American Oil Company, Middle East Oil Development, March 1956.



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to 31 per cent, and French companies to most of the remaining 5 per cent.2/ The American share has greatly increased in recent years mainly because of participation in the Iranian oil industry and the Saudi Arabian, where there has been a sharp increase in discovered reserves.

Several petroleum concessions were granted to oil companies in 1954 and 1955. In Iran, the Government reached agreement in October 1954 with a consortium of international oil companies for resumption of oil production and refining activities which, after nationalization of the industry in 1951, had been at a low level, mainly because of marketing difficulties.3/

In Egypt, revision of the petroleum law in 1953 caused the petroleum companies to take more interest in the development of that country's oil resources. The Egyptian Government granted new concessions to several, and exploration activities were greatly stepped up.4/ In February 1955, the international Egyptian Oil Company discovered the Belayim oilfield on the Sinai peninsula and began to develop this field and the Feiran field discovered in 1948. By the end of 1955, crude oil was flowing to refineries in Egypt for local consumption.

In Israel, the Government granted exploration licences under the petroleum law of 1952 to eight companies, covering about one-half of the country's total land area. The activities of these companies led to discovery of a gas field and an oilfield at Heletz in September 1955.5/

In Turkey, the 1954 petroleum law, which provided for equal profit-sharing and a 27.5 per cent depletion allowance, was amended in 1955, and is now more attractive to foreign capital.5/ As a result, a number of exploration permits were issued by the Government, and by the end of 1955 twelve companies were carrying on preliminary exploration. In 1955 the Governments of Jordan and Yemen also granted concessions to United States firms.

Production

Production of crude petroleum continued to rise in 1954 and 1955 in response to the growing world demand for petroleum products, especially in western Europe. The annual rate of increase of crude output in the region as a whole rose from 12.8 per cent in 1954 to 17.6 per cent in 1955, as compared with 2.8 per cent and 10.1 per cent, respectively for the world (see table 20). The greatest expansion in 1955 took place in Iran, but, despite this, Iranian production was under 10 per cent of the region's total in 1955 as compared with 36.4 per cent in 1950. It is, however, expected that in 1957 crude output will nearly regain the 1950 production level of 32 million metric tons.

Iraq, Kuwait and Saudi Arabia, the other important producers in the region, accounted for 90.6 per cent of Middle East crude petroleum production in 1954;

2/ L. M. Fanning, "Growing Share of World's Oil is held by American Firms", World Oil, 13 August 1955, pages 132 to 134.

3/ United Nations, Economic Developments in the Middle East, 1945 to 1954 (sales number: 1955.II.C.2), pages 70 to 76.

4/ World Oil, 15 August 1955, pages 322 to 330.

5/ Oil and Gas Journal (Houston, Texas), 26 December 1955, pages 147 and 148.

despite an increase in their output, their combined share declined to 83.8 per cent in 1955 following the gradual recovery of the Iranian oil industry.

Table 20. Production of Crude Petroleum, by Country

(Thousands of metric tons, except as indicated)

Country	1950	1953	1954	1955[a]
World total[b] (millions of metric tons)	536.3	675.4	706.6	788.5
Total, Middle East (millions of metric tons)	88.5	122.2	137.8	162.1
Middle East output as percentage of world total	16.5	18.1	19.5	20.6
Bahrein	1,506	1,501	1,503	1,500
Egypt	2,592	2,618	2,198[a]	2,000
Iran	32,259	1,345	3,502	15,779
Iraq	6,584	28,187	30,674	33,850
Kuwait	17,291	43,286	47,723	55,000
Neutral Zone	-	-	850	1,262
Qatar	1,636	4,062	4,779	5,448
Saudi Arabia	26,649	41,173	46,455	47,040
Turkey	17	27	59	200

Source: Statistical Office of the United Nations; Petroleum Press Bureau, Petroleum Press Service (London), January 1956.

a/ Partly estimated.
b/ Including natural gasoline.

Kuwait, the largest producer in the region, operating close to its producing capacity, increased output by 10.3 per cent in 1954 and 15 per cent in 1955. Iraq's production rose by 8.8 per cent and 10.5 per cent in the corresponding periods, mainly because of the development of its southern oilfields. In Saudi Arabia, despite larger potentiality for production and the existence of considerable unused producing capacity, the rate of increase fell sharply from 12.8 per cent in 1954 to 1.3 per cent in 1955, mainly because of sale of Saudi Arabian oil for hard currency and other marketing problems.

Among the smaller producers of crude petroleum listed in table 20, steady development continued in Qatar, where output rose 17.7 per cent in 1954 and 14 per cent in 1955. In Egypt, production declined 16 per cent in 1954 and 9 per cent in 1955 because of declining reserves in the Asl and Sudr oilfields; there was, however, a rise in production in late 1955 following rapid development of the two

newly discovered oilfields on the Sinai peninsula. In Turkey, production showed a substantial rise after the opening of a new refinery in mid-1955. Israel also started producing small quantities of oil in late 1955, and plans were under way to increase output rapidly.

Refining

The annual crude charging capacity of Middle East refineries increased to over 66 million tons at the end of 1955, a rise of 16 per cent over capacity two years earlier, but the expansion in refining capacity lagged behind the increase in crude production, which showed a rise of 32 per cent over the same period. This slow rate of refinery development was due to increasing world demand for crude petroleum from the Middle East rather than refined products. It has been an outstanding feature of post-war refinery expansion to construct refineries mainly in consuming centres rather than in the vicinity of oilfields.6/

The increase in refining capacity of the Middle East resulted from construction of new refineries in Aden, Iraq, Lebanon, Qatar and Turkey, together with expansion of the Bahrein and Ras Tanura refineries. The Aden refinery, with an annual crude charging capacity of 6 million tons, was constructed by the British Petroleum Company at a cost of about $140 million to serve a large bunker trade at Aden as well as the company's exports. In Iraq, the government-owned refinery at Dora, with a capacity of 1.2 million tons a year, began operation in late 1955.7/ In Lebanon, a refinery with an initial yearly capacity of 300,000 tons, to be raised to 450,000 tons by 1956, began operation at Sidon in February 1955.8/ In Turkey, the government-owned refinery at Batman, with a capacity of 330,000 tons a year, began operation in 1955.9/ In Qatar, a topping plant with a yearly capacity of 30,000 tons was opened at Umm Said in the spring of 1955. The plant will supply products for local requirements.

Since late 1954, the Bahrein Petroleum Company has undertaken a programme of refinery expansion involving the construction of another catalytic cracking unit,10/ to increase the output of high-grade products. By the end of 1955, a vacuum distillation unit, with a capacity of 1.2 million tons a year, was put into operation. In Saudi Arabia, the Arabian American Oil Company added to its refinery at Ras Tanura a hydroformer costing $11.7 million, with a capacity of 625,000 tons annually, to produce higher quality products. In Kuwait, the operating company planned in 1955 to increase the capacity of its refinery at

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6/ In western Europe refining capacity expanded from 23 million tons in 1948 to 82 million tons in 1952 and 116 million in 1955.

7/ Journal of Commerce (New York), 29 November 1955. The Dora refinery will serve the expanding domestic market for petroleum products and will use the crude oil taken over at cost from the concessionary companies.

8/ Ibid., 7 March 1955. Total investment in the refinery will be $8 million. It will use Arabian oil carried through the "Tapline" and most of the output will be fuel oil for bunkering. There will be lighter products for domestic consumption.

9/ Ministry of Finance, Explanatory Note to 1956 Budget Estimates (Ankara, 1955).

10/ Bahrein Petroleum Company, Limited, Annual Report to the Ruler of Bahrein, 1954.

Table 21. Output of Major Refinery Products, by Country
(Thousands of metric tons, except as indicated)

Country and year	Motor spirits	Kerosene	Heavy oils	Total, major products
Aden:				
1954	126	43	1,011	1,180
Bahrein:				
1950	1,816	727	4,450	6,993
1953	2,119	1,100	6,540	9,759
1954	2,230	1,033	6,282	9,545
Egypt:				
1950	200	151	1,760	2,111
1953	188	207	1,808	2,203
1954	256	220	1,727	2,203
Iran:				
1950	4,394	2,375	16,407	23,176
1953 a/	260	179	796	1,235
1954	267	488	1,850	2,605
Iraq:				
1950	67	77	237	401
1953	113	154	552	819
1954	131	176	631a/	938
Israel:				
1950	31	27	129	187
1953 a/	161	103	603	867
1954	170	141	612	923
Kuwait:				
1950	15	5	1,132	1,152
1953	36	11	1,471	1,518
1954	45	13	1,450	1,508
Lebanon:				
1950	98	61	235	394
1953	112	64	311	487
1954	112	66	330	508
Saudi Arabia:				
1950	982	380	3,598	4,960
1953	1,562	977	7,362	9,901
1954	1,494	1,093	7,905	10,492
Turkey:				
1950	1	-	4	5
1953	1	-	4	5
1954	1	-	4	5

Table 21 (continued)

Country and year	Motor spirits	Kerosene	Heavy oils	Total, major products
Total (millions of metric tons):				
1950	7.6	3.8	27.9	39.2
1953	4.6	2.8	19.4	26.8
	4.8	3.2	21.8	29.8

Source: United Nations, Statistical Yearbook, 1955; United States Department of the Interior, Bureau of Mines, World Petroleum Statistics (Washington, D.C.).

a/ Partly estimated.

Ahmadi from 1.4 million tons a year to 8.5 million tons by the end of 1957. The refinery will produce mainly middle distillates and residual fuel oil.11/ In Syria also, the Government was considering a project to construct a refinery, with a capacity of 750,000 tons per annum, to serve the domestic market and use Iraqi crude petroleum in transit through its territory. In early 1956 the Syrian Parliament allocated $23 million for its construction.

In 1955, the Middle East processed 5.7 per cent of the refined products of the world, compared with 4.8 per cent in 1954 and 8.1 per cent in 1950. Output of major refined products totalled nearly 40 million metric tons in 1955, showing a rise of one-third over the 1954 level and regaining the 1950 level after a drastic decline in 1951 and 1952 owing to the shutdown of the Abadan refinery in Iran. However, the crude oil processed was only 26 per cent of total production in 1955 as against 48 per cent in 1950.

The increase in output of refined products came mainly from the Abadan and Aden refineries (see table 21). With the reactivating of the former in 1954, the quantity of crude petroleum processed there increased, rising from the previous level of 1.3 million metric tons in 1953 to about 7.5 million - that is, about one-fourth of its capacity - in 1955. The rate of throughput was expected to reach 14 million tons by the end of 1956. The Aden refinery, which commenced operation in July 1954, produced 1.2 million tons of refined products by the end of that year and approximately 4 million tons in 1955. Several other refineries, including Ras Tanura refinery in Saudi Arabia, and Haifa refinery in Israel, increased their output, and new refineries in Iraq, Lebanon and Turkey began operation in 1955.

Natural Gas

Some progress was made towards utilization and conservation of natural gas and refinery gas, produced in large quantities in conjunction with the production and refining of petroleum, but hitherto almost entirely wasted. In Saudi Arabia, a gas injection plant went into operation in Abqaiq field in March 1954. The plant, which cost about $19 million is intended to conserve the natural gas

11/ Petroleum Times, 3 February 1956.

produced in the Abqaiq field and to increase the rate of oil recovery by returning 150 million cubic feet of gas a day to the oil reservoir.12/ In Bahrein, the operating company uses gas for injection into the oil reservoir and for fuel in the refinery. In addition, several gas wells have been drilled for use in the Government's industrial and domestic gas supply project.13/ In Kuwait, natural gas has been used since 1953 as industrial fuel, particularly for sea-water distillation.

In early 1955, the Saudi Arabian Government granted to a United States firm an option, to be exercised within fourteen months, for the exclusive industrial use of surplus natural gas for fifty years.14/ In Iran, the operating company had planned to start, in 1956, construction of a gas pipeline from Agha Jari to Bandar Mashur which, linking up with an existing line to Abadan refinery, will replace by natural gas the fuel oil now being used in the refinery.15/ In Kuwait, a project was under way to make gas available for domestic uses. The plan for large-scale utilization of natural gas in Iraq, as recommended by experts of the International Bank for Reconstruction and Development, is under consideration by foreign experts under contract to the Development Board of Iraq.16/

Exports

Exports of crude petroleum and refined products from the Middle East continued to increase in 1954 and 1955. The estimated total value of crude and refined petroleum exports increased to the equivalent of over $2.5 billion in 1955, showing a rise of 20 per cent and 40 per cent above the exports of 1954 and 1953, respectively.17/ The bulk of the exports was in the form of crude, and amounted to 54 per cent of the world's total crude exports in 1954.

12/ Arabian American Oil Company, Report of Operations to the Saudi Arabian Government, 1954. (Dhahran 1955), page 5.

13/ Bahrein Petroleum Company, Limited, Annual Report to the Ruler of Bahrein, 1954.

14/ A company was to be formed with a capital of $25 million, comprising 30 per cent Saudi Arabian private capital and 70 per cent United States capital, to undertake the project. The Government was to receive half the profits of the enterprise (Petroleum Press Bureau, Petroleum Press Service (London), March 1955, page 98).

15/ Iranian Oil Exploration and Producing Company, "The First Year of Activity of the Iranian Oil Operating Companies" (mimeographed document), page 10.

16/ For description of the project and its present stage, see Iraq Development Board, The Development of Iraq, by Lord Salter (London, April 1955).

17/ Based on the volume of exports and the posted f.o.b. prices of petroleum products and crude oil at the pipeline terminals in the region; not including crude oil shipments from Saudi Arabia to Bahrein for refining and export.

The quantity of exports of crude petroleum increased from about 104 million metric tons in 1953 to 117 million in 1954 (see table 22), and approximately 135 million in 1955. Exports to western European countries increased from 74 million tons in 1953 to 82 million in 1954,18/ those to the Western Hemisphere rose from 12 million to 13 million tons, to Middle Eastern countries from 9 million to 12 million tons; and those to the Far East from 4 million to 7 million tons in the corresponding period. The major exporters of crude petroleum in 1955 were - as shown in the table - Kuwait, Saudi Arabia and Iraq. Exports of refined products from Aden, Bahrein, Iran, Kuwait and Saudi Arabia amounted to about 33 million metric tons in 1955, representing a rise of 40 per cent and 50 per cent over the region's exports in 1954 and 1953, respectively. The major part of the refined products was destined for Africa and Asia and for the Middle Eastern ports, for bunkering.

Exports were the exclusive concern of the foreign producing companies or their affiliates or parent companies, except in Iran. There the Government had an option to take oil royalties, in the form of 12.5 per cent of total output exported, either in kind or in cash, on the basis of posted prices of such products in the region. The National Iranian Oil Company, wishing to establish independent export outlets for Iran's share of the output, exported 830,000 tons to Japan and Italy - one-half of its share - during the one-year period ending 31 October 1955. Steps were taken to export to other countries, including India, Switzerland and Turkey. By 1955 several tankers had been ordered and were under construction to carry Iran's share of oil. Iraq has a similar option from the concessionary companies.

Consumption

Consumption of petroleum products has increased rapidly in all countries of the Middle East in recent years. Total consumption in the region, including products used by refineries and supplies for bunkering, amounted to about 19 million metric tons in 1954 - 8 per cent above the level of 1953. The region's own domestic consumption, excluding quantities used in refineries, of four major products - gasoline, kerosene, distillate fuel oil and residual fuel oil - was estimated in 1954 at about 9.4 million metric tons, which was about 10 per cent and 45 per cent higher than the corresponding figures for 1953 and 1950, respectively (see table 23). The growing domestic demand for petroleum products is due to increased industrial and transport activities, as well as gradual mechanization of agriculture in some countries, and increased use of petroleum for lighting, heating, cooking and other household uses. The smaller rise in prices of petroleum products in comparison with other fuels and the expansion of marketing facilities in the region have also stimulated demand.

The pattern of consumption in the region as a whole shows that between 1950 and 1954 the use of distillate fuel oil increased by about 80 per cent, gasoline by 50 per cent, kerosene by 43 per cent, and residual fuel oil by 34 per cent (see table 24). The consumption of lubricating oil increased from 115,000 metric tons in 1950 to 140,000 tons in 1953 and 155,000 in 1954. The quantity of bunker fuel oil supplied at Middle Eastern ports, which had declined after 1950, mainly because of interruption of supplies from the Abadan refinery, gradually recovered and amounted in 1954 to over 8 million metric tons, that is, 3 per cent above the level of 1950.

18/ In 1953 and 1954 the Middle East supplied 91 per cent of the crude petroleum imports of western European countries.

Table 22. Exports and Imports of Crude Petroleum, by Country

Country	1950	1953	1954
Exporting country:			
Iran	6,552	50	491[a/]
Iraq	6,177	26,953	29,200
Kuwait	15,987	41,741	45,900
Neutral Zone	-	-	823
Qatar	1,533[a/]	3,980	4,697
Saudi Arabia	20,660	31,259	36,200
Total exports	50,909	103,983	117,311
Importing country:			
Aden b/	-	-	1,473
Bahrein c/	6,249	8,277	9,049
Egypt	-	59	486
Israel d/	224	914	967
Lebanon e/	493	544	546
Total imports	6,966	9,794	12,521
Net exports	43,943	94,189	105,327

Source: United States Department of the Interior, Bureau of Mines, World Petroleum Statistics (Washington, D.C.).

a/ Estimated.

b/ Petroleum imported from Persian Gulf area, mainly from Kuwait, for refining and export.

c/ Imports from Saudi Arabia for refining and export.

d/ Imports mainly from Venezuela.

e/ Imports from Iraq for refining.

Table 23. Estimated Consumption of Major Refined Petroleum Products, by Country a/

(Thousands of metric tons)

Country	1950	1953	1954
Aden and Arabian peninsula b/	70	220	255
Cyprus	85	125	130
Egypt	2,940	3,200	3,410
Iran	930	1,105	1,235
Iraq	565	750	835
Israel	655	930	1,035
Jordan	55	70	80
Lebanon	235	315	330
Saudi Arabia	70	185	210
Sudan	145	210	225
Syria	230	410	500
Turkey	445	970	1,125
Total	6,425	8,490	9,370

Source: Estimated by the United Nations Bureau of Economic Affairs. Refined products include gasoline, kerosene, distillate fuel oil and residual fuel oil.

a/ Excluding refinery consumption and bunker fuel.
b/ Excluding Saudi Arabia.

Table 24. Estimated Inland and Bunker Consumption of Major Refined Petroleum Products

(Thousands of metric tons)

Item	1950	1953	1954
Inland consumption:[a/]			
Gasoline	1,230	1,690	1,830
Kerosene	1,330	1,800	1,905
Distillate fuel oil	1,000	1,500	1,790
Residual fuel oil	2,865	3,500	3,845
Total	6,425	8,490	9,370
Bunker consumption:			
Distillate fuel oil	2,100	1,750	1,700
Residual fuel oil	5,700	5,900	6,350
Total	7,800	7,650	8,050

Source: Estimated by the United Nations Bureau of Economic Affairs.

a/ Excluding refinery consumption.

Petroleum Revenues

Petroleum revenues increased sharply in 1954 and 1955, as a result of rising oil production and exports as well as improvements in the terms of payment to the governments. Under the equal profit-sharing agreements concluded during 1950-1952 between the governments of oil producing areas and the concessionary oil companies, the parent companies of the latter were able to obtain petroleum at a discount of 15 to 20 per cent from the posted prices. Thus, profits of the producing companies, and consequently the oil revenues of the governments, were reduced. The October 1954 agreement between the Government of Iran and the Consortium reduced this discount to 2 per cent, sufficient to cover sales expenses.19/ Subsequently, the same arrangement was made in 1955 in the concession, agreements of several other oil exporting countries, and in some

19/ Article 28 of the October 1954 agreement between the Consortium and the Government provided for a discount of 2.3 per cent from the value of 87.5 per cent of petroleum output destined for export. Iran may sell its 12.5 per cent share of oil to the members of the Consortium at posted prices without any discount.

cases it was made retroactive to the previous year.20/ In addition, in November 1955 the transit agreement between Syria and the Iraq Petroleum Company governing the movement of crude petroleum to the eastern Mediterranean was revised, and as a result Syria's income was substantially raised.21/ Negotiations began in late 1955 or early 1956 for the revision of other transit agreements, involving the Governments of Jordan, Lebanon and Syria, and the Trans-Arabian Pipeline Company and the Iraq Petroleum Company.

It is estimated that in 1955, oil income plus local expenditures of the petroleum companies represented approximately one-tenth of national income in Iran and Syria, one-third in Iraq, between 45 and 60 per cent in Bahrein and Saudi Arabia, and over 90 per cent in Kuwait and Qatar. The total direct and indirect petroleum revenues to the Middle Eastern countries between 1951 and 1955 amounted to $3.5 billion. In 1955, the revenues were estimated at over $1 billion, of which $880 million represented direct payments to governments and the balance consisted of wages to employees and purchases of local goods and services.22/ The direct payments amounted to about $500 million in 1953 and $680 million in 1954, compared with $200 million in 1950. While between 1950 and 1955 the direct revenues of governments from petroleum activities increased 340 per cent, crude petroleum production rose 83 per cent, and average posted prices of crude rose 12.5 per cent in the Persian Gulf, though they declined slightly in the eastern Mediterranean. In 1955, Iraq, Kuwait and Saudi Arabia together received 80 per cent of the direct oil revenues. Other oil-derived incomes in Middle Eastern countries also increased in 1954 and 1955 owing to an increase in minimum wages in several countries and a rise in local purchases of materials by the oil companies.23/ Indirect receipts of the Middle Eastern countries from oil production have averaged approximately $150 million per annum during the past five years.

20/ The revised agreement between the Government of Iraq and the Iraq Petroleum Company and its affiliates was made retroactive to 1954. Iraq's oil income for the same year was consequently raised by $29.8 million or 18 per cent. In 1955 the Iraqi Government was negotiating to make the provision retroactive to 1953, the difference for that year amounting to about $22 million.

21/ The agreement signed between the Syrian Government and the Iraq Petroleum Company on 29 November 1955 provided for payment of one shilling and four pence per 100 ton-miles for the distance that petroleum travels through Syrian territory, and thirteen pence per ton at the pipeline terminal. As a result, Syria's income from this source increased, and was expected to be £6.5 million per annum on the basis of 26 million tons of crude throughput, while settlement of claims for previous years brought in an additional lump sum of £8.5 million (The Financial Times (London), 29 November 1955).

22/ Statement made by R. G. Follis, Chairman of the Board, Standard Oil Company of California, press release, 23 January 1956.

23/ The 1954 wage schedule in Saudi Arabia increased the minimum wage from five to six Saudi riyals per day, and brought wage increases ranging from 12 to 20 per cent (Arabian American Oil Company, op. cit.). In Iran, the minimum wage was doubled, and daily wages ranged between the minimum wage of 82 rials for unskilled workers and 205 rials for artisans. (Iranian Oil Exploration and Producing Company, op. cit., page 27.)

Chapter 3

FOREIGN TRADE AND PAYMENTS

Value of Imports and Exports

As shown in table 25, the value of imports 1/ remained practically stable in 1954, while world imports rose by 3.4 per cent. In the first two quarters of 1955, however, imports of the region increased by almost 13 per cent 2/ compared with a rise in world imports of 9 per cent.

The trend of exports varies according to whether or not oil is included in the total. The value of all exports, including oil, has risen steadily since 1953, at a greater rate than world exports. It increased by 7 per cent in 1954 and by a further 12 per cent in the first two quarters of 1955,2/ while the corresponding rates for world exports were 3.5 and 5.8 per cent, respectively. Nevertheless, excluding oil, the value of exports from the Middle East showed little change for the whole period.

Such general statements, however, conceal significant national divergences (see table 26), especially in the value of exports, excluding petroleum.3/ Whereas since 1953 the aggregate value of such exports for the region as a whole has tended to decline, in several countries exports have grown, sometimes considerably. The countries which, by reason of the size of their foreign trade, have to a great extent determined the regional trends are Egypt and Turkey. In Egypt the value of exports rose very slightly in 1954 but decreased in the first half of 1955; in Turkey exports dropped in 1954, declining further in 1955.4/ The Sudan, too, may be included with Egypt and Turkey, since its exports fell by 10 per cent in 1954, to rise only slightly in the following year. The trio constitute the most important cotton exporters of the Middle East.

As regards imports, Egypt and Turkey likewise exerted the primary influence on the regional totals, offsetting the rising trend of imports in other countries in 1954, but contributing to the general growth in the first half of 1955. In the countries where the value of exports has risen, the rate of increase has been, with the exception of Israel in 1954, lower than that for imports. The foreign trade deficits which existed in every country except the oil exporters have therefore grown in the past two years.

1/ The figures on total imports and exports include intra-regional trade of these countries (see footnote a/ in table 25).

2/ Compared with the first six months in 1954.

3/ Unless otherwise specified, this chapter does not cover petroleum exports, which are discussed in chapter 2.

4/ There was, however, a marked increase in Egypt's exports during the fourth quarter of 1955, as a result of which, for 1955 as a whole, they attained the 1954 level of $397 million. See footnote d/ in table 26. Turkey's exports and imports for the full year 1955 are given in footnote k/ of table 26.

Table 25. Value of Imports and Exports[a/]

(Millions of dollars)

Item	1950	1953	1954	1954 First half	1955 First half
Imports	2,145	2,734	2,725	1,311	1,487
Exports	2,679	3,106	3,326	1,642	1,837
Petroleum exports	1,234	1,672	1,907	914	1,096
Other exports	1,445	1,434	1,419	728	741
Middle East imports as percentage of total world imports[b/]	3.7	3.6	3.5	3.4	3.5
Middle East petroleum exports as percentage of total world exports[b/]	2.2	2.3	2.5	2.4	2.8
Other Middle East exports as percentage of total world exports[b/]	2.6	2.0	1.9	1.9	1.9

Source: Statistical Office of the United Nations. Imports c.i.f.; exports f.o.b.

a/ Including trade of Aden, Bahrein, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia, Sudan, Syria and Turkey.

b/ World figures exclude trade of Albania, Bulgaria, mainland China, Czechoslovakia, Eastern Germany, Hungary, northern Korea, Poland, Romania and the Union of Soviet Socialist Republics.

Import and Export Prices and Terms of Trade

Information on import and export prices and terms of trade is available for only a few countries, and does not usually extend beyond 1954. As these figures show (table 27), there have been marked differences between countries. The few figures for 1955 indicate that the movements which took place in 1954 have frequently been reversed in the subsequent years.

Table 26. Value of Imports and Exports, and Balance of Trade, by Country

(Millions of dollars)

Country and item	1950	1953	1954	1954 First half	1955 First half
Aden:[a]					
Imports	117	172	187	95	102
Exports	111	116	125	61	84
Balance	-6	-56	-62	-34	-18
Cyprus:[a]					
Imports	38	59	66	46[b]	61[b]
Exports	31	43	48	33[b]	40[b]
Balance	-7	-16	-18	-13[b]	-21[b]
Egypt:[c]					
Imports	573	508	460	321[b]	371[b/d]
Exports	504	394	397	295[b]	276[b/d]
Balance	-69	-114	-63	-26[b]	-95[b/d]
Iran:[e]					
Imports	261	168[f]	223	113	...
Exports	700	83[f]	111	53	...
Balance	439	-85	-112	-60	...
Iraq:					
Imports	105	192	204	94	123
Exports [g]	60	56	52	21	31
Balance	-45	-136	-152	-73	-92
Israel:					
Imports	299	281	290	220[b/h]	240[b/h]
Exports	37	60	88	70[b/h]	70[b/h]
Balance	-262	-221	-202	-150[b/h]	-170[b/h]
Lebanon:					
Imports	84[i]	143	174	73	105
Exports	15[i]	26	29	12	16
Balance	-69[i]	-117	-145	-61	-89
Sudan:					
Imports	78	146	139	68	70
Exports	95	128	116	61	65
Balance	17	-18	-23	-7	-5
Syria:[j]					
Imports	86[i]	131	174	73	102
Exports	56[i]	103	129	44	66
Balance	-30[i]	-28	-45	-29	-36
Turkey:					
Imports	286	533	478	361[b]	372[b/k]
Exports	263	396	335	221[b]	212[b/k]
Balance	-23	-137	-143	-140[b]	-160[b/k]

(Source and footnotes on following page.)

Table 26 (continued)

Source: United Nations, Monthly Bulletin of Statistics; International Monetary Fund, International Financial Statistics (Washington, D.C.). Data are exclusive of gold and represent special trade unless otherwise indicated. Imports, c.i.f.; exports, f.o.b. Minus sign (-) indicates deficit.

a/ General trade.

b/ First nine months.

c/ Excluding trade with the Sudan.

d/ During the full year 1955 exports were $397 million, imports $523 million.

e/ Figures have been adjusted to year beginning 1 January and therefore do not agree with those shown in appendix table G. They include by definition petroleum exports but in 1953 and the first ten months of 1954 oil exports had practically ceased.

f/ Converted from rials at the rate of 1.13 United States cents per rial for the first quarter of the year and 3.077 cents per rial for the last three quarters.

g/ Excluding pipeline exports of petroleum.

h/ During the full year 1955 imports were $326 million, exports $86 million. Israel Digest (New York), 3 and 10 February 1956.

i/ From 14 March to 31 December only. Trade of the Lebanese-Syrian Customs Union from 1 January to 13 March 1950 was as follows (in United States dollars): imports $37 million; exports $11.6 million.

j/ Imports converted to dollars at the official rate of LS 2.20 to the dollar; exports converted at free market rates, which have fluctuated between LS 3.50 and LS 3.90 to the dollar.

k/ During the full year 1955 exports were $313 million, imports $498 million.

Import prices have in general either remained stable or have decreased slightly since 1953. This seems to be confirmed by the changes in the export price (unit value) indices - on a 1953 base - of the regions from which the Middle East chiefly imports:5/

	1954	1955		
	Full year	First quarter	Second quarter	Third quarter
Canada and United States	99	99	100	100
Continental western Europe	97	96	97	97
Iceland, Ireland, United Kingdom.	98	97	98	99

5/ United Nations, Monthly Bulletin of Statistics, February 1956, pages xviii and xix.

Table 27. Quantum of Imports and Exports, Unit Value Indices, and Terms of Trade, by Country

(1953 = 100)

Country and item	1952		1954		1955 Ten months	
	Quantum	Unit value	Quantum	Unit value	Quantum	Unit value
Cyprus:						
Imports	86	114	117	96	137	101
Exports	107	109	107	104	106	113
Terms of trade		96		108		112
Egypt:						
Imports	119	103[a/]	94	97[a/]	...	...
Exports	77	137[a/]	88	113[a/]	...	...
Terms of trade		133		116		...
Iran:[b/]						
Imports	...	86[a/]	...	107[a/]	...	105[c/]
Exports	...	76[a/]	...	117[a/]	...	116[c/]
Terms of trade		88		109		110[c/]
Israel:						
Imports	101	113	110	94	...	...
Exports	70	106	158	94	...	...
Terms of trade		94		100		...
Sudan:						
Imports	101	122[d/]	93	100	...	...
Exports	66	148[d/]	94	112	...	...
Terms of trade		121[d/]		112		...
Turkey:						
Imports	101	103	99	104	96	99
Exports	82	111	95	97	67	111
Terms of trade		108		93		112

Source: United Nations, Monthly Bulletin of Statistics; International Monetary Fund, International Financial Statistics.

a/ Price indices.
b/ Based on wholesale prices of imported and exported commodities.
c/ Data for full year.
d/ Data not strictly comparable.

Export prices, on the other hand, have as a whole risen moderately (see table 27) as is substantiated by the unit value indices given below (1953 = 100).6/ Although the "Middle East" to which these indices refer does not exactly coincide with the area covered by the present report, the differences are not of great significance from the standpoint of trade.

	1954	1955	
	Full year	First quarter	Second quarter
Middle East sterling countries...	101	101	101
Middle East non-sterling countries	106	109	105

The result of these developments has been a small improvement in the regional terms of trade, which, however, still remained far below their post-war record level of 1951. Changes in the value of the region's foreign trade have therefore been mainly due to changes in the quantities imported and exported, not to price changes.

In table 27, figures on the quantum of imports and exports also are given for some countries. They show that in most countries where, in 1954, imports decreased in value (for example, in Egypt, see table 26), the decline in volume was generally less marked, while in countries where the value of imports rose (Cyprus, Israel), the increase in volume was considerably greater. This is attributable to falling import prices.7/ On the other hand, owing to higher export prices, Egypt's exports in 1954 rose by one per cent in value despite a fall of 12 per cent in quantum.

Composition of Trade

Exports

Export values in the Middle East have been strongly influenced by changes in the quantity of cotton exported. While in the years under review cotton prices were slightly higher than in 1953,8/ the quantity of cotton exports from all major

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6/ United Nations, Monthly Bulletin of Statistics, February 1956. The indices include, in addition to the countries listed in footnote a/ of table 25, Afghanistan, Ethiopia, Eritrea, Libya and Somaliland (Italian administration), and cover both petroleum and other exports.

7/ Turkish statistics indicate a 4 per cent rise in import prices in 1954, although the 10 per cent drop in the value of imports was accompanied by a drop of only one per cent in quantum. This discrepancy seems to be greater than could arise from the methods employed in calculating the indices. On the 1954 figures for Turkey see International Monetary Fund, International Financial Statistics, September 1955, page 191.

8/ The average price (United States cents per 100 pounds) of American middling cotton in the United Kingdom was, in 1953: 36.2; 1954: 38.5; 1955 (nine months): 37.7 (International Monetary Fund, International Financial Statistics, November 1955, page 32).

exporting countries of the Middle East, except Iran, declined sharply in 1954, and decreased further in Egypt and Turkey in the first half of 1955 (see appendix table D). Cotton exports seem to have recovered somewhat in the second half of 1955,9/ but it is doubtful if the total for the year attained the 1954 level. The decline in cotton exports strongly affected the export proceeds of countries such as Egypt and the Sudan, for which cotton constitutes the basic export item.

However, in Egypt, the decrease in cotton exports 10/ was in part offset in 1954 and 1955 by increased exports of other commodities, especially rice, onions and cotton yarn.11/

In Turkey, a smaller crop, combined with increased domestic consumption, reduced export availabilities, and the relatively high level of Turkish cotton prices is said to have discouraged foreign buyers. Although the share of cotton in the value of total exports is only approximately 20 per cent, the decrease in exports of this commodity in 1954 was to a great extent responsible for the decline of Turkish exports in the aggregate. The further drop in export values in 1955, however, was caused principally by the cessation of grain exports owing to the bad harvest of the preceding year. While net exports of wheat totalled 617,000 tons in the first half of 1954, there were net imports amounting to 207,000 tons in the corresponding period of 1955.

In Syria, where cotton contributes about one-third of the value of all exports, the fall in the quantity of cotton exported in 1954 was more than offset by increased exports of live animals and grain, following a good harvest. In 1955, cotton exports rose again, while grain exports appear to have decreased. Because of the developments in Syria and Turkey, fluctuations in grain exports were the second major cause of shifts in the composition of exports.12/

Imports

The composition of imports continued to be influenced in 1954-1955 by the long-term changes taking place in many countries of the region, among them increasing industrialization and mechanization, gradual improvement of production methods in agriculture, and rising demand due to population growth and in some

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9/ Egyptian cotton exports in the period 1 September 1955 to 11 January 1956 amounted to 116,700 tons as against 79,800 tons in the corresponding period of the previous season. The increase is attributed (Al ahram, 10 January 1956) to factors such as the reopening of the Alexandria futures exchange (see section on agriculture, chapter 1), which helped to restore foreign spinners' confidence, and the reduction in the cotton export tax (see section on "Foreign Trade Policy" in this chapter). In Turkey, cotton exports for July through September 1955 amounted to 11,000 tons as against 6,900 tons in the same period of 1954.

10/ See section on agriculture in chapter 1.

11/ National Bank of Egypt, Economic Bulletin, vol. VIII, No. 3 (Cairo, 1955), page 205.

12/ For other changes in exports see appendix table D.

cases to increased per capita income. It was, moreover, affected by government restrictions and by short-term factors such as the level of agricultural output in a given year.

The last factor has been especially important in Egypt and Turkey. In the former, owing to the increase in wheat production, wheat imports dropped sharply in 1954, and this contributed to a decline in the foreign trade deficit, despite the lower cotton exports in the same period. In Turkey, on the other hand, the crop failure of 1954 not only led to the practical cessation of wheat exports in 1955 but also necessitated substantial imports.

Except for Israel and Turkey, none of the Middle Eastern countries classify imported commodities by economic use. It is therefore not possible to determine exactly how imports of consumer goods, raw materials and other relevant commodity groups have changed in 1954 and 1955. Some idea may be gained from the figures on imports of major items shown in appendix table E.

In Israel and Turkey the share of consumer goods in total imports decreased both in 1954 and 1955, and, to judge by the import figures for refined sugar, and cotton and woollen fabrics, the same was true in 1954 in Egypt, Iran and Syria also. This decrease may be attributed to industrialization, since the newly developed industries in the Middle East are mostly consumer goods industries, but it also results in part from import restrictions, which are applied mainly to consumer goods. Thus, the sharp fall in imports of manufactured consumer goods in Turkey in 1955 was only in part due to reduced domestic demand, but much more to drastic import restrictions. On the other hand, in Lebanon and Iraq, where industrialization has been slow and import restrictions are less severe, the percentage of sugar and textiles in total imports rose in 1954. Import restrictions due to acute foreign exchange shortages also account for the drop in the percentage of raw material imports into Turkey in 1955.

Foreign Trade Policy

There has been little uniformity in the commercial policies pursued in the past two years by individual countries, a fact reflecting the dissimilarities in their international trade and payments situations. In this respect there is a fundamental difference between countries which export oil and those which do not. The former normally have a foreign exchange surplus, though some have suffered from foreign exchange shortages when royalties were low or, as in Iran, when they ceased altogether for a period. Fundamental differences exist also among the countries in the second group which usually have foreign trade deficits. In some, notably Lebanon, invisible exports outweigh the trade deficit and result in a surplus on current account. Others lack such resources. Moreover, the stress given to industrialization, an important determinant of foreign trade policy, is not the same in the different countries.

However, two more or less general tendencies can be identified. One is the efforts of Arab countries for closer inter-Arab economic co-operation. The inter-Arab agreements concluded in September 1953, which provided for customs reductions or exemptions for products originating in the participating countries, have been ratified by all partners (Iraq being the last to ratify, in January 1955) and have

been in force since the end of 1953.13/ Attempts have been made, moreover, to widen the scope of these agreements. At the meeting of the Arab League Economic Council held in January 1956 in Cairo, for example, additions were approved to the list of goods granted preferential treatment among the Arab League States, and a committee was set up to study problems related to transit trade.14/

A second general tendency has been to promote trade with eastern Europe, and in some cases with mainland China, by means of bilateral or barter agreements. In the past two years almost all countries of the region have sought by the conclusion of such agreements to initiate trade with certain of these countries and to enlarge the volume of trade with others. This trend originated partly from the difficulties which Middle Eastern countries encountered in finding markets for their products in western Europe and North America, due sometimes to non-competitive prices. The trend has been most pronounced in Turkey and Egypt, where the direction of foreign trade has in recent years shifted considerably towards the areas in question, and to some extent in Iran. In Iraq, Lebanon and Syria, little action was taken until 1955, but recently these countries also have begun to strive for more trade with eastern Europe through the device of bilateral arrangements.15/ This tendency was not apparent in the commercial policy of Israel, which has sought instead to expand bilateral trade with Finland, Yugoslavia and Turkey.

The specific partners in bilateral trade differ from country to country. Although almost all Middle Eastern countries have extensive trade relations with Czechoslovakia, only Egypt has had much trade with mainland China, while trade with the Union of Soviet Socialist Republics is of major importance chiefly for Iran.

With regard to other aspects of their commercial policies, the Middle Eastern countries can be divided into three groups. In Iraq, Lebanon and Syria, the dominant tendency in 1954 and 1955 has been towards a certain liberalization of trade. Lebanon, one of the few countries in the world which has no foreign exchange control, has gradually relaxed its system of prior import licensing.

13/ The ratification of the agreements by only three countries was sufficient for their coming into force (Bureau of Documents for Syria and Other Arab Countries, La Syrie économique (Damascus, 1954), page 22).

14/ United States Department of Commerce, Foreign Commerce Weekly (Washington, D.C.), 6 March 1956.

15/ On Lebanon's agreements with Eastern Germany and the Soviet Union see Etude mensuelle sur l'économie et les marchés des pays arabes, No. 21 (Damascus), 31 October 1955, page 21, and No. 22, 30 November 1955, page 14; and Le Commerce du Levant (Beirut), 16 November 1955. Syria conducted negotiations in October 1955 with Czechoslovakia, the Soviet Union, Poland, mainland China and Eastern Germany. An agreement with Poland was signed on 10 October 1955 and with the Soviet Union on 16 November of the same year (Etude mensuelle sur l'économie et les marchés syriens, No. 63, 25 November 1955 (Damascus), page 11). Iraq, in September 1954, made a barter arrangement with the Soviet Union to supply 4,000 tons of dates in return for Soviet textiles, wood, paper, etc. (United States Department of Commerce, World Trade Information Service, Economic Developments in Iraq, 1954, part I, No. 55-28 (Washington, D.C.)).

Duties on imported equipment and raw materials have been reduced, but those on foreign items competitive with domestic products have been raised.16/ In February 1954 Syria liberalized its gold trade, and though imports (and some exports) continued to be subject to prior licensing, licences were freely issued. This was made possible by the improvement in Syria's foreign payments situation which is reflected in the almost complete stability in 1954 and 1955 of the free rate of the Syrian pound, the rate applied now to practically all transactions.17/ However, owing to falling grain exports resulting from a bad harvest, rising imports and increased Japanese competition in textiles both on the domestic market and abroad, the Government substantially raised import duties on many consumer goods in mid-1955,18/ although this does not appear to mean a basic change in commercial policy.

In 1954 Iraq also simplified and relaxed some import controls, to combat inflation and the black market. Foreign exchange allocations for imports from hard currency countries were increased and some quotas were removed, and in May 1955 a number of commodities imported from the sterling area and soft currency countries were freed from prior licensing.19/

In a second group of countries, consisting of Iran and Egypt, changes in restrictions were closely associated with changes in the foreign payments situation. In Iran, after conclusion of the new oil agreement, the restrictions previously placed on many imports were relaxed in late 1954 and in the first half of 1955, except for imports competing with locally produced goods. Furthermore, the rial was revalued, the principal rate for the dollar being lowered in several stages during 1954 and 1955. However, severe pressure on foreign exchange reserves developed with the result that in the second half of 1955 new restrictions in the form of lower quotas were imposed on imports of "luxuries" and "semi-luxuries".20/ Besides, Iran continued to apply a system of export premiums. The import of luxuries and semi-luxuries (class II imports in the regulations of 1954) is made dependent upon the export of certain national products which the Government

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16/ World Trade Information Service, Basic Data on the Economy of Lebanon, part I, No. 55-73 (Washington, D.C.), page 13; Etude mensuelle sur l'économie et les marchés des pays arabes, No. 12, 31 January 1955, page 10; No. 13, 28 February 1955, appendix 16; No. 14, 31 March 1955, page 13; No. 16, 31 May 1955, pages 12 and 13; No. 17, 30 June 1955, page 14.

17/ The official rate applies at present only to the importation of petroleum and to purchases of local currency by oil companies (International Bank for Reconstruction and Development, The Economic Development of Syria (Baltimore), page 243). On the latest developments see Etude mensuelle sur l'économie et les marchés syriens, No. 62, 25 October 1955, appendix 23, page 3, and The Financial Times (London), 9 March 1956.

18/ Le Commerce du Levant, 15 June 1955 and 2 July 1955; United States Department of Commerce, Foreign Commerce Weekly, 4 July 1955 and 11 July 1955.

19/ World Trade Information Service, Economic Developments in Iraq, part I, No. 55-28; Etude mensuelle sur l'économie et les marchés des pays arabes, No. 13, 28 February 1955, pages 13 and 14; No. 14, 31 March 1955, page 20; No. 16, 31 May 1955, page 16.

20/ Bank Melli, Bulletin, Nos. 158 and 159 (Tehran).

wants to encourage (class II exports). Since the demand for class II imports exceeds the amount of class II goods exported, the export certificates for the latter are quoted at a premium.21/

In 1954, when the foreign trade situation was relatively favourable, Egypt eased its import restrictions somewhat on goods from the sterling area,22/ and the sterling reserves were reinforced in 1955 by the revision of the Anglo-Egyptian agreement of 1951.23/ In September 1955 the system of import entitlements 24/ was abolished with a view to removing the discount on the official rate for the Egyptian pound which applied in certain transactions. Instead, the Government has substantially reduced the export duty on cotton and has imposed an additional ad valorem duty of 7 per cent on imports (with the exception of goods such as machinery and raw materials).25/ In the latter part of 1955, the growth of the foreign trade deficit forced it to restrict import permits again.

The third group consists of Israel and Turkey, the countries in the region which have given the greatest emphasis to industrialization. No tendency towards relaxation of controls is apparent in their commercial policy during the past two years. Restrictions have increased, rather, especially in Turkey, where exports declined and a large amount of short-term commercial debt accumulated. Turkey has maintained with small modifications its system of promoting exports by means of premiums, which was introduced in September 1953,26/ but subsidized commodities

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21/ Class II imports include, for example, neckties, manicure sets, velvets; class II exports, carpets and other manufactured articles. For details, see Bank Melli, Revised Summary of the Iranian Exchange and Import-Export Regulations (Tehran, May 1955).

22/ World Trade Information Service, Economic Developments in Egypt, 1954, part I, No. 55-34 (Washington, D.C.), pages 6 and 7.

23/ By the revised agreement the United Kingdom released £20 million in 1955 from the blocked account and agreed to release annually £20 million in the period 1956 to 1960, inclusive, and £10 million in 1961 and 1962, the small remaining balance being repayable in 1963 (The Economist (London), 3 September 1955).

24/ Under this system, exporters receiving payments in dollars, sterling or Deutsche marks were entitled to repurchase, at the official rate, all or part of the proceeds for the purpose of importing specified commodities from the countries involved. A market price developed for this right, which was transferable. It enabled exporters to offer the commodities at a discount (United Nations, Economic Developments in the Middle East, 1945 to 1954, page 43).

25/ National Bank of Egypt, Economic Bulletin, vol. VIII, No. 3, 1955, page 163; Etude mensuelle sur l'économie et les marchés des pays arabes, No. 20, 30 September 1955, pages 7 and 8; International Monetary Fund, International Financial Statistics, November 1955; United States Department of Commerce, Foreign Commerce Weekly, 19 September 1955.

26/ Premiums are applied on exports of raisins, carpets and some other products, and their amount varies according to whether the proceeds are in dollars, pounds sterling or European Payments Union currencies. The premiums are financed by additions to the selling price of foreign exchange to importers of specified commodities (International Monetary Fund, International Financial Statistics, March 1954 and November 1955).

still constitute a very small part of total exports.27/ Israel simplified its system of multiple exchange rates by applying the lowest one to all foreign transactions with one exception,28/ thus in effect devaluing the currency.

Direction of Trade

Table F in the appendix shows, in percentages of total exports and imports for each, the trade of Egypt, Iran, Iraq, Israel, Lebanon, Syria and Turkey with their most important trading partners. It covers the years 1953 and 1954, and, where data are available, part of 1955. The distribution of the trade of these seven countries as a group, according to major areas and groups of countries, is given in table 28. See also the chart in this section.

As the tables and chart indicate, the most noticeable change in the direction of the region's foreign commerce has been the increase in trade from 1953 to 1954 with the group consisting of mainland China, the Union of Soviet Socialist Republics and other eastern European countries. The available figures for 1955 show an even more marked rise.

The shift towards trade with eastern Europe was not conspicuous in Iraq, Lebanon or Syria, certainly not until the end of 1954. On the other hand, in Iran, and particularly in Egypt and Turkey, this shift has been considerable (see appendix table F). The share of the Soviet Union and eastern Europe in Iran's imports rose from 7.3 per cent in 1953 29/ to 9.9 per cent in 1954 and to 12.4 per cent in the first four months of 1955.30/ On the export side, this share grew from 14.3 per cent in 1953 29/ to 18.5 per cent in the next year.31/ In the first seven months of 1955, eastern Europe accounted for over 26.7 per cent of Turkey's exports as against 7.4 per cent in 1953 and 16.5 per cent in 1954.32/ Imports into Turkey from these countries have risen to almost the same extent: from 5.5 per cent of total imports in 1953 to 9.4 per cent in 1954 and 20.1 per cent in 1955 (seven months).

The same eastern European countries and mainland China purchased, in the first three quarters of 1955, 24.9 per cent of Egypt's total exports as compared with 12.2 per cent in 1953 and 14.2 per cent in 1954. However, while in Turkey and Iran trade with these areas is not significantly out of balance, Egypt has

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27/ About 5 per cent of total exports in 1954.

28/ The exception is remittances from fund-raising institutions, for which the rate of $1 = £I 1.3 is applied, whereas the rate otherwise is $1 = £I 1.8.

29/ Year beginning 20 to 23 March.

30/ Iran has practically no trade with mainland China. While Iranian statistics indicate substantial imports in 1954 from China, these consisted of sugar imports from China: Taiwan.

31/ A comparison of the percentages for 1954 with those for 1955 would be misleading, since petroleum exports were resumed in the latter year.

32/ Turkey has no commerce with mainland China.

Table 28. Geographic Pattern of Trade[a/] of Selected Countries as a Group

(Millions of dollars)

Area	1953 Value	1953 Per cent of total trade	1954 Value	1954 Per cent of total trade
Destination of exports:				
Canada, United Kingdom, United States and major European industrial countries b/	644	57.2	600	52.6
Mainland China, USSR and eastern European countries c/	83	7.4	125	11.0
Finland and Yugoslavia	38	3.4	41	3.6
India and Japan	94	8.4	95	8.3
Middle East countries a/	91	8.1	101	8.9
Other countries	175	15.5	178	15.6
Total	1,125	100.0	1,140	100.0
Origin of imports:				
Canada, United Kingdom, United States and major European industrial countries b/	1,322	66.9	1,310	63.8
Mainland China, USSR and eastern European countries c/	92	4.7	113	5.5
Finland and Yugoslavia	53	2.7	68	3.3
India and Japan	68	3.4	91	4.4
Middle East countries a/	117	5.9	140	6.8
Other countries	325	16.5	333	16.2
Total	1,977	100.0	2,055	100.0

Source: See appendix table F. Figures are unrevised and include gold imports and exports. Since pipeline exports of petroleum from Iraq are excluded, and oil exports from Iran had practically stopped in 1953 and 1954, export figures, in effect, do not include petroleum. The 1953 figures for Iran relate to the period 21 March 1953 to 20 March 1954 while those for the other countries relate to the calendar year 1953, and the period covered is therefore not the same; differences because of this factor, however, are negligible.

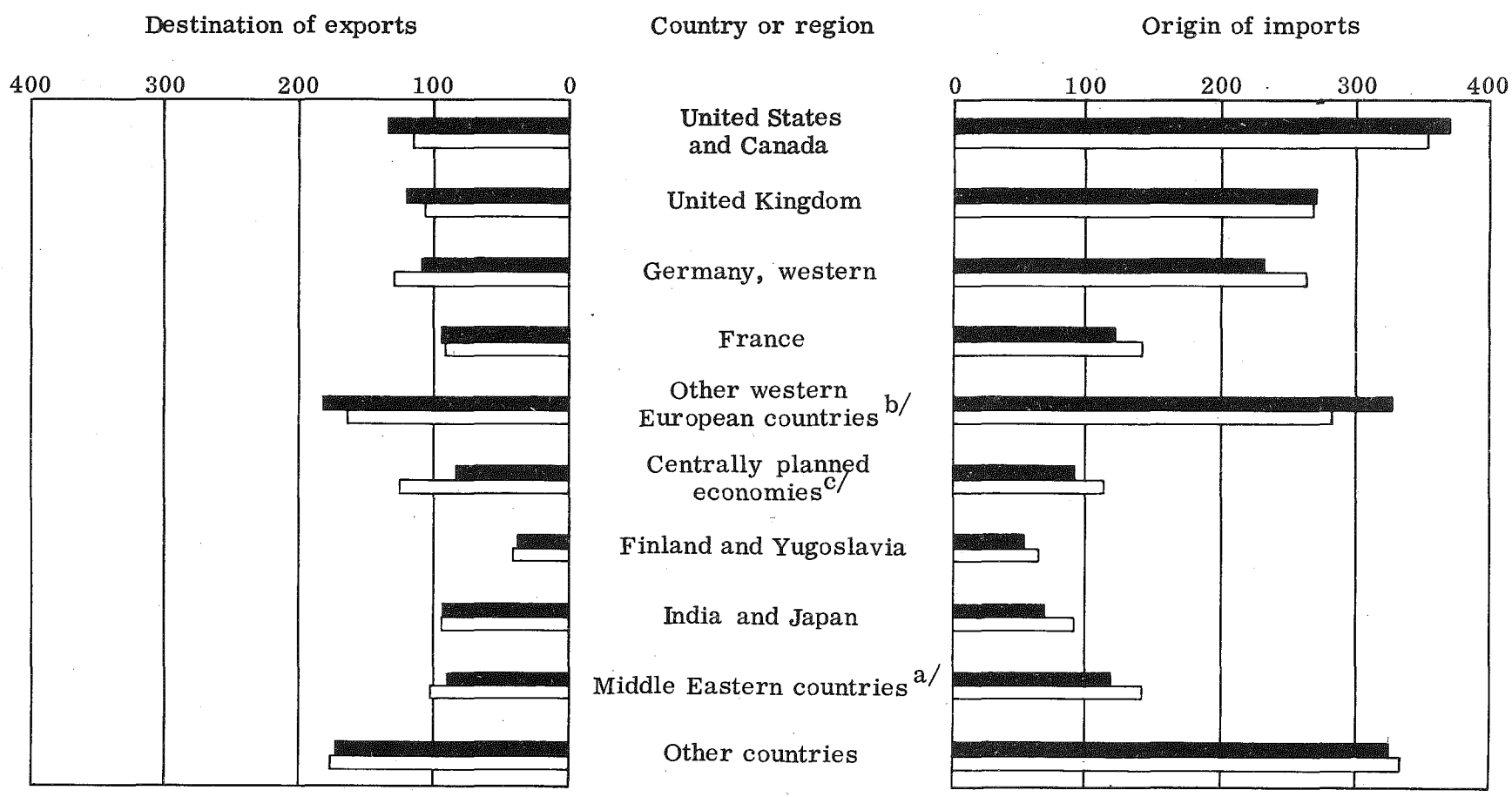
a/ Trade of Egypt, Iran, Iraq, Israel, Lebanon, Syria and Turkey as a group.

b/ Belgium-Luxembourg, France, Western Germany, Italy, Netherlands, Sweden and Switzerland.

c/ Including Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland and Romania.

MIDDLE EAST: GEOGRAPHIC PATTERN OF FOREIGN TRADE OF THE MIDDLE EASTERN COUNTRIES AS A GROUP [a/]

(Millions of dollars)



Legend :

1953

1954

a/ Trade of Egypt, Iran, Iraq, Israel, Lebanon, Syria and Turkey as a group.

b/ Including Belgium-Luxembourg, Italy, Netherlands, Sweden and Switzerland.

c/ Including Albania, Bulgaria, China mainland, Czechoslovakia, eastern Germany, Hungary, Poland, Romania and Union of Soviet Socialist Republics; excluding Yugoslavia.

developed a growing export surplus 33/ in its trade with them, and in particular with mainland China. The trade agreements in force envisage various ways for settling such disequilibria,34/ but it is significant in this connexion that in April 1955 the Egyptian Government felt it necessary to impose stricter conditions on payments for cotton exports to the Soviet Union and other eastern European countries.35/

Another area of trade expansion is within the Middle East itself. Exports of the seven countries listed in table 29 to each other rose from 8.1 per cent of total exports in 1953 to 8.9 per cent in 1954 (table 28), while their imports from each other increased from 5.9 per cent of total imports to 6.8 per cent. This expansion resulted chiefly from the growth of trade between Lebanon and Syria. Egypt's commerce with Lebanon and Syria - and especially its exports - also increased significantly, stimulated by the inter-Arab trade agreements, the gradual development of the domestic textile industry in the two latter countries and the growth of the quantity of rice available for export from Egypt. The available figures for 1955 indicate a further growth of trade in that year between Egypt, Lebanon and Syria.

Other trends in the foreign trade of the Middle Eastern countries, such as the declining trade with western Europe (with the exception of Western Germany in 1954)36/ and with Canada and the United States can be seen in tables 29 and 30 and in appendix table F. A further tendency has been for the value of Japanese goods imported by all seven countries to increase steadily.

Balance of Payments

For six countries the major lines of development in the 1954 balance of payments are summarized in appendix table G, column eight of which shows the balance on current account. Figures for 1955 are not available.

In Iran, Syria and Turkey, the deficit on current account has grown, while in Egypt, Iraq and Israel, it has been reduced.37/ Data for Lebanon are not complete but its trade deficit increased from $104 million in 1953 to $132 million

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33/ It must be noted, however, that there is a discrepancy between the Egyptian sources and the statistics of the International Monetary Fund, which are used here, on the magnitude of Egypt's export surplus in trade with eastern Europe and the Soviet Union. The former indicate a much smaller surplus (National Bank of Egypt, Economic Bulletin, vol. VIII, No. 2, 1955, page 95).

34/ For provisions in the agreement with mainland China, see National Bank of Egypt, Economic Bulletin, vol. VIII, No. 3, 1955, pages 206 to 207.

35/ Ibid., No. 2, page 113.

36/ The increase in trade with Western Germany was the result partly of the special reparations agreement with Israel and partly of Western Germany's provision of easier payments facilities in its trade arrangements with the Middle Eastern countries.

37/ Official as well as private donations have been considered here as current receipts. See, on this point, International Monetary Fund, Balance of Payments Yearbook, 1949-1950, vol. 3 (Washington, D.C., 1951), page 13.

Table 29. Trade of Selected Countries with Major Western Industrial Countries as a Group a/

(Millions of dollars)

Item and country	1953		1954	
	Value	Per cent b/	Value	Per cent b/
Exports to industrial countries:				
Egypt	212	54.8	199	50.2
Iran	46	49.0	58	51.9
Iraq	28	52.4	27	54.5
Israel	34	59.4	48	57.0
Lebanon	7	26.7	9	26.2
Syria	58	55.9	68	51.8
Turkey	259	65.3	191	57.1
Total	644	57.2	600	52.6
Imports from industrial countries:				
Egypt	339	67.6	301	65.6
Iran	102	62.4	135	63.3
Iraq	141	73.4	139	67.1
Israel	182	64.8	200	69.0
Lebanon	86	52.0	128	57.9
Syria	87	61.8	117	63.0
Turkey	385	72.4	290	60.7
Total	1,322	66.9	1,310	63.8

Source: See appendix table F.

a/ Belgium-Luxembourg, Canada, France, Western Germany, Italy, Netherlands, Sweden, Switzerland, United Kingdom and United States.

b/ Share of group of industrial countries in total trade of given country.

Table 30. Trade of Selected Countries as a Group[a/] with Selected Major Western Industrial Countries

(Millions of dollars)

Country	Exports		Imports	
	1953	1954	1953	1954
Belgium-Luxembourg, Italy, Netherlands, Sweden, Switzerland	184	164	327	282
Canada and United States	136	113	369	353
France	94	89	121	139
Germany, Western	110	128	232	264
United Kingdom	120	106	273	272
Total	644	600	1,322	1,310

Source: See table 28 and appendix table F.

a/ Trade of Egypt, Iran, Iraq, Israel, Lebanon, Syria and Turkey as a group.

in 1954, and estimates show that in 1954 its total transit trade declined while its earnings from tourism rose.[38/] The balance on current account is not available.

Changes in the balance on merchandise account have been the major determinants of the balance on current account in 1954 for every country except Israel. Both balances moved in the same direction in every case except for Iran, where, upon the resumption of oil exports, the trade deficit dropped from $80 to $39 million [39/] despite a substantial rise in imports, while the deficit on current account increased from $13 million to $25 million. This was mainly due to the fact that the share of the proceeds of oil exports accruing to Iran fell short of the rise

38/ The estimated receipts from tourism rose from LL 80 million in 1953 to LL 110 million in 1954. In the same years, gold transit trade declined from LL 285 to LL 194 million; petroleum transit trade increased from LL 473 to LL 480 million, while merchandise transit trade rose from LL 305 to LL 360 million (World Trade Information Service, Economic Developments in Lebanon, 1954, part I, No. 55-53 (Washington, D.C., 1955)).

39/ Table 26 shows a growth of the trade deficit in 1954. The discrepancy results from the fact that the figures in this table are adjusted to the calendar year whereas balance of payment figures refer to the year ending 20 to 23 March.

in imports. Exports of oil in 1954 amounted to $103 million, but since they entailed $43 million of payments of profits and interest (for foreign investments in the country) only $60 million of the proceeds accrued to Iran. Total imports, on the other hand, rose $72 million. In Iraq similarly, an increase in oil exports of $101 million resulted in an increase in the surplus on current account of only $27 million, largely because higher petroleum exports called for greater remittances of profits and interest.

In one country, Israel, donations have played a more important role than the trade balance in determining the balance on current transactions,40/ as table G shows. Among the donations received, it is noteworthy that United States aid was somewhat lower in 1954 than in the previous year, but this was more than offset by the rise in German reparations from $40.9 million to $88.4 million.41/ In other countries the amount of donations, whether public or private, changed little between 1953 and 1954, as far as the available information indicates.42/

The payments position of the Middle Eastern countries with respect to the major monetary areas is difficult to establish, since very few of them publish regional balance of payments data. However, by recourse to commodity trade figures, it may be inferred that in 1954 Egypt, Israel and Iraq reduced their dollar deficit while the payments position of Syria and Turkey with respect to the dollar area deteriorated somewhat. In Turkey, moreover, the large trade deficit with the European Payments Union countries, though decreasing in 1954, still remained considerable, and its accumulated EPU deficit rose from 251 million units of account at the end of 1953 to 320 million at the end of 1954.

Information on capital transactions is neither detailed nor reliable. Moreover, the item "errors and omissions" - which frequently is substantial in amount - relates in general more to capital movements than to current transactions.

An important point which the available data reveal is that in 1954, apart from Israel, the inflow of long-term capital was limited, and in some cases even fell short of the outflow. For example, in Iraq net direct foreign investment

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40/ Donations are also a significant item in the Lebanese balance of payments, but data for 1954 are not available.

41/ Private donations in 1954 consisted of personal and institutional remittances in cash, including donated State of Israel bonds ($98.5 million), remittances in kind ($37.0 million), emigrants' personal effects and capital transfers ($1.9 million). Debit entries corresponding to these totalled $1.3 million.

42/ In the balance of payments of Egypt, the amount of private and official donations is not shown. However, United States grants to Egypt (expenditures) amounted in the fiscal years 1954 and 1955 (ending 30 June) to $2,694,000 and $4,173,000, respectively (International Co-operation Administration, Operations Report, November 1955 (Washington, D.C.)). Sums spent under the expanded programme of United Nations technical assistance totalled $219,000 in 1953 and $459,000 in 1954 (calendar years) (Technical Assistance Board report to Technical Assistance Committee for its sixth and seventh sessions). In addition, some aid was given by the United Nations International Children's Emergency Fund (UNICEF) ($0.6 million in 1954) and by the United Nations Relief and Works Agency (UNRWA).

amounted to $7.8 million in 1953, but in 1954, owing to an important reduction of inventories by the oil companies, there was $8.6 million of net disinvestment. In addition, a net outflow of long-term official capital - amounting to $10.4 million - occurred in connexion with the increase in Iraq's foreign security holdings. In Turkey, there was a net inflow of $8 million of long-term private capital (presumably mostly in the form of direct investments), but a net outflow of $9 million of long-term official and banking capital.43/

On the other hand, a large amount of long-term capital has flowed into Israel, in addition to sizable donations. The gross inflow totalled $19 million of private long-term capital and $86.8 million of official and banking long-term capital, the latter consisting of drawings on Export-Import Bank loans and other loans, and of Independence bonds and State of Israel bonds. However, as part of the gross inflow was used for repayment of long-term debts, the net increase in total long-term liabilities amounted only to $71.1 million.

Since, aside from Israel, long-term capital movements were limited, it is clear that deficits and surpluses on current account were offset largely by movements of short-term capital and of monetary gold. Thus, in Iraq, of a surplus on current account of $91 million, $19 million covered the outflow of long-term capital mentioned above, $55 million was employed to increase official and banking short-term assets, and there was an outflow of $1 million of private short-term capital (such as transfers of balances of account). The residue of $16 million is accounted for as errors and omissions.

Turkey's deficit of $112 million on current account and the net outflow of $1 million of long-term capital has resulted in an almost equal growth of short-term indebtedness. The increase in short-term liabilities exceeded the increase in short-term assets by $34 million in the private sector and by $81 million in the official and banking sector. Israel has employed its surplus of $19 million and the net inflow of $71.1 million of long-term capital mainly for consolidation. Total short-term liabilities declined by $30.1 million and total short-term assets recorded a rise of $40.1 million.

The residue of $20 million is attributed to errors and omissions. The growth of short-term assets is reflected in the large increase in gold and foreign exchange holdings of the Bank of Israel, which rose from $4.3 million in 1953 to $51.5 million in 1954, partly, however, on account of a revaluation of the exchange holdings from the old rate of $1 = £I 1 to the new rate of $1 = £I 1.8.44/

43/ The Government received $14.5 million in loans but repaid $23.5 million.

44/ World Trade Information Service, part I, No. 55-61, Economic Developments in Israel, 1954, page 4.

Chapter 4

PRICE, MONETARY AND FISCAL CHANGES

In the years under review, the money supply increased in most countries of the region, as indicated later in this chapter. Prices rose in Iran, Israel and Turkey. However, the rise in Israel was much less than in previous years and in Iran it was not continuous; in fact, there was an appreciable decrease in 1955. In the remaining countries,1/ the price level has tended to decline, though in some of them, Iraq for example, the rate of expansion in the money supply has been very substantial.

The fact that monetary expansion was accompanied by a rise in the price level in some countries and not in others may be attributed to differences in the way in which expansion was generated. In Iraq, Lebanon and Syria, and to some extent in Egypt as well, it has occurred chiefly in response to increased economic activity. In most of these countries, the public sector appears to have had a deflationary influence. In Israel and Turkey, and in 1954 in Iran, on the other hand, the main expansionary pressures seem to have originated in the public sector, either because of the impossibility of balancing current expenditures and receipts - as in Iran - or of the massive impact of government investment programmes.

Several countries have attempted to check private credit expansion. Sections of this chapter dealing with public finance give some information concerning the impact of the public sector on the monetary situation, and details of the contribution of credit policies to monetary developments are also given.

Wholesale Prices and the Cost of Living

In the years under review, changes in wholesale prices diverged widely in the individual countries of the region, as shown in table 31. In general, the cost of living indices followed the movements of the indices of wholesale prices, with the notable exception of Iran, where the index of wholesale prices dropped in 1955, as imports came in, following the new oil agreement, and as import prices declined with the appreciation of the rial. The cost of living index rose, however, probably because of the lag between the movements of retail and wholesale prices. This assumption is confirmed by the fact that the monthly cost of living indices showed a greater than seasonal decline after June 1955.

The rise in the cost of living index in some countries, especially Israel and Turkey, was accompanied, if not partly initiated, by an increase in government-

1/ With the possible exception of Syria, for which a general price index is not available.

controlled prices.2/ However, governments in the area have generally tried to keep food prices low.

The Money Supply

Tables 32 and 33 indicate that the money supply increased in the years under review in most countries, although unevenly. It appears from the general price level that this increase led in some countries - especially Israel, Turkey and, to the end of 1954, Iran - to inflationary pressure.

In Turkey, expansion coincided with a decline in the supply of goods, arising from decreased imports and a poor harvest during a period of substantial public investment.3/ Although in Iran imports increased somewhat in 1954 and investment seems to have been low, consumer goods continued to be in short supply.4/ Real national income estimates for Israel indicate that production rose substantially in 1954, but the import surplus declined and investment continued at a high level.5/

In other countries of the region, monetary expansion does not seem to have had the same effect. In Iraq, Lebanon and Syria, money supply increased at a very high rate in 1954 and in the first half of the following year, but this was accompanied by a rise in the supply of goods resulting from sharply increasing imports and higher domestic production. In Syria, moreover, the total money supply declined after May 1955 on account of restrictions imposed by the Government with a view to checking the rise in imports and curbing the continued expansion of commercial credit.6/

2/ In Turkey, prices of monopoly goods - cigarettes and alcoholic beverages - were raised for the second time in seven months in June 1955; and the Sümerbank increased prices of cotton and woollen textiles. The repental law which was passed during this period raised the rents of buildings constructed prior to 1939. In Israel, rentals of dwellings, and electricity charges, were increased in 1954 and the prices of several food and non-food items were raised (Government Year-book, (Jerusalem, 1955), pages 82 and 355).

3/ Public investment in Turkey is discussed in chapter 5. There are no estimates on over-all investments in the years under review, but the composition of imports and expenditure on construction indicate that the rate has been very high.

4/ Bank Melli, Iran, notes an ever-increasing demand for most consumer goods which are produced locally but not in sufficient quantities (Balance Sheet (Teheran), 21 March 1955, page 4).

5/ Gross investment in Israel during 1954 was estimated at £I 433 million, compared with £I 335 million in 1953; a large part of the increase in 1954 must be ascribed to higher prices (Government Year-book, 1955, pages 353 and 359).

6/ See chapter 3 on foreign trade and the section on credit policies below.

Table 31. Indices of Cost of Living and Wholesale Prices, by Country

(1953 = 100)

Country and item	1952	1953	1954	1955
Egypt (Cairo):				
Cost of living, all items	107	100	96	96
Cost of living, food	107	100	101	103
General wholesale prices	105	100	97	98
Iran:				
Cost of living, all items	94	100	118	122
Cost of living, food	92	100	114	114
General wholesale prices	83	100	118	115
Iraq (Baghdad):				
Cost of living, all items	115	100	98	101
Cost of living, food	119	100	98	101
General wholesale prices	121	100	96	97
Israel (Haifa, Jerusalem, Tel Aviv):				
Cost of living, all items	78	100	112	119 a/
Cost of living, food	74	100	113	117 a/
General wholesale prices	68	100	118	124
Lebanon (Beirut):				
Cost of living, all items	107	100	95	97
Cost of living, food	111	100	93	96
General wholesale prices	111	100	92	93
Syria (Damascus):				
Cost of living, all items	...	...	...	...
Cost of living, food	109	100	92	91
General wholesale prices b/	108	100	115	117
Turkey (Istanbul):				
Cost of living, all items	97	100	110	118
Cost of living, food	97	100	109	114
General wholesale prices c/.....	98	100	111	119

Source: United Nations, Monthly Bulletin of Statistics, January and February 1956.

a/ Average of first eleven months.

b/ Index of wholesale prices for raw materials only.

c/ Wholesale price index weighted by value of domestically consumed goods.

Table 32. Money Supply, by Country

(Millions of national currency units)

Country and item	1952	1953	1954	1954 (June)	1955 (June)
Egypt (Egyptian pound):					
Currency	206	190	189	175	171
Deposit money	176	179	170	171	153
Total	382	369	359	346	324
Iran (rial): a/					
Currency	7,680	9,590	9,570	...	9,830
Deposit money	6,480	8,580	8,940	...	9,600
Total	14,160	18,170	18,510	18,300	19,430
Iraq (Iraqi dinar):					
Currency	30	34	41	38	44
Deposit money b/	13	17	20	18	20
Total	43	51	61	56	64
Israel (Israeli pound):					
Currency	106	128	147	140	165
Deposit money c/	161	192	202	191	234
Total	267	320	349	331	399
Lebanon (Lebanese pound):					
Currency d/	205	210	246	223	257
Deposit money c/	301	324	362	333	416
Total	506	534	608	556	673
Syria (Syrian pound):					
Currency	239	277	356	308	335
Deposit money	242	293	335	299	242
Total	481	570	691	607	577
Turkey (Turkish lira):					
Currency	1,238	1,414	1,472	1,432	2,008e/
Deposit money	1,694	2,258	2,548	2,366	...
Total	2,932	3,672	4,021	3,798	...

Source: International Monetary Fund, International Financial Statistics (Washington, D.C.), March 1956. Syria: Ministry of National Economy Monthly Bulletin of Current Statistics (Damascus), November 1955; data for Turkey on currency in circulation: Central Bank of Turkey, Monthly Bulletin (Ankara), January 1956.

a/ Annual figures relate to 20 March of the following year.

b/ Including savings deposits.

c/ Including deposits of residents in foreign currency prior to 1954.

d/ Currency, including holdings of other banks.

e/ Data for end of 1955.

Table 33. Changes in Money Supply, a/ by Country

(Percentage change from preceding year)

Country	1952	1953	1954	1 July 1954 to 30 June 1955
Egypt	-1	-3	-3	-6
Iran b/.....	26	23	2	6
Iraq	-4	17	21	16
Israel	7	20	9	21
Lebanon	9	5	13	21
Syria	1	18	21	-5
Turkey	26	25	10	...

Source: International Monetary Fund, International Financial Statistics, March 1956. Data on Syria computed from national figures.

a/ Based on figures for end of year, except as noted.

b/ Yearly data refer to years ending 20 March in the following year.

In Egypt, the total money supply declined in 1954 and the first half of 1955, continuing the trend which has prevailed since 1952. However, agricultural and industrial production has risen, while investment, despite some increases in 1955 seems to have been moderate. The Government has continued its efforts to avoid inflation so as to enable the country to carry out its long-term programme of development in economic and social fields.7/

Credit Policies

As table 34 shows, bank credit expanded in all countries of the region in 1954, and generally tended to increase further during the following year. Only in Egypt was the total volume of credit lower in mid-1955 than at the end of 1954; however, this was partly due to seasonal factors.8/

7/ Address of Minister of Finance and Economy, report in Al Ahram (Cairo), 30 June 1955.

8/ The seasonality of commercial credit in Egypt is quite marked; it reaches its peak with the height of the cotton trade in December and moves downward to its trough at the end of cotton marketing in July and August.

Table 34. Bank Credit, Domestic Loans and Investments, by Country
(Millions of national currency units)a/

Country, currency and item	1952	1953	1954	1955	1956
Egypt (Egyptian pound):b/					
Loans and advances	102.7	101.7	126.7	79.5	96.8
Investment and security...	17.1	16.9	17.2	19.0	23.9
Total	130.7	131.5	164.4	116.9d/	142.3d/
Iran (rial):e/					
Credit to government sector.....	12,840.0	17,410.0	19,960.0	16,590.0	19,960.0
Credit to private sector..	5,390.0	6,180.0	7,550.0	6,980.0	8,030.0
Total	18,230.0	23,590.0	27,510.0	23,570.0	27,990.0
Iraq (Iraqi dinar):					
Credit to government sector.....	1.6	1.3	1.6	1.5	1.7
Credit to private sector..	10.8	15.5	24.8	20.7	28.7
Total	12.4	16.8	26.4	22.2	30.4
Israel (Israeli pound):f/					
Claims on government sector	41.8	32.7	34.8	63.8	24.2
Claims on private sector..	194.6	275.2	333.3	282.2	365.8
Total	236.4	307.9	368.1	346.0	390.0
Lebanon (Lebanese pound):					
Domestic loans.....	356.0	357.0	402.0	366.0	452.0
Syria (Syrian pound):g/					
Advances.....	179.6	144.4	260.8	185.9	237.4
Bills discounted.....	34.6	74.6	133.3	115.7	193.1
Total	214.2	219.0	394.1	301.6	430.5
Turkey (Turkish lira):h/					
Commercial credit.....	1,740.0	2,408.0	2,900.0	2,845.5	3,457.0
Agricultural credit.....	1,068.0	1,215.0	1,500.0	1,326.9	1,504.0
Industrial credit.....	81.0	96.0	147.0	114.3	140.0
Mortgage credit.....	206.0	270.0	338.0	286.5	355.0
Total	3,095.0	3,991.0	4,885.0	4,573.2	5,456.0

(Source and footnotes on following page.)

(Source and footnotes to table 34)

Source: International Monetary Fund, International Financial Statistics, December 1955, March 1956. National Bank of Egypt, Economic Bulletin, 1955, vol. VIII, Nos. 1, 3 (Cairo); Syria: Ministry of National Economy, Monthly Bulletin of Current Statistics (Damascus), September/October 1955; Turkey: Central Statistical Office, Monthly Bulletin of Statistics, Nos. 16 and 19 (Ankara, September 1955),

a/ Based on data for end of year, except as noted.

b/ All clearing and non-clearing banks.

c/ Including bills discounted.

d/ Data refer to 31 July.

e/ Years ending 20 March of the following year.

f/ Excluding National Bank of Israel.

g/ Principal banks of Syria.

h/ Excluding Central Bank.

Bank credit in Egypt rose from the low point of 1952, with restoration of confidence and the revival of business and investment activities following a period of economic reorganization and stabilization. The Egyptian Government has also taken measures to expand credit. With a view to increasing the volume of loanable funds in commercial banks and allowing them more freedom in extending credits, a law, effective September 1954, lowered requirements for bank reserves with the National Bank of Egypt from 15 per cent to 12.5 per cent of deposits. The actual reserve ratio of commercial banks, however, has been much higher than even the original requirements, ranging in recent years from 17 per cent in December to 23 per cent or more towards the end of the cotton trade season in July.9/ Measures were also taken to increase the extension of credit for productive purposes by semi-public institutions, including the Agricultural and Co-operative Credit Bank and the Industrial Bank of Egypt. These led to an increase in agricultural loans from £E 16.39 million in 1953 to £E 17.45 million in 1954.10/

In Lebanon and Syria, there is no central bank at present,11/ and most existing banks, being foreign-owned, obtain required additional funds from their parent institutions abroad.12/ Both in Syria, where credit expansion was checked after May 1955, and in Lebanon, the expansion resulted from factors such as the growth of deposits and holdings of foreign assets,13/ the strong competition among local banks to increase business and the rise in the demand for credit resulting from the growth of production and trade and, particularly, the increased volume of imports. In Iraq, where a central bank exists, credit expansion seems to have come about in more or less the same way.14/

9/ National Bank of Egypt, Economic Bulletin, vol. VIII, No. 4 (Cairo, 1955), page 310.

10/ On the increase of industrial credits, see the section on industry in chapter 1.

11/ A law adopted 28 March 1953 in Syria, however, established the basis for the creation of a central bank, and an agreement was signed 1 September 1955 terminating the privileges of the Bank of Syria and Lebanon as a bank of issue, against an indemnity of about L£ 3.5 million; the note issue function is to be transferred to the central bank (International Monetary Fund, International Financial News Survey (Washington, D.C.), 14 October 1955).

12/ International Bank for Reconstruction and Development, Economic Development of Syria (Baltimore, 1955).

13/ In Lebanon, gold and foreign assets amounting to the equivalent of US $55.2 million in 1953, increased to US $76.1 million in 1954 and US $86.5 million by the end of 1955. Gold reserves in Syria increased from $14 million in 1953 to $17 million in 1954 and $19 million by mid-1955, while foreign exchange increased from US $55 million in 1953 to US $57 million in 1954, but declined to US $30 million by June 1955 as a result of the continued increase in imports and the sharp decline in exports during the first half of 1955 as compared with the corresponding period in 1954. See chapter 3, on foreign trade, and International Monetary Fund, International Financial Statistics, March 1956.

14/ Foreign assets increased from the equivalent of 85.9 million Iraqi dinars in 1953 to 107 million and 117.7 million by the end of 1954 and mid-1955, respectively.

In Iran, Israel and Turkey, and more recently in Syria, there were some governmental attempts to check credit expansion. In Iran, continued inflationary pressures in 1954 led Bank Melli to restrict credits to public enterprises, except in special cases, and to individuals and private enterprises, except in cases of urgent need for credit for approved commercial and productive purposes.15/ During the calendar year 1954, credits to the Government nevertheless increased by about one billion rials, but Bank Melli's credits to the private sector did not expand until later in the year, when the Government had less need to call on the bank.

The Government of Israel froze credit volume at the level of 30 November 1953, effective until April 1954, in order to prevent further inflation; at the end of October 1954, the volume of credit was again frozen for an indefinite period.16/

In Turkey, the Central Bank raised its discount rate from 3 per cent to 4.5 per cent, effective 28 June 1955, and the Government issued a decree forbidding all imports based on credit. At the same time, the interest rates charged on advances with gold as collateral were increased from 2.5 per cent to 3.5 per cent. Later in 1955 a credit regulation committee 17/ started to function; it laid special emphasis on the need for avoiding further expansion in commercial and agricultural credit and on channelling bank credit into productive uses.

The money and credit council of Syria, with a view to tightening credit, in May 1955 raised discount rates slightly on non-agricultural and non-industrial paper and set a minimum requirement of 15 per cent cash reserves against demand deposits. Previously, since most banks were branches of foreign concerns and had access to their resources, as mentioned above, they had not considered it necessary to maintain a high proportion of liquid assets to short-term liabilities.18/

15/ A law to stabilize note issue reserves, ratified by Parliament in July 1954, provided that no credits might be granted to government entities save for carrying out development projects and for improving industrial production as a whole. Government banks were allowed to receive credits from Bank Melli, provided that such funds were not lent for non-productive purposes or employed in loans to government enterprises or municipalities. The law, moreover, fixed the legal maximum of government securities in the note cover at 60 per cent of total notes in circulation, the remaining 40 per cent to consist of gold and foreign exchange. Another law, giving Bank Melli certain supervisory powers over other banks, has also been drafted. (Bank Melli, Balance Sheet, 21 March 1955).

16/ Bank Leumi le-Israel, Review of Economic Conditions in Israel (Tel Aviv), November 1954; International Monetary Fund, International Financial News Survey, 3 December 1954.

17/ Composed of five government officials and of four bank representatives (Le Journal d'Orient (Istanbul), 29 June 1955).

18/ International Bank for Reconstruction and Development, Economic Development of Syria.

Although these attempts temporarily slowed down credit expansion, they failed, in general, to stop it. In Syria, the total volume of credit dropped from LS 431 million in May 1955 to LS 421 million in November of the same year, but this was attributed, at least in part, to declines in imports and in agricultural production. Although credits to the Government of Iran ceased to increase in 1955, credits to the private sector were expanded because of greater needs arising from increased imports and because of financial difficulties which declining prices created for some merchants and industrialists.

Credit restrictions in Israel led to shortages in operating capital in various branches of the economy, and interest rates, aside from bank rates, rose sharply.19/ With a view to easing the effect of restrictions on commercial bank credit, some expansion was allowed in government loans from budget allocations for development,20/ and measures were taken by the Bank of Israel to make limited amounts of additional funds available to banks for lending purposes.21/ This increased the total volume of credit for the private sector.

Raising the rediscount rate of the Central Bank of Turkey from 3 per cent to 4.5 per cent hardly affected the demand for money since the effective discount rate is about 10 per cent. Moreover, government economic enterprises, including Toprak, the soil products office, which is charged with the purchase of cereals at support prices, and a number of others which are carrying out important investment projects, have access to the Central Bank, and their demands for credit have continued to increase. It has been decided to curb their resort to the Central Bank by slow degrees in the course of 1956.

The Fiscal Situation

Budgets

In no country of the region are all public revenues and expenditures incorporated in a single budget. Municipalities and, in some countries, provinces have budgets of their own, and even the receipts and expenditures of the

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19/ Government Year-book, 1955.

20/ Government loans extended in this way to industry, agriculture, local authorities and public companies amounted to £I 73.5 million in 1953/54; they increased to £I 97.2 million in 1954/55 and were estimated at £I 95.9 million for 1955/56 (fiscal years ending 31 March). United Nations, Statistical Yearbook, 1955 (sales number: 1955.XVII.10).

21/ United States Department of Commerce, Foreign Commerce Weekly (Washington, D.C.), June 1955. The Bank of Israel has issued directives granting banks credit to an aggregate limit of £I 6 million for stipulated purposes, at 6 per cent per annum, provided that funds thus advanced are not relent at a higher rate than 8.5 per cent, including all commissions and charges. Bank Leumi le-Israel, Annual Report of Accounts, 1954 (Tel Aviv), 21 April 1955; also International Monetary Fund, International Financial News Survey, 29 April 1955.

central government are not covered in a single budget, except in Israel, where for some years the Government has presented an integrated budget.22/ In some countries, a number of public entities and enterprises have autonomous or annexed budgets, and extra-budgetary receipts and expenditures play an important role. Thus, in Turkey, the budget of most government enterprises is not subject to parliamentary approval; their expenditures are covered by their own receipts and also, to a considerable extent, by credits obtained from the Central Bank. Similarly in Syria, a substantial part of development and defence expenditure was met in recent years by extraordinary advances from the available reserve fund. Some development expenditures were also financed in part by government-guaranteed credits extended by the Issue Department of the Bank of Syria and Lebanon to the agencies involved.23/

Increasing use has been made of separate development budgets. There have been such budgets in Iran, Iraq and Israel 24/ for a number of years, and in Egypt since 1953. In 1954, in addition to its development budget for production - the National Production Council's budget - Egypt introduced a second development budget for "public services", to be used especially to finance investments in the field of health, education, social welfare and town planning.

Revenues allocated to development budgets vary from country to country. In Iran and Iraq, they consist of a certain percentage of the oil receipts (70 per cent in Iraq and about 60 to 80 per cent in Iran),25/ the remainder being absorbed into the general budget. In Israel, principal revenues for the development budget are United States grants, German reparations and bond

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22/ Even in Israel, however, central government transactions do not reflect outlays directly financed by such national institutions as the Jewish National Fund, Keren Hayesod and the Jewish Agency. Furthermore, there was a supplementary budget in 1954/55 which showed revenues and expenditures of £I 41.3 million, receipts of which were from ordinary revenue, receipts from counterpart funds, loans and others, (Government Year-book, 1955).

For the fiscal year 1955/56, the Knesset (Parliament) has approved a supplementary defence budget totalling £I 50 million, part of which is to be financed by funds raised by the "Arms for Defense Fund" (Israel Office of Information, Israel Digest, vol. VII, No. 7 (New York), 17 February 1956).

23/ International Bank for Reconstruction and Development, Economic Development of Syria.

24/ In the case of Israel, the development budget constitutes a section of the integrated budget.

25/ See chapter 5, on development plans.

flotations.26/ Egypt has made substantial allocations to the National Production Council,27/ but the sources of its revenue have not been clearly specified. During 1953/54-1955/56, they consisted chiefly of some extraordinary receipts and of the proceeds of development loans; it is apparently intended that further development expenditure will be covered to a great extent by borrowing.28/ The development budgets of the Public Services Council for 1954/55 and 1955/56, on the other hand, derived their revenues largely from confiscated property of the former royal family and partly from transfers of funds from the general budget.29/

26/ The development budget of Israel has also been allotted some minor tax revenues. In 1953/54, United States grants and German reparations yielded 60.2 per cent of total actual receipts for development expenditure, while independence and development bond flotations yielded 20.3 per cent of the total. The rest consisted of proceeds from internal loans and taxes. B. W. McDaniel, "American Technical Assistance and Economic Aid in Israel", Middle Eastern Affairs, vol. VI, No. 10 (New York, October 1955).

27/ See table 37, below.

28/ Estimated receipts for the budget of the National Production Council for 1953/54 included £E 11.7 million in profits from the revaluation of gold in the note cover, and proceeds from the sale of wheat seeds, estimated at £E 3.3 million. Most of the allocation for the 1954/55 and 1955/56 budgets was to be secured from borrowing and from carrying forward the unspent funds of previous years. In December 1954, the Government floated three loans, totalling £E 25 million, for development purposes, and in early 1956 invited public subscription, starting 1 April 1956, to two bond flotations also totalling £E 25 million (National Bank of Egypt, Economic Bulletin, vol. VIII, No. 4; Al Ahram, 15 March 1956).

In May 1955, the Council of Ministers authorized the Minister of Finance and Economy to organize the issuance of treasury bills as an instrument for short-term internal financing of development projects, with a limit of £E 150 million, to be raised, if necessary, to a maximum limit of £E 200 million, subject to the approval of the council (Egyptian Economic and Political Review (Cairo), September 1955). Although the National Production Council has the right to float loans independently, this has been done in the past by the Ministry of Finance and Economy.

29/ Appropriations for the budget of the Public Services Council amounted to £E 16.4 million for 1954/55 and £E 22.7 million for 1955/56. Sources of revenue for the latter year included £E 17.3 million from confiscated property (of which about £E 8.5 million was carried forward from the appropriations for 1954/55), £E 2.5 million brought forward from other sources of revenue in the budget of that year and £E 2.9 million consisting of transfers from the ordinary budget for 1955/56 (National Bank of Egypt, Economic Bulletin, vol. VIII, No. 2).

As in the case of Egypt and Israel, development authorities in Iran and Iraq also have the right to borrow in certain circumstances, though they receive a large current income in the form of oil revenues.30/ In Lebanon, Turkey and, until 1955, in Syria, on the other hand, there have been no separate development budgets. Turkey, however, classified expenditures in the general budget and the annexed budgets into current expenses and investments, and since 1954 Lebanon divided expenditures in the general budget into current, defence and investment accounts.

Though some countries make extensive use of annexed and similar budgets, and have substantial extra-budgetary revenues and outlays, information concerning them is often lacking. In these circumstances, it is not possible to get an exact picture of developments in public finance, especially since available data on general budgets for 1954 and 1955 usually represent budget estimates rather than actual receipts and expenditures.

Revenues

Estimates of total budgetary receipts continued to increase in all countries except Iran in 1954 and 1955 as may be seen from table 35. The largest item in receipts has of course been tax revenues. The tax systems of most countries in the Middle East are characterized by the preponderance of what may loosely be termed indirect taxes. The income tax is of appreciable importance, however, in Israel and to some extent in Turkey as well. In 1953/54, income taxes yielded 37 per cent of total actual ordinary receipts in Israel, and in Turkey - where all agriculture is exempt from income taxes - their share in the total receipts of the Central Government was, according to budget estimates, approximately 22 per cent. In the remaining countries, the income tax, in the sense of a tax on actual total income, is much more limited in scope, if not entirely absent, and direct taxes on income and wealth in these countries contribute a much smaller share of total receipts.

Though figures on actual receipts are not generally available, it appears from budget estimates that in 1954 and 1955, the course of receipts from direct taxes on income and wealth was not the same in all countries of the region. In Israel and Turkey, yields from such taxes rose, in absolute terms,31/ although in relative terms they have not changed appreciably. This may be attributed to

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30/ In Iran, the Plan Organization had a deficit of 619 million rials in 1954/55, with revenues amounting to 1.9 billion rials, against expenditures totalling 2.5 billion rials. Indebtedness increased by 1.1 billion rials, 500 million rials having also been added to deposits.

For several years the Development Board of Iraq has been lending money to some of the public authorities. In 1951, when the Board was initially established, the Government borrowed from the International Bank for Reconstruction and Development to finance the Wadi Tharthar project, but little of this loan was used and the money has all been repaid.

31/ This is corroborated by available figures on actual receipts. In Turkey, in the first nine months of the fiscal year 1955/56 (1 March to 30 November 1955), receipts from income taxes amounted to LT 618 million as against LT 509 million in the corresponding period of 1954. Report on the Turkish Budget for the Fiscal Year 1956/57 (Ankara, 1956). The actual yield from income taxes rose in Israel from £I 76.2 million in 1953/54 to £I 120.0 million the following year.

Table 35. Estimated Budget Receipts, by Country

(Thousands of national currency units, unless otherwise stated)

Country, currency and item	1954	1955	1956
Egypt (Egyptian pound):a/			
Income taxes	20,250	18,250	19,500
Inheritance and real estate taxes	22,570	22,110	22,140
Customs and other indirect taxes	96,420	105,750	114,680
Other receipts b/	37,570	44,630	54,660
Total	176,810	190,740	210,980
Iran (millions of rials):c/			
Direct taxes on income and wealth	1,620	948	...
Customs and other indirect taxes	5,579	6,116	...
Oil revenues	2,500	2,476	...
Other receipts	2,245	1,308	...
Total	11,944	10,848	...
Iraq (Iraqi dinar):d/			
Direct taxes on income and wealth	2,790 b/	...	2,660
Taxes on land and produce	3,560	3,350	3,470
Customs and other indirect taxes	18,610	19,000	25,850
Oil revenues	15,040	...	22,840
Other receipts b/	7,720	...	6,860
Total	47,720	51,240	61,680
Israel (Israeli pound):e/			
Direct taxes on income and wealth	82,350	121,710	135,500
Property taxes	2,280	3,230	3,500
Customs and other indirect taxes	104,940	160,110	171,200
Capital and other receipts b/	30,610	41,440	41,900
Total	220,180	326,490	352,100
Lebanon (Lebanese pound):			
Direct taxes and duties	30,940	33,990	37,740
Indirect taxes and duties	71,510	82,350	87,000
Other receipts	17,550	21,160	20,760
Total	120,000	137,500	145,500
Syria (Syrian pound):			
Direct taxes and duties	33,800	46,000	46,000
Indirect taxes and duties	119,590	136,400	136,400
Registration fees	21,000	29,000	29,000
Other receipts b/f/	27,510	44,070	101,720
Total	201,900	255,470	313,120
Turkey (Turkish lira):g/			
Income taxes	446,500	601,000	755,000
Taxes on transactions	440,000	458,000	510,000
Customs and other indirect taxes	945,400	1,080,400)	2,711,100
Other receipts	109,000	149,100)	
Total	1,959,900	2,288,500	2,976,100

(Source and footnotes on following page.)

(Source and footnotes to table 35)

Source: United Nations, Statistical Yearbook, 1955. Iraq: Ministry of Finance, Budget for Fiscal Year 1956 (Baghdad; in Arabic); Lebanon: Le Commerce du Levant (Beirut, 12 October 1955); Syria: Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et le marché syriens, No. 65, annex No. 20 (Damascus, 1955).

a/ Twelve months ending 30 June of year stated.

b/ Excluding transfers from the reserve fund and including net results of public undertakings.

c/ Twelve months ending 20 March of year stated; 1955 figures represent proposed budget.

d/ Twelve months ending 30 April of year stated.

e/ Twelve months ending 31 March of year stated; 1954 and 1955 figures represent actual receipts.

f/ Excluding exceptional receipts from Department of Issue.

g/ Twelve months ending 28 February of year stated.

improvement in tax collection methods and, especially, to the growth of money income in the two countries. Thus, in Turkey, the income of individuals and legal entities (including corporations) subject to tax has increased without any extension of the scope of the tax, from LT 1.05 billion in 1953 to LT 1.52 billion in 1955.32/ Although comparable figures are lacking, similar changes may be assumed with respect to Israel.33/

Budget estimates indicate that in most of the other countries,34/ especially Egypt and Iraq, the yield of taxes on income and wealth has tended to decrease in relative terms.35/ This seems to be due chiefly to the fact that these taxes are generally levied on some external indicators of income, such as rentals, rather than on income itself; this prevents yields from automatically following the rise in incomes. Moreover, in Iraq the rate of the personal income tax was reduced somewhat in May 1954.36/

Estimated yields from indirect taxes - customs duties are the most important of these in many countries - rose, on the other hand, in absolute amount in all these countries in 1954/55 and still further in 1955/56.37/ Increases were particularly marked in Egypt, Iran, Israel, Lebanon and Syria and were due chiefly to higher customs returns resulting from rising imports and from increases in tariffs. Moreover, it appears from the budget estimates that the share of these taxes in total receipts also rose generally.

32/ Report on the Turkish Budget for the Fiscal Year 1955/56.

33/ At the beginning of April 1955, income tax rates in Israel were reduced by 10 to 25 per cent, and the tax credit for each child was increased by £I 5. Persons working in agriculture were granted a 10 per cent reduction, while those employed in new border settlements were exempted from taxation. The income tax structure was substantially simplified in August 1954. (Government Year-book, 1955)

34/ Improvement in income tax collection methods in Iran also brought about an increase in yield in 1953/54; actual receipts totalled 724.9 million rials in that year, compared with 613 million rials in 1952/53.

35/ In Egypt and Iraq there was an absolute decline in budget estimates, while in Syria actual receipts from income taxes were LS 13.8 million in 1954 as against LS 15.2 million in 1953.

36/ Income tax rates were reduced on income up to 1,500 Iraqi dinars; the maximum amount for tax exemption and the credits for dependants were raised. Rates were lowered from 9 per cent to 4 per cent on incomes between 150 and 500 dinars, and from 12 per cent to 8 per cent on incomes between 501 and 1,000 dinars; rates on incomes between 1,001 and 1,200 dinars were unchanged while those on incomes between 1,201 and 1,500 dinars were reduced from 15 per cent to 12 per cent. Le Commerce du Levant (Beirut), 22 June 1955; United States Department of Commerce, Foreign Commerce Weekly, (Washington, D. C.), 28 June 1954.

37/ Although imports into Turkey declined somewhat from their record level in 1953, actual receipts from indirect taxes in the first nine months of the fiscal year 1955/56 (1 March to 30 November 1955) amounted to LT 1,042 million, 14 per cent more than the LT 912 million of receipts in the corresponding period a year earlier.

Available data regarding other taxes, such as succession or inheritance taxes, real estate taxes on land and buildings, registration fees, taxes on property transfers and other transactions, and stamp duties, indicate relative stability in the yield of real estate and inheritance taxes in most countries, while returns from taxes on transactions, registrations and property transfers have risen. The latter contribute 8 to 10 per cent of total revenue in Lebanon and Syria, while the tax on transactions in Turkey yields about 20 per cent of total receipts.

Some countries have other revenues of significance; oil receipts are of some importance in Lebanon and Syria, but represent a major source of revenue for Iran and Iraq. Total oil receipts in Iran were estimated at £6.6 million in 1954/55 (fiscal year ending 20 March) and at £35 million in 1955/56; owing to the oil dispute, they had practically ceased in 1953/54. Total oil receipts in Iraq rose from 51.4 million dinars in 1953 to ID 68.4 million in 1954 and were estimated at ID 73.3 million in 1955.38/

Iran, Israel and Turkey continued in 1954 and 1955 to receive considerable amounts of United States aid for budgetary support and for development purposes.39/ In Israel, capital receipts - mainly repayment of government loans by industry, municipalities and other official entities and German reparations constituted important sources of revenue. The amount of German reparations received by Israel was £I 38.7 million in 1953/54 and £I 91.9 million in 1954/55 (fiscal years ending 31 March).40/

Expenditures

Budget estimates reflecting changes in current expenditures in certain countries are given in table 36. They indicate that total current expenditures have tended to grow in these countries, especially in Israel and Turkey where prices have also increased during these years. An important factor in the rise has been the cost of defence.41/ Expenditures on health, education and other

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38/ See chapter 2, on petroleum.

39/ The amount of this aid in the case of Iran totalled $19.6 million in 1953, $61.4 million in 1954 and $92.0 million in 1955. For Israel, such aid amounted to $59.6 million in 1953, $40.2 million in 1954 and $45.4 million in 1955. United States aid to Turkey, exclusive of defence support, totalled $54.2 million in 1953, $41.9 million in 1954 and $59.8 million in 1955. In 1954, aid amounted to approximately $2.7 million for Egypt, $2.6 million for Iraq and $2.3 million for Lebanon, compared with much lower figures in 1953 and somewhat higher figures in 1955. (United States International Cooperation Administration, Operations Report, 16 November 1955 (Washington, D. C.); all data for years ending 30 June).

40/ Government Year-book, 1955.

41/ In the fiscal years 1953/54 to 1955/56, for example, defence expenditures in the general budget rose 40 per cent in Egypt and 60 per cent in Syria. Several countries also have extraordinary defence expenditures.

Table 36. Current Expenditures under General Budgets, by Country

(Millions of national currency units)

Country and currency	1954	1955	1956
Egypt[a] (Egyptian pound)	157	175	187
Iran[b] (rial)	9,343	13,953[c]	...
Iraq[d] (Iraqi dinar)	50[e]	58	52
Israel[f] (Israeli pound)	180[e]	291[e]	329
Lebanon[g] (Lebanese pound)	100	112	118
Turkey[h] (Turkish lira)	1,615	1,749	2,137

Source: United Nations, Statistical Yearbook, 1955; budget estimates if not otherwise specified. Iraq: Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et les marchés arabes, 13 May 1955, No. 16, annex No. 23 (Damascus); Le Commerce du Levant (Beirut) 12 October 1955; Report on the Turkish Budget for the fiscal year 1956/57 (Ankara).

a/ Years ending 30 June; total expenditures in general budget, excluding credits to production development budget and expenditures on new works, except that outlays for new works in defence appropriations are not excluded.

b/ Years ending 20 March; total expenditures in the general budget, excluding capital outlays.

c/ Draft estimates submitted to Parliament.

d/ Years ending 30 April; total expenditures in the general budget, excluding capital works.

e/ Actual expenditures.

f/ Years ending 31 March; total expenditures in the integrated budget of the Central Government, excluding development outlays.

g/ Sum of administrative and military expenditures in the general budget.

h/ Years ending 28 February: current expenditures in general budget and in annexed budgets.

welfare services have also generally increased, and in some countries - especially Israel and Turkey - the rise has been partly due to increases in wages and salaries in the public sector. In Israel, these were a result of automatic adjustments in cost of living allowances to higher price levels;42/ in Turkey,

42/ In Israel, basic salaries have been frozen but automatic cost of living allowances continue. The system provides full compensation for increases in the cost of living, not only for government employees, but for approximately 80 per cent of all wage and salary earners in the country. Bank Leumi le-Israel, Review of Economic Conditions in Israel (Tel Aviv, 1955).

salaries were raised twice in the years under review by special laws.43/ Salaries were also increased in Iran, Iraq and, more recently, in Syria. In Egypt, they have in effect been reduced; cost of living allowances for government employees were frozen to some extent between 1953 and the end of June 1955, and expenditures for subsidizing increases in the cost of living decreased markedly as prices fell.44/

It is difficult to ascertain the course of investment expenditure since the available data contain certain elements of double-counting and because actual expenditures in some of the countries - Egypt and Iraq, for example - though not precisely known, were below the amounts budgeted.45/ Budget appropriations for development in these two countries are given in table 37, together with figures for other countries, though the latter - those for Israel and Turkey, for example - probably correspond to a greater degree to the actual level of development expenditure.

Capital expenditures in Israel, after rising substantially in 1954/55, were somewhat curtailed in 1955/56 because of efforts of the Government to avoid inflationary pressure. In Turkey, the rate of development expenditure was slowed down in the 1956/57 budget for similar reasons. In Egypt and Iraq, where the price level tended to decline during the two years under review, actual development expenditures, though much below allocations, rose rapidly compared with previous years. However, it is doubtful whether actual development expenditures, as a proportion of total government expenditures have reached in Egypt and Iraq the levels attained in Israel and Turkey. The figures in table 37 indicate a rise in the level of capital expenditures in Iran and Lebanon also, and - as is explained in chapter 5, on development plans - an increase can be also assumed for Syria, though data for that country are scanty.

Balance of receipts and expenditures

The balance between estimated expenditures and receipts in certain countries of the region in recent years is shown in table 38. The table is of limited usefulness, however, since, except in the case of Israel, it covers only the

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43/ In Turkey, the yearly bonuses given to Turkish employees were increased from three months' to five months' salary.

44/ Amounts paid as cost of living bonuses to government employees declined from £E 29 million in 1952/53 to £E 27 million in 1953/54 and to £E 26.5 million in 1954/55; appropriations for subsidizing cost of living increases were sharply reduced, from £E 15.5 million in 1952/53 to £E 6.3 million in 1953/54 and to £E 1.7 million in 1954/55. Allocations for salaries, wages and allowances in the ordinary budget - exclusive of cost of living subsidies - were estimated at £E 55.5 million in 1953/54 and at £E 51.7 million in 1954/55. (National Bank of Egypt, Economic Bulletin, vol. VII, No. 3; vol. VIII, No. 2).

45/ In Egypt, only £E 23 million had been spent by the end of November 1954, of total appropriations of £E 35.5 million for the National Production Council for 1953/54 (year ending 30 June). National Bank of Egypt, Economic Bulletin, vol. VII, No. 4. See also chapter 5.

Table 37. Capital Expenditures, including Development Outlays, by Country

(Millions of national currency units)

Country, currency and item	1953/54 1954	1954/55 1955	1955/56 1956
Egypt[a] (Egyptian pound):			
New work	17	20	22
National Production Council	36	42	54
Public Service Council	-	16	23
	53	78	99
Iran[b] (rial):			
Capital expenditures	3,113	3,545[c]	...
Development Board	...	2,520	7,896
Iraq[d] (Iraqi dinar):			
Development Board	12[e]	20[e]	61
Israel[f] (Israeli pound):			
Development expenditures in integrated budget	176[c]	221[c]	193
Lebanon (Lebanese pound):			
Capital expenditures in general budget	20	27	28
Turkey[g] (Turkish lira):			
Investment outlays in general budget and annexed budgets	577	606	898

Source: United Nations, Statistical Yearbook, 1955; budget estimates if not otherwise specified. National Bank of Egypt, Economic Bulletin, vol. VII, No. 4 and vol. VIII, No. 2; Lord Salter, Development of Iraq, 1955; Lebanon: Le Commerce du Levant, 12 October 1955; Report on the Turkish Budget for the Fiscal Year 1956/57.

a/ Years ending 30 June.

b/ Years ending 20 March.

c/ Actual expenditures.

d/ Years ending 30 April.

e/ Estimated actual expenditures.

f/ Years ending 31 March.

g/ Years ending 28 February.

general budget, and the figures are estimates. However, in the light of supplementary information, certain general inferences can be drawn about actual over-all budget balances and the way in which such deficits as occurred were financed. It appears that in Egypt, Iraq, Lebanon and Syria, expenditures in recent years were covered without giving rise to inflationary pressures, and receipts often exceeded expenditures, which exerted a deflationary effect on the money supply. In Israek, Turkey and, until 1955, in Iran, the opposite has been the case.

Table 38. Summary of Budget Accounts, by Country

(Millions of national currency units)

Country, currency and year	Expenditures	Receipts	Balance
Egypt[a] (Egyptian pound):			
1954	174.6	176.8	2.3
1955	195.1	190.7	-4.3
1956	208.8	211.0	2.1
Iran[b] (rial):			
1954	12,456.0	11,944.0	-512.0
1955	17,943.0	10,848.0	-7,095.0
1956	...	...	...
Iraq[c] (Iraqi dinar):			
1954	50.2	47.7	-2.4
1955	57.6	51.2	-6.4
1956	66.0	61.7	-4.4
Israel[d] (Israeli pound):			
1954	356.2	220.2	-136.0
1955	511.8	326.5	-185.3
1956	521.4	352.1	-169.3
Lebanon (Lebanese pound):			
1954	120.0	123.4	3.4
1955	138.4	138.4	-
1956	145.5	145.5	-
Syria[e] (Syrian pound):			
1954	209.5	209.5	-
1955	260.6	260.6	-
1956	324.1	324.1	-
Turkey[f] (Turkish lira):			
1954	2,117.5	1,959.9	-157.6
1955	2,287.6	2,288.5	0.9
1956	2,976.1	2,976.1	-

(Source and footnotes on following page.)

(Source and footnotes to table 38)

Source: United Nations, Statistical Yearbook, 1955. Iraq: Budget Administration, Government Budget for 1956 Fiscal Year (Baghdad, 1956); Lebanon: Le Commerce du Levant, 12 October 1955; Syria: Bureau of Documents for Syria and other Arab countries, Etude mensuelle sur l'économie et le marché syriens, No. 65, Annex No. 20.

a/ Years ending 30 June. Estimates exclude development budget of the National Production Council and the land reform budget; receipts exclude transfers from the reserve fund.

b/ Years ending 20 March. Estimates for 1953/54 and draft estimates for 1954/55.

c/ Years ending 30 April; excluding Development Board budget.

d/ Years ending 31 March; expenditures include development outlays; excluding receipts for development budget from United States aid, German reparations, etc.

e/ Receipts include exceptional revenues from the Department of Issue and the reserve fund.

f/ Years ending 28 February.

In Egypt, estimated expenditures and receipts under the general budget were nearly in balance. Development expenditures have been covered by the flotation of bonds 46/ and in part by extra-budgetary receipts resulting from the liquidation of government cotton stocks. As a result, in spite of the increase in the public debt,47/ the financial position of the Government appears to have been strengthened, since its cash balances with the National Bank of Egypt have shown greater increases than the public debt.48/

In Iraq, the development budget is financed from its own special resources and in the two years under review these were significantly in excess of actual expenditures. As a result, the Development Board accumulated large cash balances. There were relatively small deficits in the ordinary budget estimates in the three fiscal years 1954-1956, and these were covered by accumulated surpluses from preceding years.49/ The financial position of the Iraqi Government has improved to such an extent that some loans were repaid far ahead of schedule. Thus, the unused balance of the loan by the International Bank for Reconstruction and Development was cancelled in January 1955, and the amounts drawn between 1952 and 1954 were repaid in March 1955.

Actual expenditures in Lebanon were reportedly below budget estimates in 1954, while revenues greatly exceeded the estimates,50/ largely because of high yields from customs duties, so that there was a large surplus in the ordinary budget. A surplus was also expected in 1955, because customs returns continued

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46/ See footnote 28 in this chapter.

47/ During 1953/54, the government debt was reduced by £E 28 million. In the following year the volume of treasury bills outstanding fell from £E 72 million in June 1954 to £E 54 million in June 1955; these bills had been used previously to finance purchases of cotton by the Egyptian Cotton Commission. However, flotation of development bonds totalling £E 25 million in December 1954, produced a net increase in the public debt. Ministry of Finance and Economy, "Budget Report for the Fiscal Year 1955/56", published in Egyptian Economic and Political Review, (Cairo), September 1955.

48/ Data on total cash resources are lacking, but the Government's balances with the National Bank of Egypt increased from £E 5.2 million to £E 35 million in the first eight months of 1954/55 (1 July 1954 to 28 February 1955). However, it appears that in the second half of 1955, owing to increased government expenditure, the situation changed appreciably.

49/ The budget of Iraq for 1952/53 showed a surplus of ID 6.64 million, which served to finance the deficit in the budget for 1953/54. It has been reported that an accumulated surplus of ID 11 million will be available for the 1955/56 budget (Iraq Times (Baghdad), 20 November 1954 and 6 January 1956).

50/ Actual expenditures in the 1954 budget of Lebanon amounted to LL 111.18 million, against receipts of LL 157.45 million, leaving a budget surplus of LL 46.27 million (Le Commerce du Levant, 12 October 1955).

to increase.51/ As a consequence, the reserve fund of the Government has grown.52/ Part of this fund is employed for advances to public utilities, banks and similar institutions. As a whole, however, the operations of the public sector seem to have resulted in a surplus both in 1954 and, to a smaller extent, in 1955. This has partly offset the expansion of bank credit and the effects on money supply of the surplus in the balance of payments.

Chiefly on account of higher customs returns, Syria also had a budget surplus in 1954, and in the first half of 1955 customs returns rose further.53/ On the other hand, the budget revenues shown in table 35 include the proceeds of certain loans obtained from the Department of Issue, and also sums transferred from the reserve fund which are employed for financing the deficit of various public entities. The potentially inflationary effects of financing large expenditures by borrowing from the Department of Issue were, until 1954, offset by increases in the cash balance of the Government,54/ and the excess of liquid assets over liabilities of the Government showed further increases in 1954 and 1955. This, as well as the balance of payments deficit, has acted as a deflationary factor.

A different situation prevailed in the other countries. Iran's ordinary and development budgets have incurred large deficits in the past few years; these were financed partly by United States aid and partly by borrowing from the national bank, Bank Melli. The indebtedness of the Central Government to Bank Melli increased by 0.98 billion rials at the end of 1953/54 fiscal year and by 1.67 billion at the end of 1954/55, while the indebtedness of other official bodies to the bank rose by 3.59 billion rials 55/ in this period. Because of the increase of oil revenues, however, borrowing from the bank practically ceased in the first part of 1955/56.56/

51/ In the 1955 budget, revenue from customs was estimated at LL 46.40 million, but actual receipts from this source amounted to LL 67.39 million (Le Commerce du Levant, 10 December 1955).

52/ The accumulated surplus reserve fund, totalling LL 127.2 million in 1952, increased to LL 134.5 million by the end of 1954 and apparently rose further in 1955 (Le Commerce du Levant, 10 December 1955).

53/ Actual customs receipts in the budget of Syria amounted to LS 45.18 million in 1953 and LS 61.21 million in 1954, compared with budget estimates of LS 42.22 million and LS 37.83 million, respectively. In the first half of 1955, customs receipts amounted to LS 38.27 million against LS 27.65 million in the corresponding period a year earlier (Bureau of Documents for Syria and other Arab countries, Etude mensuelle sur l'économie et le marché syriens, No. 59, Annex 17).

54/ International Bank for Reconstruction and Development, Economic Development of Syria.

55/ Computed from data in International Monetary Fund, International Financial Statistics, December 1955.

56/ See section on credit policies in this chapter.

Total receipts in Israel from German reparations, United States grants, and independence and development bond flotations were ₤I 223.79 million in the fiscal year 1954/55 and were budgeted at ₤I 189.00 million for 1955/56.57/ These sums were not sufficient to cover the deficit in 1955/56. The indebtedness of the Government to the banking system rose in the first half of 1955. Moreover, the import surplus declined, the balance of payments improved and these factors contributed to inflationary pressures.

Available figures on actual receipts and expenditures indicate that there were only minor deficits in the general budget of Turkey. These deficits were covered by flotation of small loans and, in part, by United States aid. However, the budget figures do not cover some of the expenditures of government agencies. These were partly financed by discounting Treasury-guaranteed bills of these agencies at the Central Bank. The total amount of such bills outstanding remained approximately stable in 1954 but increased in 1955.58/ Since discounted treasury-guaranteed bills serve as coverage for note issues, the rise in their amount has contributed to the increase of currency in circulation.

57/ Government Year-book, 1955.

58/ In April 1955, the volume of bills of Toprak, the soil products office, discounted with the Central Bank was LT 725 million, compared with LT 692 at the end of 1954. In May 1955, by law No. 6571, LT 550 million of these bills was cancelled, the Government taking over responsibility for redemption. LT 53.8 million of the bills was redeemed at once by using certain reserve funds and accounts, and the remainder was to be paid off gradually out of certain receipts of the Government from the Central Bank. The total volume of Toprak bills held by the Central Bank thus fell to LT 180 at the end of May, but by the end of November 1955, the total had once more risen to LT 481 million. There has been a parallel rise in the volume of bills of the Etibank discounted with the Central Bank; they rose from LT 69 million at the end of 1954 to LT 248 million by the end of November 1955.

Chapter 5

DEVELOPMENT PROGRAMMES

The governments of most Middle Eastern countries have embarked upon programmes of public investment for development purposes of varying degrees of elaboration. In most cases these consist of investment plans or a number of separate investment projects. While it is difficult to estimate quantitatively the long-run effects of such investment upon output, income or the balance of payments, both in Egypt and in Israel attempts have been made, by projection, to determine some of the broad economic effects. These are discussed in the appropriate sections of this chapter.

Iran, Iraq and Syria have each adopted a long-term investment plan, affecting a number of economic sectors and covering a definite period: in the case of Iran 1955/56 to 1961/62, in the case of Iraq 1955/56 to 1959/60 and in the case of Syria 1955 to 1961. Egypt, Israel, Lebanon and Turkey have a variety of plans for different economic sectors and different periods, but the first-mentioned is also in process of drawing up a plan to build a high dam on the Nile which is likely to overshadow all its other projects. This large dam will take ten years to build.

Despite these differences, the programmes of all these countries have certain elements in common. The two largest categories of development expenditure in every case are agriculture - including irrigation - and transport. Egypt, Iraq, Israel, Lebanon and Syria all give the major emphasis to agriculture, irrigation and improved use of water resources, as is to be expected in countries which have similar problems: rapidly increasing population, an arid climate and sharp fluctuations in water supply. In Iran and Turkey, the largest expenditures are for transport and communications, since the broad extent and irregular terrain of these countries have made poor communications a considerable obstacle to development.

Another common element of the development programmes is that, with the partial exception of Israel, they are confined to the public sector and there is little attempt to estimate changes in the private sector. This stems both from lack of statistical data concerning the private sector and from the fact that the possibility of controlling it is limited.

Some of the programmes are concerned primarily with physical construction in the productive sectors and give little emphasis to social overhead, leaving expenditure on facilities for public health, education and training in the ordinary budget and leaving housing largely to the private sector; most programmes do, nevertheless, include construction of some schools and hospitals. Egypt has a special "public services" budget, which includes some development expenditure on social overhead, and Iran, in its new seven-year plan, devotes substantial sums to social welfare projects of various kinds. The exclusion from the development budget or programme of specific allocations for such projects does not, of course, imply that they have been neglected, since the relevant provision in the ordinary budget over the past few years has frequently been increased.

The programmes differ widely in their methods of financing. In the case of Iran and Iraq, assuming continued oil production at the current level or above, foreign currency is no problem 1/ and the difficulty is one of obtaining enough domestic resources and of finding enough trained people. Syria also may perhaps be able to finance most of its present programme from oil transit revenues, while Lebanon will receive some foreign exchange from this source. In the case of countries without oil revenues, the financial situation, both internal and external, is as a rule much tighter, and the full implementation of their plans depends on the availability of loans or grants from abroad. Israel has received, and will no doubt continue to receive, loans and grants, public and private, from the United States and other countries, and reparations from Germany, most of which are used for development purposes. Turkey has received loans from the International Bank for Reconstruction and Development (IBRD) and the Export-Import Bank of Washington, D.C. Lebanon received a loan from the former in 1955 for a major development project, and there may also be loans to Egypt and Syria for important projects.

Egypt

Egypt has at present no comprehensive development plan, but the plan to build the High Dam on the Nile, six kilometres upstream from the present Aswan Dam, is so vast a project both in terms of the proportion of investment which it will absorb and the contribution which it will make to effective demand and the national income, that its effects may be expected to be felt in almost all sectors of the Egyptian economy. No date has yet been set for work to begin on this project, but in the meantime a number of other development projects are being carried out by the Permanent Council for the Development of National Production, usually called the National Production Council, and its counterpart in the field of social welfare, the Public Services Council. Both councils are entrusted with the planning and carrying out of development projects and may also participate in the establishment and financing of enterprises that are largely private.

Since 1953, the National Production Council has approved a wide range of projects, some of which had in fact already been started before the Council was established. These earlier projects and the sums already spent on them were included in the projects and budget of the Council. Table 39 shows, for each category of development, the time required for carrying out each scheme, the total estimated cost, appropriations in the production budgets of 1953/54, 1954/55 and 1955/56 and an estimate of amounts actually spent by 30 June 1955. The table excludes expenditures on the High Dam, except for a small sum allocated in the budget of 1955/56 for preliminary work in connexion with drawing up plans.

It should be borne in mind that the estimates of actual expenditures to 30 June 1955 exclude expenditure under the budget allocation for 1955/56, since the fiscal year begins on 1 July 1955. It is clear that in many cases expenditures have been well below allocations. In some cases they seem to have been above, but this is because expenditures to 30 June 1955 include certain sums spent previous to

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1/ Iran may have some temporary difficulties while oil production recovers.

the budget year 1953/54.2/ It should also be noted that the total cost of the iron and steel plant at Helwan and the fertilizer plant at Aswan includes both public and private investment, private investment being expected to be considerably larger than public.

The largest category of public expenditure as projected is agriculture and irrigation.3/ Of the total appropriations of £E 132 million in the three years 1953/54 to 1955/56, about 40 per cent has been allocated for this purpose. The second largest category is transport and communications, with railways receiving the largest share. Future expenditure on electric power production is to be on a fairly modest scale, as is public investment in industry. The Government has provided some of the capital for the steel plant and the fertilizer factory, but the bulk of it is to be obtained through public subscription and the participation of foreign companies.

Subtracting from the total estimated cost of £E 250 million those sums which had already been disbursed before the fiscal year 1953/54, and also that part of expenditure on irrigation and drainage channels which is duplicated in the plan for the High Dam, it appears that the National Production Council's current programme involves expenditure of almost £E 200 million. According to a statement of the Egyptian Minister of Finance,4/ £E 65.7 million had been spent between January 1954 and March 1956,5/ of which £E 25.6 million was on agriculture and irrigation. These expenditures were covered by the proceeds of development loans, by profits from revaluation of gold holdings in the note cover, and by current receipts of the National Production Council, treasury bills and receipts from confiscated property.6/

In addition to these projects, and overshadowing them in importance, is the High Dam project. This plan is still in the process of preparation, and the estimates of costs and benefits which follow may, in a number of cases, be revised. According to present information, the project will be carried out in two stages: the first (ten years) required to complete construction of the dam itself and the first four power stations; the second, of less specific duration, during which further land reclamation will be undertaken and additional electrical capacity will be brought into operation as and when needed.

2/ National Bank of Egypt, Economic Bulletin, vol. VII, No. 4, 1954 (Cairo), page 260.

3/ See chapter 1 of this report.

4/ Le Commerce du Levant (Beirut), 24 March 1956, page 4.

5/ This sum differs from that shown in table 39 because it covers a different period.

6/ See chapter 4, footnote 28.

Table 39. Egypt: Current and Projected Development Projects[a] of the National Production Council

(Millions of Egyptian pounds)

Sector and project	Period	Total estimated cost	Budget appropriation 1953/54 (years ending 30 June)	1954/55	1955/56	Actual expenditure to 30 June 1955 [b]
Agriculture:						
Irrigation and drainage channels	1953-1960	42.20[c]	5.00	8.85	8.63	10.80
Pumping stations for irrigation and drainage	1950-1957	28.08[d]	2.60	3.21	1.95	20.91[d]
Improvement of productivity	1953-1960	16.75	3.20	4.14	2.66	4.28
Land reclamation and settlement	1953-1960	12.35[e]	1.50	3.98	6.87	4.00
Total, agriculture		99.38[d]	12.30	20.18	20.11	39.99
Electric power:						
Aswan dam installations	1952-1960	27.50[f]	11.80[f]	5.13	4.25	14.19[f]
North Cairo station	1952-1954	3.80[g]	3.80[g]	-	-	3.80[g]
South Cairo station	1955-1957	11.82	-	3.00	5.03	2.70
Total, electric power		43.12[f/g]	15.60	8.13	9.28	20.69
Transport and communications:						
Inland waterways	1954-1959	5.20[h]	-	0.64	1.20[h]	0.58
Railways	1954-1958	23.43[h]	5.60	3.70	4.43[h]	4.55
Roads and bridges	1953-1959	11.88[h]		4.00	4.87[h]	3.96
Tele-communications	1954-1961	19.43[h]		2.72	2.60	3.64
Oil tankers	1955-1957	1.50	-	-	0.75	-
Oil pipelines	1954-1956	3.83	-	1.50	2.99	0.49
Total, transport and communications		65.27	5.60	12.56	16.84	13.22

Table 39 (continued)

Sector and project	Period	Total estimated cost	Budget appropriation 1953/54 (years ending 30 June)	1954/55	1955/56	Actual expenditure to 30 June 1955 b/
Industry:						
Petroleum refinery at Suez	1954-1956	2.54	-	0.99	1.62	0.34
Iron and steel plant at Helwan	1955-1957	16.00 i/	-	0.26	1.25 j/	0.26
Fertilizer plant at Aswan	1955-1961	22.00 i/	-	0.10	2.04	0.10
Total, industry		40.54	-	1.35	4.91	0.70
Other:						
Mineral survey		0.47	-	0.17	0.30	0.12
High Dam		2.00	2.00	-	-	2.00
Housing and miscellaneous.. ...		-	-	-	2.80	-
Total, other		2.47	2.00	0.17	3.10	2.12
Grand total		250.78	35.50	42.39	54.24	76.72

Source: Permanent Council for the Development of National Production, Report, 1955 (Cairo) (in Arabic).

a/ Excluding all expenditure on the High Dam except a small sum for preliminary work.

b/ Preliminary figures.

c/ About half of these costs are duplicated in the costs of the High Dam scheme, and may thus be excluded if the High Dam is undertaken.

d/ Including an estimated £E 15.10 million spent before 1953/54.

e/ Excluding $10 million (£E 3.48 million) provided by the United States International Co-operation Administration towards the financing of a major reclamation and settlement project.

f/ £E 11.80 million had been spent before 1953/54, although it appears in the allocation for that budget year.

g/ The whole investment in North Cairo station had been made before 1953/54.

h/ Excluding expenditure on these projects financed by United States aid in 1955.

i/ Most of the costs of these projects are to be met by private capital.

j/ Cash participation by the Government, excluding equipment valued at £E 2 million contributed in kind by the Government.

The net availability of water for permanent irrigation, after the dam is completed, is estimated to be 60 billion cubic metres per annum.7/ At present the amount used is estimated at 48 billion cubic metres, the rest being lost to the sea for lack of storage. Thus there will be a net gain of 25 per cent in usable water and, in addition, there will be substantial gains from regularization of the flow from one year to another, from prevention of water shortages at given seasons, and from avoidance of flood damage. According to the latest estimates, it will eventually be possible to increase the cultivated area of 6.2 million feddan 8/ by an additional 1.3 million feddan 9/ of now unutilized land, and to convert 700,000 feddan of presently cultivated land from basin to perennial irrigation, making it possible to grow more than one crop a year in these areas. According to the construction time-table, the diversion tunnels, outlet works and coffer-dam can be completed in four years and the reservoir formed by the coffer-dam can be used for irrigation purposes in the fifth year of construction.

The total power production at site is estimated at 8.3 billion kilowatt-hours, of which 4.3 billion will be available at the end of the first ten years.10/ When power production from the High Dam in the first stage is completed, it is expected to make possible a saving of a million tons of fuel oil annually. The full power potential of the dam is considerably larger than the total which the Egyptian economy is likely to be able to absorb for a number of years after construction is completed and, for this reason, only half the energy is to be harnessed in the first stage, further capacity being added in two later stages when it is needed. It is estimated that the unit cost of electricity at Cairo will be 2.46 millièmes per kilowatt-hour when the first stage is completed and that it will be reduced to 1.70 millièmes in the final stage.11/

The Egyptian Government has prepared estimates of costs for the different elements of the project, as shown on opposite page (in millions of Egyptian pounds):12/

7/ The dam is to be 110 metres high and 5,000 metres long. Its reservoir will extend southwards for 200 kilometres, crossing the Sudanese border, inundating the town of Wadi Halfa and displacing a considerable number of Sudanese. Its total storage capacity will be 130 billion cubic metres, of which 30 billion is dead storage for use as a silt trap and another 30 billion is additional capacity for flood control. Allowing 10 billion cubic metres for evaporation and absorption, this leaves 60 billion cubic metres for permanent irrigation (Permanent Council for the Development of National Production, Report, 1955 (Cairo; in Arabic)).

8/ Area in 1954; one feddan equals 0.42 hectare.

9/ Including 300,000 feddan of land which are currently being reclaimed but for which there is at present insufficient water.

10/ Production in 1955 was approximately 1.3 billion kilowatt-hours (Permanent Council for the Development of National Production, Report, 1955, page 274).

11/ The price now charged to the consumer in Cairo is 24.6 millièmes per kilowatt-hour.

12/ Permanent Council for the Development of National Production (Sadd el Aali Office), Report on Sadd el Aali Project, 23 February 1955 (mimeographed). These estimates are considerably lower than later estimates which are available to the Egyptian Government.

First ten years:

Construction of High Dam	68.0
Civil works for all stages of power production	31.0
Flood protection	19.0
Navigation facilities	2.0
Total, civil works	110.0
Indemnities to the Sudanese	10.0
Irrigation pumping stations (8)	14.0
Conversion of basin irrigation (700,000 feddan)	21.0
Reclamation of 400,000 feddan of new land	12.0
Turbines and generators	16.0
Transmission line to Cairo	24.5
Small transmission line	2.0
Total, first ten years	209.5

Second ten years:

Reclamation of 600,000 feddans of new land	32.0
Grand total[a/]	241.5

a/ Excluding the second and third stages of power production, at a further estimated cost of £E 34 million.

It may be noted, however, that the scope of these cost estimates is somewhat limited, since they do not include the many ancillary investments which will be required if the investment in the High Dam itself is to be translated into increased income, and which will be to a considerable extent of a public character. They do not include investment in roads, public utilities, housing or community facilities, or expenditures on irrigation other than the major canals, or on such aspects of reclamation as land levelling and de-salting. They do not include provision for working capital in the form of farm animals, implements and equipment, fertilizers and seeds, without which it would be impossible to bring the new holdings up to the average level of productivity of the rest of the country. The inclusion of these investments may well double the total cost.

The Egyptian Government calculates that, as a result of the construction of the dam, the annual contribution of agriculture to the national income, which was given by the Department of Census as £E 280 million in 1955, will be increased by 50 per cent, of which 30 per cent will be derived from the newly cultivated areas and 20 per cent from the introduction of multiple cropping on existing cultivated

land.13/ Savings through the prevention of floods are expected to amount to an additional £E 10 million a year, and improved navigation may add another £E 5 million a year.

The Government's report further states that the availability of cheap power will promote "the establishment of new industries" as well as permit "existing industries to flourish".14/ The completion of the first stage of power production will, it is estimated, increase the annual value of industrial output - estimated to be £E 92 million in 1955 - by £E 100 million. No provision is included in the cost estimates, however, for the investment in industry which will be necessary to utilize the new power.

The increased production resulting from the project, according to the Government's calculation, will mean an annual saving of £E 60 million in imports of foodstuffs, fertilizers and petroleum products, and will increase export earnings by £E 65 million at present prices. The foreign exchange requirements of the plan itself are estimated at £E 117 million out of a total cost of £E 241.5 million.

The Egyptian Government and the International Bank for Reconstruction and Development have reached an agreement in principle on a loan of $200 million 15/ to provide part of the finance, and the United States and the United Kingdom have pledged grants totalling $75 million. Loans or grants may also be forthcoming from other western European countries and from the Soviet Union. As regards the Egyptian Government's own contribution, a law was enacted in May 1955 permitting the Minister of Finance to acquire free sterling balances from the National Bank of Egypt against treasury bonds, to be issued gradually up to a total of £E 100 million.16/ Not much information about internal financing is available at present, but a law passed in May 1955 permits limited issuance of treasury bills to provide for short-term internal financing.17/

The availability of manpower for carrying out the construction involved poses no difficulties, since Egypt has large labour surpluses. Moreover, in contrast with some Middle Eastern countries, Egypt is, relatively, better provided with technically trained personnel such as engineers and agronomists. Furthermore, the agricultural population to be settled on the new lands is already familiar with the techniques of irrigated farming and will require little, if any, additional training to reach the level of competence in the older farming areas.

13/ It has been estimated that, if both the High Dam and various other short-term projects for raising agricultural production are carried out, the cultivated area and the number of crop-acres (making allowance for multiple cropping) should rise by about 24 per cent and 36 per cent, respectively, while total agricultural income might by 1975 be somewhat more than 50 per cent above the level of 1953. The population of Egypt, conservatively estimated, is expected to increase by 61 per cent in the same period.

14/ Report on Sadd el Aali Project, appendix 2, paragraph 7.

15/ Le Commerce du Levant, 21 December 1955.

16/ Egyptian Economic and Political Review (Cairo), September 1955.

17/ Ibid. See chapter 4 of this report, footnote 28.

Local materials for construction can probably be obtained without any difficulty. Suitable stone is readily available in the area where the dam is to be built. Although there is no cement production nearby, Nile barges, which are at present suffering from a dearth of traffic,18/ can bring this and other materials as far as the existing Aswan Dam, six miles downstream from the Sadd el Aali site, whence they will presumably be moved by rail.

In view of the high rate of increase of population, most of the additional food output made possible by the dam will probably be absorbed internally, but certain problems will undoubtedly arise regarding marketing of the additional cotton production and of certain other crops.

Iran

The first seven-year development plan of Iran went into effect in February 1949, but, since it was financed largely by direct petroleum revenues (all of which were allocated to the financing of the plan), development activities were curtailed drastically when oil revenues stopped in 1951. As a result, after more than five years of the plan period had elapsed, only 20 per cent of the planned expenditure - 4 billion rials out of 21 billion - had been made, a part being financed by borrowing from Bank Melli.19/ There were, in addition, obligations and commitments totalling some 9 billion rials at the end of 1954, to be met within the following five years in order to bring various projects to completion. With the resumption of petroleum revenue flow late in 1954, development expenditures again began to increase, and in the fifteen months preceding December 1955, reached a total of 4.7 billion rials,20/ more than in the preceding five years.

A new seven-year plan was announced in mid-1955,21/ covering the period from 1955/56 to 1961/62, and envisaging a total expenditure of 70 billion rials, or approximately $920 million.22/ The plan presents three budgets, covering different categories of projects. The first category, for the five years to 1960, covers expenditures for projects on which work had already begun under the previous plan. The second, extending for the full seven years, covers schemes for which the planning is already well advanced, but on which work has not yet been started. The third category represents a preliminary estimate of aggregate additional expenditures in agriculture and industry, for projects which have not received detailed study. The allocation of funds under the second seven-year plan is as shown on page 120 (in millions of rials):

18/ Permanent Council for the Development of National Production, Report, 1955, page 36.

19/ Report of a committee of the Majlis, quoted in Kayhan (Tehran), 29 March 1955.

20/ Iranian Plan Organization, Weekly Bulletin, No. 47 (Tehran; in Persian), 15 December 1955; 40 per cent of this expenditure was in foreign exchange.

21/ Parliamentary approval of the plan as a whole was given in early 1956. However, as an interim measure, expenditure on a number of individual projects had been approved to avoid interruption of work in progress.

22/ Iranian Plan Organization, Draft Law of the Second Development Plan (Tehran, 1955; in Persian).

	First category	Second category	Third category	All categories	Percentage of total
Agriculture and irrigation	6,260	9,358	2,600	18,218	26.0
Industry and mining	2,759	5,201	2,600	10,560	15.1
Communications and transport	5,367	17,454	-	22,821	32.6
Social welfare	2,814	15,587	-	18,401	26.3
Total	17,200	47,600	5,200	70,000	100.0

Source: Iranian Plan Organization, Draft Law of the Second Development Plan.

Whereas under the first development plan all oil revenues were assigned for financing the projects, under the new one the Plan Organization is to receive about 60 per cent of these revenues during the first three years and 80 per cent during the remaining four years, the rest being assigned partly to the National Iranian Oil Company and partly to the ordinary budget. The National Iranian Oil Company will use these funds for such projects as construction of an oil pipeline from the southern oilfields to Tehran and for subsidizing local petroleum sales, together with administrative expenses. The sums going to the ordinary budget will be used for public improvements such as roads, and for health and education facilities.23/ The Plan Organization may also borrow from domestic and foreign sources if oil revenues fall short of needs, but such loans must be repaid out of oil revenues.

Over the seven years, oil income is expected to amount to a minimum of $1.2 billion, of which the Plan Organization will obtain over $850 million. Production and export of petroleum beyond the minimum guaranteed by the Consortium (30 million tons a year in 1957 and thereafter) are expected to result in larger revenues - perhaps larger than estimated expenditure. However, the financing may be difficult during the first three years, when the Plan Organization's share of revenue is estimated at $250 million, while expenditures are to reach $400 million.

Some of the major projects in irrigation and agriculture are already under construction. Among these are the Karaj dam and hydroelectric plant near Tehran;

23/ Article 8 of the law provides for allocation of the direct income from oil (income tax and "stated payment", the latter referring to 12.5 per cent of the quantity of oil exported or its value at the posted price) as follows: for the years 1955/56, 1956/57 and 1957/58, the Ministry of Finance and the National Iranian Oil Company will receive the stated payment plus 10 per cent of the total direct income as defined above, and the balance will be turned over to the Plan Organization. In the ensuing years, the Ministry of Finance and the National Iranian Oil Company will receive 20 per cent of the total direct income and the Plan Organization the remaining 80 per cent.

the Karkeh dam in Khuzistan, a potentially rich agricultural area in south-west Iran which is at present almost a desert; and a number of smaller dams in other parts of the country. There are also plans for reclamation and drainage, for drilling wells and for repair and improvement of kanats (underground water channels). Agricultural training and research are also receiving attention; apart from the establishment of various institutes for research and training in use of water resources, in veterinary science and in the cultivation of particular crops, there is a scheme whereby soldiers from rural areas are given agricultural training during their period of military service.

The major expenditure in the industrial sector is for a steel mill, which is to be built under an agreement with a German concern. Other investments are to be made in sugar refining, textile production, the cement industry, and mining, particularly of chromite. Most of the expenditures for communications and transport are for expansion of the road network. The Ministry of Roads is to complete 3,000 kilometres of roads already begun, and an agreement has been signed with a British construction firm, which will supervise the building of 6,000 kilometres of new roads and highways.24/ In the field of social welfare, the largest expenditure is for public health, including training of staff and the establishment of research institutes; other expenditures are for municipal and village electrification and water supply, education and other items.25/

The plan encompasses a major part of the development activities of the Government, but not all. The National Iranian Oil Company, the Iranian State Railways and municipalities are outside its sphere, and there are certain other Government development operations also which are not included.26/ The amount of private investment has not been estimated, but the Government encourages such investment, particularly in industry and mining, by such means as extension of credits at low rates of interest, while the Industrial Development Bank will also assist private investment.

No over-all manpower budget has been drawn up, but the Plan Organization has drawn attention to the shortage of technicians and administrators, and has initiated a number of training schemes. An agreement has been signed with the International Bank for Reconstruction and Development whereby the latter will engage a total of eight experts in different fields to assist the Plan Organization in the execution of its projects. The Technical Assistance Administration and specialized agencies of the United Nations have also extended substantial technical aid to Iran; in 1955, ninety United Nations experts were provided in various fields. Also, the United States International Co-operation Administration has embarked on an extensive technical assistance programme in Iran, and about 300 United States technicians were in the country at the end of 1955.

24/ Iranian Plan Organization, Daily Bulletin, 13 June 1955. Investment in railways is not included under the plan but is to be financed separately.

25/ These expenditures on health and education are in addition to current expenditures which are financed out of the ordinary budget.

26/ See section on transportation, in chapter 1, for pipeline and railway investment programmes.

Iraq

Iraq has recently embarked on its second long-term development plan. The first, which was to be carried out in 1951-1956, was terminated in April 1955 and replaced by a new five-year plan, to continue until 1959. The reason for this termination was that the "cost estimates of the old plan were no longer realistic, ... the 1953 revision of the Development Law changed the basis for financing projects of other agencies and necessitated different procedures, and ... the /Development/ Board wanted more latitude in programming, as experience showed that obligations lagged behind plans and expenditures fell behind obligations".27/

In the first four years of the plan for 1951-1956, actual expenditure was between one-third and two-fifths of the amount scheduled. The financial position of the Development Board is indicated in the following data (in millions of Iraqi dinars):

Revenue:	1951/52	1952/53	1953/54	1954/55[a/]
Oil royalties	6,702	22,876	34,823	40,039
Drawings on loan from the International Bank for Reconstruction and Development	764	1,118	227	-
Other revenue	1	5	207	605
Total	7,467	23,999	35,257	40,644
Expenditure:				
Administration	100	214	261	263
Irrigation	841	2,461	4,781	5,837
Communications	627	1,752	1,914	2,420
Buildings	788	2,265	2,446	422
Land reclamation	772	1,535	2,319	1,319
Industry	-	81	466	1,939
Total	3,128	8,308	12,187	12,201

Source: Ministry of Development, quoted in The Development of Iraq, by Lord Salter (London, 1955), page 20; National Bank of Iraq, Quarterly Bulletin, April-June 1955 (Baghdad).

a/ Eleven months.

27/ United States Department of Commerce, Foreign Commerce Weekly, 4 June 1955.

The delay has largely been due to the fact that many of the projects undertaken by the Development Board were in the formative stages during these years, and had not reached a point where major investment could be undertaken. A part of its surplus has been used to make loans to municipalities and other public bodies, usually at low rates of interest.

The new plan, approved by Parliament in April 1955, is similar in form to the former one, in that it is still basically a long-term capital works plan, encompassing only the public sector.28/ Projected expenditure under the first and second programmes is shown in the table (in thousands of Iraqi dinars):29/

	1951-1956		1955-1959	
	Amount	Per cent of total	Amount	Per cent of total
Administrative expenses	3,180	2.0	3,250	1.1
Irrigation, drainage, flood control	53,374	34.4	111,185	36.5
Roads and bridges	26,766	17.2	58,700	19.3
Railways	-	-	15,500	5.1
Airports	2,228	1.4	5,000	1.6
Public buildings	16,368	10.5	44,675	14.7
Housing	1,650	1.1	8,750	2.9
Industry, mines, electric power	31,050	20.0	43,571	14.3
Agriculture, forestry, wells	11,600	7.5	6,475	2.1
Miscellaneous projects	9,158	5.9	7,200	2.4
Total	155,374	100.0	304,306	100.0

The income of the Development Board over the period of the new plan is budgeted at ID 253 million, of which ID 215 million is to come from oil revenues, at an estimated annual rate of ID 43 million, and the remainder is accumulated savings from previous years. There will thus be an apparent deficit of ID 51 million. On the other hand, it appears that the direct income from oil (70 per cent of oil revenues go to the Development Board and the remainder to

28/ It is reported that, in April 1956, the total expenditures under the new plan were revised upwards from ID 304.3 million to ID 416 million, greater emphasis being put upon projects which will bring more immediate and obvious benefits. No detailed information is yet available, but the largest relative increase was in housing, the appropriation for which was increased by ID 18 million, while that for bridges was doubled. Appropriation for irrigation, highways and industry were also increased (Iraq Times (Baghdad), 27 March 1956 and New York Times (New York), 8 April 1956).

29/ Iraq Government Gazette (Baghdad), 11 April 1955.

ordinary government revenue) has been considerably underestimated.30/ According to the schedule, expenditure is to reach a peak of ID 75 million in the second year of the plan, 1956/57, and is then to decline at the rate of about 15 per cent a year.31/

Many of the projects require investments which will not yield income for several years. Expenditures on housing, health and education each comprise about 3 per cent of the total, and the expenditures in the latter two categories are largely for buildings. Investments under most of these headings are divided into two categories: large projects, which are to be carried out directly by the Development Board, to which ID 266 million is allocated; and small projects, which are to be entrusted to the appropriate government departments or local administrations. The latter are allocated ID 38 million.

No attempt seems to have been made to budget for manpower needs at different stages of the programme, but not much difficulty is expected in recruiting unskilled labour either in the towns or in the country. However, since many of the country people are seasonal workers, who are apt to return to their villages for the period of heavy agricultural work, they form a somewhat unsatisfactory unskilled labour force for construction work. A tendency is noted for costs and wages to move upward in the areas of large construction projects.

There is already a shortage of skilled workers, and particularly of people with the requisite technical knowledge to manage and maintain the new installations as they come into operation. This is important because it seems likely that large quantities of irrigation water may become available before the necessary reclamation and settlement work have been carried out, and before people have been trained to use the land and water efficiently 32/ and manage the distribution system.

The limited availability of local materials such as stone and cement and the limited capacity of the transportation system to move them may cause difficulties. In 1955 cement had to be imported at a cost of ID 10 to ID 12 per ton compared with ID 7 for domestic production, which was inadequate.33/ Although it is proposed to increase cement production to a level more than double that in early 1955, a considerable amount will still have to be imported.

30/ As a result of the new agreement signed in 1955 between Iraq and the oil companies, the latter guaranteed a minimum output of 30 million tons by January 1956. Even if this minimum were not exceeded, it would give the Development Board, as its share, about ID 35 million more for the five years than is estimated in the programme. Direct oil income in 1955 amounted to ID 73.7 million, of which the Development Board's share was ID 51.6 million; plans are under way for further expansion of output. The revision of the plan in April 1956 reportedly resulted from revised estimates of oil revenues, which have been raised from ID 215 million to ID 260 million (Iraq Times, 27 March 1956). See also chapter 2 of this report.

31/ Lord Salter, op. cit., page 150.

32/ Under earlier settlement programmes in Iraq there have been cases of land being damaged through an excessive rise in the water table and through salinity. Similar problems have arisen in settlement schemes in the Helmand valley in Afghanistan, and in Turkey and Iran.

33/ Salter, op. cit.

Two major projects undertaken under the first development plan have recently been completed. In April 1956 the Wadi Tharthar project on the Tigris and the Habbaniya project on the Euphrates were inaugurated, both being major flood control projects which are expected to eliminate the dangers of large-scale floods such as occurred in 1954. The first of these involves diversion of Tigris flood waters, by means of a barrage and dike about 100 kilometres upstream from Baghdad, along a channel to the Wadi Tharthar, a natural depression. This will probably not provide for irrigation. The second project comprises a barrage which diverts excess water into Lake Habbaniya, where it can be stored for rediversion through an outlet channel back into the Euphrates for downstream summer irrigation. Two major bridges, at Hindiya and at Kufa, have also been completed.

Israel

The Government's programme of economic development is in practice embodied in annual development budgets, which are formulated in the Ministry of Finance. These budgets are drawn up in the light of such factors as the expected availability of foreign exchange and anticipated rate of immigration. However, certain long-term economic aims have also been taken into account: (a) the long-term programme of settlement of immigrants, carried out mainly through the Jewish Agency; (b) development of the Negeb and exploitation of its mineral resources and agricultural potential. More recently attention has been given to speeding industrial development, particularly of commodities for export, in order to meet balance of payments difficulties. The Government has considered a number of integrated long-term plans but it has never adopted any of them in its entirety, preferring to use the method of annual budgets, which take these long-run aims into account.

The earliest of these long-term plans was the Gruenbaum (Gaathon) Four-Year Development Plan for 1950-1953, which was primarily an attempt to establish investment targets for various sectors in the light of requirements for rapid economic development and absorption of immigrants. Subsequently, the Ministry of Finance published, in 1953, a summary of development plans for the different sectors of the economy, covering mainly the seven-year period from 1954 to 1960.34/ These plans differed somewhat in the period covered, in their degree of elaboration, in the extent to which they embodied Government action and finance, and in the extent to which they were subsequently adopted and implemented. A crucial point in all of them was the estimated amount of foreign exchange needed to carry them out.

The most detailed was the plan for irrigation, which contained descriptions of individual projects or groups of projects, estimates of annual expenditure and data on the areas to be irrigated. Although in the years since 1953 this plan has been somewhat modified, development expenditure in this field has by and large followed the lines laid down in it, although somewhat more slowly than was planned. Irrigated acreage, which had stood at 600,000 dunams in 1952/53, increased as planned to 750,000 dunams in 1953/54 and reached 880,000 dunams in 1954/55, compared with a planned figure of 900,000.35/ It would appear, however, that the water

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34/ Ministry of Finance, Data and Plans (Jerusalem, 1953).

35/ Government Year-book, 1955 (Jerusalem), page 350. See also section on agriculture in chapter 1 of this report.

duty had been somewhat reduced, since by 1955 the annual quantity of water used for all purposes was approximately 900 million cubic metres, as against the planned figure of 1,159 million.36/ In the agricultural development budgets for 1954/55 and 1955/56, about half the expenditure - £I 30 million in each year - was allocated to development of water resources and extension of irrigated areas.37/ This figure is to increase to £I 34.8 million in 1956/57.

In 1956 a new four-year development plan for agriculture was announced, under which the water supply for agriculture would be increased by 370 million cubic metres between 1956 and 1959, making possible an expansion of the irrigated area by 770,000 dunams, to a total of 1.7 million dunams.38/ According to this plan, gross agricultural production will increase by £I 210 million between 1956 and 1959, or by 63 per cent over 1955. Most of the additional irrigated acreage will be used for industrial crops (cotton, sugar-cane, ground-nuts, etc.). Total investment needed for this plan (including irrigation but excluding agricultural housing) was estimated at £I 500 million.

The seven-year public housing plan of 1953 envisaged the construction of 42,000 dwelling units, but this was replaced a year later by a three-year plan of public housing, to run from 1954 to 1956, under which almost 40,000 dwelling units were to be completed by December 1956, to provide permanent housing for the residents of transit camps and to eliminate the worst slums. The total cost of this plan was expected to be £I 227 million, of which £I 170 million has already been spent.39/

The 1953 plan for transport and communications gave an over-all summary of development expenditures for seven years as a whole, but gave no specific timetable. It would appear that development has been taking place along the lines proposed by the plan, both in road construction and railway development. The railway line to Beersheba, which transports minerals from the Negeb to Haifa, has been completed and is in use, and a number of port development projects have been undertaken.40/

Because industry, excluding mining, in Israel is mostly privately owned and operated, there has never been a plan for the industrial sector, except for a general forecast of the investment needed to expand it in parallel with the other sectors. However, the Government has certain directive powers, through its control over imports and through the loans which it makes from the development

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36/ Government Year-book, 1955, page 369; Data and Plans, page 163.

37/ Government Year-book, 1955, page 48.

38/ Budget Proposal for Income and Expenditure for the Financial Year 1956/57, statement by the Minister of Finance to Parliament, 14 February 1956 (Jerusalem; in Hebrew).

39/ Ibid. It should be noted that this housing scheme does not include agricultural housing, much of which is financed by the Jewish Agency. Moreover, additional housing needed because of the natural increase in population and to reduce overcrowding is being mainly privately financed. Private investment in housing has risen considerably.

40/ See section on transportation in chapter 1 of this report.

budgets. Disbursements for industry and crafts under the development budget of 1956/57 are to be £I 33.5 million, 45 per cent above the level of the 1955/56 budget.

In electric power production the long-run plan is to achieve a capacity of 540,000 kilowatts but no date has been assigned to this target. Meanwhile, two new power plants are being completed with a capacity of 90,000 kilowatts, which will shortly bring total capacity in the country to 320,000 kilowatts, the target for 1956 which was set in 1953. £I 6 million will be spent on power development in the 1956/57 development budget, compared with £I 15 million allotted in the 1955/56 budget.

Mineral development is largely handled by Government companies at present. Government investment in this sector is to amount to £I 14.75 million in 1956/57, about the same as the estimated expenditure under the 1955/56 budget.

The total development budget for 1956/57 is £I 216.75 million, compared with £I 236.80 million for 1955/56. Of this, 38 per cent is to be spent on agriculture, 25 per cent on industry, mining and power, 12 per cent on communications, 12 per cent on housing and the remainder on various other sectors. The chief sources of revenue are German reparations, United States Government grants and the proceeds of various private loans and contributions from abroad, mostly from the United States.

Lebanon

Lebanon has a number of sectoral development projects but so far no over-all development plan. Chief among the projects is the Litani River scheme, which has the combined aim of overcoming the country's chronic shortage of electricity and of extending its irrigated area. The entire scheme, as worked out by a United States technical assistance mission, involves three major and a number of minor dams, six power stations and extensive irrigation works, and may take twenty-five years to complete at a cost of LL 340 million (about $100 million).41/ When completed, it is expected to make possible additional production of 626 million kilowatt-hours in an average year, compared with an estimated production of 181 million kilowatt-hours in 1954.42/ The irrigated area, which amounted to 48,000 hectares in 1954,43/ will be increased by 18,900 hectares of fully irrigated land and 2,900 hectares of partially irrigated land.

At the present time, the first phase of the project, to be completed in six years, is being undertaken. This involves construction of a large dam at Karaoun, and a tunnel diverting Litani water from behind the dam to the Bisri River, where it will be harnessed at the Bisri power plant, which is to have an initial installed capacity of 60,000 kilowatts with provision for a future capacity of 75,000 kilowatts. Another power plant is to be built at Joun, also on the Bisri;

41/ United States Department of Commerce, World Trade Information Service, Economic Developments in Lebanon, 1954, part 1, No. 55-53 (Washington, D.C., 1955), page 1.

42/ United Nations, Statistical Yearbook, 1955 (sales number: 1955.XVII.10).

43/ United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, No. 11, July 1954, page 128.

it will have an installed capacity of 24,000 kilowatts. The combined output of these two plants is expected to be 336 million kilowatt-hours, delivered to the distribution system and used to supply Beirut and other areas. About 3,400 hectares in the Saida-Beirut coastal strip is to be irrigated by a canal 55 kilometres long, from the surge tank of the Joun power plant.44/

The total cost of this phase of the work is estimated at LL 130 million, or $40 million,45/ of which $27 million will be provided through a loan from the International Bank for Reconstruction and Development; the agreement for this was signed in August 1955. The remaining funds will be provided through extraordinary budget allocations as needed. The Bank's loan will be used to pay for the services of foreign consultants and contractors and for imports of equipment and supplies.

Other public projects include the building of roads,46/ the supplying of water to towns, the extension of Tripoli harbour, and various smaller irrigation projects.

Syria

Until recently Syria had a number of individual development schemes and projects, but had no integrated long-term national programme. In 1955 a mission of the International Bank for Reconstruction and Development submitted a six-year development programme to the Syrian Government, involving the expenditure by the Government of LS 986 million over the period 1955-1960.47/ This programme was not adopted in its entirety, but formed the basis for a seven-year extraordinary budget for economic development which was approved by the Syrian Parliament in August 1955.48/ This budget provided for investment of LS 660 million 49/ over the period 1955-1961 as shown on opposite page:

44/ International Bank for Reconstruction and Development, loan agreement dated 25 August 1955. The Government is also considering a project for irrigating 5,400 hectares in the Bekaa upstream from the Karaoun dam, but this project is not included in the agreement with the Bank or in the cost estimates given here.

45/ International Bank for Reconstruction and Development, Press Release No. 420, 26 August 1955, page 2.

46/ See section on transportation in chapter 1.

47/ International Bank for Reconstruction and Development, The Economic Development of Syria (Washington, D.C., 1955).

48/ Recueil des lois syriennes et de la législation financière, No. 8, August 1955 (Damascus); Le Commerce du Levant, 28 September 1955; United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, No. 13, April 1956.

49/ The LS 986 million suggested by the International Bank for Reconstruction and Development included expenditures of LS 346 million for education and health; most of these expenditures are of a current nature and therefore normally appear in the ordinary budget. The Syrian development budget figure of LS 660 million includes expenditures on capital works for health and education, but not current expenditures.

	Thousands of Syrian pounds
New public projects, to be administered by the Institute of Economic Development	301,250
Public projects begun earlier, to be completed by the governmental authorities originally entrusted with them	68,704
Loans to public bodies	216,946
Capital invested in autonomous public institutions	73,000
Latakia Port	38,000
Agricultural Bank	20,000
Industrial Bank	10,000
Real Estate Bank	5,000
Total	659,900

Source: Recueil des lois syriennes et de la législation financière, No. 8, August 1955, pages 45 to 53.

The first three categories, including loans to public bodies, comprised the allocations shown in table 40. The great majority of the projects included are identical with those recommended by the International Bank for Reconstruction and Development, although there are certain differences.

A new Government agency, the Institute of Economic Development, was set up to implement the seven-year plan. Autonomous both financially and administratively, it is charged with implementing all new projects in the programme,50/ amounting to LS 301 million, while projects started previously are to be completed, at a cost of LS 69 million, by the Government bodies which had originally undertaken them. The chief emphasis in expenditure, both on old and new projects, is on development of water resources, both for power and irrigation, while almost as much is to be spent on transport and communications, particularly roads. The only expenditures in the industrial sector (excluding electricity) are for two small projects: construction of a salt factory, and construction of gasoline storage centres, at a combined cost of LS 4.5 million. Somewhat less than half of the total expenditure has been scheduled by years, the rest being in the form of lump-sum allocations to be scheduled later.

The development budget also includes the sum of LS 217 million for loans and credits to be provided by the Government to various autonomous public authorities, such as the Ghab Project Administration, which is in charge of the largest land and water development project at present being undertaken in Syria. Other loans and

50/ The Institute may under certain circumstances delegate the execution of projects to other public bodies.

Table 40. Syria: Categories of Investment in Seven-Year Budget for Economic Development a/

(Thousands of Syrian pounds)

Item	New public projects b/	Completion of projects under way	Credits and loans to public bodies
Administrative expenses	5,150	--	--
Studies, surveys and censuses	22,000	2,612	--
Water resource projects (irrigation, hydro-electricity and wells)	87,500	28,880	87,500
Agricultural settlement and miscellaneous agricultural projects	10,000	4,500	
Road construction and repair	62,500	20,000	--
Railways	8,000	--	18,134
Airfields	27,500	1,000	--
Research and training institutes - construction and equipment	11,600	--	--
Hospitals - construction and equipment	7,000	--	--
Other public buildings	8,000	2,932	--
Electric power authorities	--	--	24,500
Special programme of Ministry of Defence	45,000	--	--
Petroleum refinery	--	--	80,000
Other	7,000	8,780	6,811
Total	301,250	68,704	216,946

Source: Recueil des lois syriennes et de la législation financière, No. 8, August 1955, pages 45-53.

a/ Not including LS 73 million provided as capital for autonomous public institutions.

b/ Projects to be carried out under the Institute of Economic Development.

credits are to be extended for a new petroleum refinery and for the Hejaz railway, also to various electricity authorities. Lastly, the Government will continue to invest capital in the Latakia Port Company, since sufficient private capital has not been obtained, and will invest in three banks, an agricultural, an industrial and a real estate bank, the last two of which have yet to be set up.

The development plan indicates the sources from which funds are to be obtained, as follows:

	Thousands of Syrian pounds
Ordinary budget, total during six years	90,000
Revenue from petroleum	155,000
Reserve fund	68,954
Returns from sale of "Palestine stamp"	17,000
Savings from liquidation of certain accounts	5,000
Internal loans	34,000
Loans from International Bank for Reconstruction and Development	77,000
Sale of treasury bonds, loans from Banque de Syrie et du Liban and available treasury funds	212,946
Total	659,900

Source: United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, No. 13, April 1956.

The main sources of foreign exchange were expected to be oil transit revenues and a loan from the International Bank for Reconstruction and Development, which has not yet been applied for. It appears that the oil transit revenue may be greatly underestimated, in view of the recent agreement signed between the Government of Syria and the Iraq Petroleum Company providing for payment by the latter of £ 6.5 million sterling per year.51/ A similar agreement is expected to be concluded with the Trans-Arabian Pipeline Company, and it is estimated that under these new agreements oil transit revenues will total over £ 60 million sterling over the next six years (to the end of 1961), equivalent to approximately LS 600 million at the free rate. Thus the additional finance to be found locally may be quite small.

The law establishing the economic development plan also contains a special list of long-range projects, which are to be studied for possible future implementation, but for which no financing is provided. The two main projects are construction of an El Jezira - Aleppo - Latakia railway and the Yusef Pasha dam on the Euphrates.

51/ See chapter on petroleum in this report.

Table 41. Turkey: Public Investment Projects
(Millions of Turkish liras)

Sector	Total cost of projects	Finance		Expenditure to 31 December 1954	Expenditure to be made after 31 December 1954
		Internal	External		
Agriculture and forestry:					
All projects	659	500	159	371	288
Irrigation	127	127	-	45	82
Storage facilities	137	72	65	25	112
Industry:					
All projects	1,594	989	605	50	1,544
Mines	649	351	298	-	649
Processing industries	944	637	308	50	894
Energy	1,444	1,146	298	717	727
Transport and communications:					
All projects	3,466	2,661	805	1,515	1,951
Roads	1,263	1,149	114	944	319
Ports	764	685	79	130	634
Airfields	273	63	210	123	150
Railways	553	549	4	219	334
Commerce	61	45	16	29	32
Public works:					
All projects	862	823	39	250	612
Schools	545	545	-	153	392
Drainage and flood control	179	179	-	73	106
Total	8,086	6,164	1,922	2,932	5,154

Source: Economic Commission for Europe, L'Etat actuel et les perspectives de développement de l'économie turque, ECE (11), Conference Paper No. 2, 3 April 1956, page 47.

Turkey

Turkey has a number of development projects, but no co-ordinated national programme. In a summary of public investment projects at present in process of execution or planned (see table 41), the greater share of investment is seen to be allocated to the transport and communications sector, while in comparison with most Middle Eastern countries the share devoted to agriculture is a good deal lower. Private investment in agriculture, however, has been considerable in Turkey in recent years,52/ particularly in mechanization, while the fact that Turkey has more rainfall than most other countries of the region makes it less necessary for the Government to invest heavily in irrigation schemes. Nonetheless, the Government is undertaking a number of multi-purpose water projects,53/ to produce electricity and, together with some smaller irrigation works, to bring about a substantial increase in the irrigated area.54/ In addition, other agricultural benefits will result from these projects in the form of drainage of swamps and flood control, apart from irrigation improvements. Grain storage and handling facilities are being substantially increased.

Among expenditures on transport and communications, much the largest share is devoted to road construction and repair. The original programme envisaged the expenditure of LT 1,263 million, of which LT 944 million had been spent by the end of 1954, but apparently the programme has since been expanded, since the budget allocations for roads in 1955/56 and 1956/57 provide for more than LT 300 million to be spent each year. Additional large sums are being spent on railway repairs, and there are plans for the eventual extension of the rail network. There is a considerable programme under way for harbour improvement and airport construction, and for purchase of ships and aircraft.55/

Another important category of investment is energy production. In addition to the multi-purpose water projects referred to above, several thermogenerating stations are being built, and these will substantially raise capacity.56/ A long-term project for the expansion and improvement of government coal mines is more than two-thirds completed, and a smaller project to increase lignite production is under way.

Public investment in industry is another important category. Considerable sums are to be invested in the production of sugar, cement, nitrogen fertilizers,

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52/ See chapter 1 of this report.

53/ These include the following: the Seyhan project in the Adana region, for whose external financing the International Bank for Reconstruction and Development made a loan of $25.2 million in 1952, and of which the first stage is already completed; the Sariyar project on the Sakarya River, which will be completed next year, the Hirfanli project on the Kizilimak River, to be completed early in 1958; the Demirköprü project on the Gediz River and the Kemer project on the Akçay River, both of which are scheduled for completion at the end of 1958.

54/ See section on agriculture, chapter 1.

55/ See section on transport in chapter 1.

56/ See section on industry in chapter 1.

iron and steel, textiles, paper and some other manufactures. Expenditures on health and education have also risen greatly in recent years, but there is still a great shortage of trained technicians.

Public development expenditures have been financed in the past partly through the budget, partly by aid from the United States and partly through bank credit. The resort to bank credit appears to have contributed to inflationary pressures and to balance of payments difficulties, which may hamper the completion of some current projects.

APPENDIX

Table A. Industrial Origin of National Income,[a] Selected Countries

(Millions of indicated currency units)

Country, currency and year	Total	Per capita[b]	Agriculture	Industry[c]	Construction	Wholesale and retail trade	Transport and communications	Financial institutions	Ownership of dwellings	Government services	Professions and other services	Income from abroad
Egypt (Egyptian pound):												
1950	873	43	353	71	25	126	51[d]	21	48	190[e]		-12
1952	836	39	269	70	25	120	54[d]	25	60	225[e]		-12
1953	857	39	273	74	20	129	55[d]	21	58	234[e]		- 8
Israel (Israeli pound):												
1953	1,130	685	140	263	67	130	86	79	...[f]	259	134	-28
1954	1,461	865	203	322	88	188	122	102	...[f]	311	161	-36
1955	1,750	1,000	...	...	...	...	...	...	...	...	...	...
Lebanon (Lebanese pound):												
1950	1,045	831	206	133	43	300	44	40	96	72	100	12
1953	1,155	854	221	139	40	344	62	50	101	71	109	16
1954	1,185	857	226	141	41	350	53	56	104	73	113	16
Syria (Syrian pound):												
1953	1,360	384	870	180			60[g]			250		
1954	1,650	450	1,080	200			110[g]			260		
Turkey (Turkish pound):												
1950	8,964	428	4,472	1,094	319	952	477	153	252	912	354	-20
1953	14,696	645	7,235	1,840	693	1,644	863	303	354	1,255	540	-30
1954	14,273	609	5,944	2,032	814	1,576	1,067	384	453	1,448	589	-34

Source: Compiled by the United Nations Bureau of Economic Affairs from official publications; 1955 data for Israel from budget message of Minister of Finance (Jerusalem Post, 15 February 1956).

a/ At factor cost and current prices.

b/ Figures in units of national currency.

c/ Including mining and public utilities.

d/ Transportation and storage only.

e/ Including income originating in household sector and in public enterprises; and interest on cotton loan.

f/ Included with professions and other services.

g/ Transportation and revenue from tourism.

Table B. Acreage of Principal Crops, by Country

(Thousands of hectares)

Crop and country	Annual average 1948-1952	1953	1954	1955
Wheat	9,848	12,552	12,834	13,249
Cyprus	75	74	74	...
Egypt	605	752	754	640
Iran	2,080a/b/	2,300b/	2,300b/	...
Iraq	936	1,182	1,390	1,483
Israel	34a/	30	31	47
Jordan	182	246	273	270
Lebanon	70	70	70	70
Syria	994	1,314	1,347	...
Turkey c/	4,770	6,547	6,556	7,225
Other countries d/	34	37	39	37
Barley	4,301	5,080	5,294	5,338
Cyprus	53	57	56	...
Egypt	64	49	51	57
Iran	757b/	800b/	800b/	...
Iraq	934	1,096	1,122	1,194
Israel	52a/	70	78	62
Jordan	62	92	104	101
Lebanon	20	20	20	20
Syria	369	439	543	...
Turkey	1,972	2,437	2,500	2,600
Other countries d/	18	20	20	19
Maize	1,356	1,553	1,603	1,556
Egypt	660	847	800	771
Turkey	599	621	720	700
Other countries	97	85b/	83b/	85b/
Rye	493	649	613	650
Turkey	493	649	613	650
Other countries	-	-	-	-
Oats	323	333	359	381
Turkey	307	320	348	370
Other countries	16	13	11	11
Millet	575	894	817	...
Sudan	354e/	686	600	...
Syria	93f/	97	102	...
Turkey	74	83	79	...
Other countries	54	28	36	...

able B (continued)

Crop and country	Annual average 1948-1952	1953	1954	1955
Sorghum	1,051	1,172	1,208	...
Egypt	191	204	192	...
Sudan	820	871	900	...
Other countries	40	97	116	...
Rice (paddy)	734	581	681	588
Egypt	256	178	256	252
Iran	267	250b/	251b/	242b/
Iraq	174	95	120	60
Turkey	31	51	46	26
Other countries	6	7	8	8
Pulses g/	764	734	771	...
Egypt	195	159	173	190
Turkey	268	281	288	...
Other countries	301	294	310	...
Cotton lint	1,723	1,811	2,002	2,253
Egypt	761	556	663	763
Iran	133	225	225	250
Sudan	207	264	277	271
Syria	106	128	187	249
Turkey	478	605	582	650
Other countries	38	33	68	70
Sugar-beets	85	101	113	140
Iran	34b/	44b/	38b/	45b/
Syria	1e/	4	5	5b/
Turkey	50	53	70	98b/
Other countries	-	-	-	-
Sugar-cane	37	44	48	45b/
Egypt	37	44	48	45b/
Lebanon	-	-	-	-
Other countries	-	-	-	-
Tobacco	156	210	203	170
Iran	16b/	27b/	17b/	19b/
Iraq	6b/h/	8	10	8b/
Syria	7	6	7	9b/
Turkey	118	159	156	156b/
Other countries	9	10	13b/	14b/

(Source and footnotes on following page)

(Source and footnotes to table B)

Source: Food and Agriculture Organization of the United Nations. Totals are for Arabian peninsula, including Aden, and also Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Sudan, Syria and Turkey, except in the case of rye, sugar-beets and sugar-cane. Crop years ending in year specified.

a/ Average of four years.

b/ Estimated.

c/ Crop includes spelt.

d/ Including Arabian peninsula countries and the Sudan.

e/ Average of three years.

f/ Average for Lebanon and Syria; sorghum is included.

g/ Dry beans, dry peas, broad beans, chick-peas and lentils.

h/ Annual average, 1947-1951.

Table C. Production of Principal Crops, by Country

(Thousands of metric tons)

Crop and country	Annual average 1948-1952	1953	1954	1955
Wheat	9,238	13,835	11,402	12,433
Cyprus	48	67	71	...
Egypt	1,113	1,547	1,729	1,451
Iran	1,860a/	2,240a/	2,100a/	2,500a/
Iraq	448	762	1,160	483
Israel	24b/	30	34	36
Jordan	127	100	233	79
Lebanon	51	50	60	60
Syria	762	870	965	500
Turkey c/	4,771	8,130	5,010	7,216
Other countries d/	34	39	40	33
Barley	4,388	6,366	5,522	5,422
Cyprus	47	67	70	...
Egypt	123	103	116	127
Iran	767a/	820a/	820a/	880
Iraq	722	1,111	1,239	768
Israel	44b/	64	90	40
Jordan	52	43	104	25
Lebanon	25	26	27	28
Syria	321	472	635	...
Turkey	2,270	3,640	2,400	3,000
Other countries d/	17	20	21	19
Maize	2,221	2,720	2,783	2,689
Egypt	1,378	1,853	1,753	1,702
Turkey	747	760	914	864
Other countries	96	107a/	116a/	123a/
Rye	500	730	470	660
Turkey	500	730	470	660
Other countries	-	-	-	-
Oats	339	428	336	370
Turkey	326	416	325	357
Other countries	13	12	11	11
Millet	324b/	605	545	...
Sudan	130e/	326	300	...
Syria	65f/	124	114	...
Turkey	78	103	88	78
Other countries	51	52	43	...

Table C (continued)

Crop and country	Annual average 1948-1952	1953	1954	1955
Sorghum	1,187	1,787	1,701	...
Egypt	518	582	549	...
Sudan	640	1,141	1,100	...
Other countries	29	64	52	...
Rice (paddy)	1,732	1,507	2,021	1,969
Egypt	971	652	1,118	1,268
Iran	432	500	525	520
Iraq	203	163	180	98
Turkey	110	174	176	63
Other countries	16	18	22	20
Pulses a/	780	817	822	...
Egypt	315	264	307	321
Turkey	264	310	282	...
Other countries	201	243	233	...
Cotton b/	652	650	733	755
Egypt	396	318	348	383
Iran	26	50	60	60
Sudan	74	90	91	87
Syria	30	47	80	85
Turkey	120	139	142	130
Other countries	6	6	12	10
Sugar-beets	1,319	1,751	1,671	2,097
Iran	349a/	531a/	455a/	550a/
Syria	7i/	50	51	50a/
Turkey	963	1,170	1,165	1,497a/
Other countries	-	-	-	-
Sugar-cane	2,191	2,819	3,190	3,000
Egypt	2,185	2,818	3,190	3,000a/
Lebanon	6	1	-	-
Other countries	-	-	-	-
Tobacco	114	155	132	149
Iran	12a/	18a/	12a/	13a/
Iraq	6a/	8a/	9	5a/
Syria	6	5	6	6a/
Turkey	86	118	98	118a/
Other countries	4	6	7	7

Table C (continued)

Crop and country	Annual average 1948-1952	1953	1954	1955
Olives	410j/	430	704	...
Cyprus	10j/	14	8	...
Iran	...	10	...	...
Israel	6j/	14	21	...
Jordan	23j/	49	61	...
Lebanon	30j/	...	36	...
Syria	61j/	49	36	...
Turkey	267j/	254	532	236
Olive oil	80j/	75	120	65
Cyprus	2j/	2	1	...
Iran	1j/	-	-	-
Israel	1b/	2	4	1
Jordan	...	9	15	8
Lebanon	9j/	10	12	...
Syria	9j/	11	8	6
Turkey	48j/	40a/	80	30
Oil-seeds k/	1,571	1,599	1,801	1,926
Egypt	760	643	716	784
Iran	61	112	132	132
Syria	72	92	159	169
Turkey	392	447	462	511
Other countries	286	305	332	330
Citrus fruits	820	1,140	1,100	1,100
Cyprus	34	42	48	48
Egypt	284	361	331	322
Iran	47	45	35	38
Israel	302	470	390	388
Lebanon	75	100	115	116
Turkey	78	113	175	179
Other countries	5	5	5	5
Dates	860l/	1,050	1,140	...
Egypt	206m/	289	379	...
Iran	125	125	141	100
Iraq	310	350	322	327
Saudi Arabia	182m/	...	...	...
Sudan	31	24	...	...
Other countries	5	13	13	...
Raisins	180	188	198	...
Iran	41	49	50	54
Turkey	125	113	...	...
Other countries	14	26	33	...

Table C (continued)

Crop and country	Annual average 1948-1952	1953	1954	1955
Figs n/	204	263	227	...
Jordan	16m/	61	18	...
Syria	42	53	56	...
Turkey	107	105	107	...
Other countries	39	44	46	...

Source: Food and Agriculture Organization of the United Nations. Totals are for Arabian peninsula, including Aden, and also Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Sudan, Syria and Turkey.

a/ Estimated.

b/ Average of four years.

c/ Crop includes spelt.

d/ Including Arabian peninsula countries and the Sudan.

e/ 1948-1949.

f/ Average for Lebanon and Syria; sorghum is included.

g/ Dry beans, dry peas, broad beans, chick-peas and lentils.

h/ Cotton lint; cotton-seed not included.

i/ Average of three years.

j/ Annual average, 1947-1952.

k/ Soya beans, ground-nuts, cotton-seeds, linseed, sesame seed, sunflower seed.

l/ Based on estimates for the missing years in respect of Egypt and Saudi Arabia, the total is 830,000 metric tons.

m/ Average of two years.

n/ Fresh basis.

Table D. Major Exports, Selected Countries

(Weight in thousands of metric tons; value in millions of dollars)

Country and item	1953		1954		1954 First half		1955 First half	
	Weight	Value	Weight	Value	Weight	Value	Weight	Value
Cyprus:								
Total exports		40.5		44.9		...		...
Fruits and vegetables	...	7.7	...	9.1	...	...	..	...
Metalliferrous ores and concentrates	798.3	20.0	934.7	23.8	...	...	...	...
Egypt:								
Total exports		390.1		392.5		227.9		191.1
Rice	0.4	0.6	46.7	7.6	11.2	2.3	64.7	7.7
Vegetables	136.6	12.6	216.8	9.5	...	5.1	...	6.6
Cotton, raw	347.4	334.6	288.1	325.0	133.7	199.6	127.2	150.1
Cotton yarn	5.4	5.7	11.2	12.6	3.9	4.0	5.9	7.2
Iran: [a]								
Total exports		94.4		143.9		...		...
Rice	49.0	6.4	61.0	8.2	...	...	...	...
Dried fruits and nuts	72.7	12.2	93.2	17.8	...	...	...	...
Cotton, raw	36.0	22.3	46.2	35.5	...	...	...	...
Wool	8.5	5.9	8.0	6.9	...	...	...	...
Carpets, woollen	5.3	14.6	4.6	15.2	...	...	...	...
Iraq:								
Total exports [b]		53.4		50.3		20.7		30.9
Dates	252.5	11.8	221.1	9.9	91.5	4.1	108.9	3.2
Barley and wheat	491.5	24.1	520.5	25.1	193.6	9.5	307.2	17.0
Livestock (thousands)	356.1	4.4	385.0	4.4	195.2	2.0	128.7	0.8
Israel:								
Total exports		57.5		85.0		53.8		54.7
Citrus fruits (thousands of cases)	5,386.0	21.6	8,468.3	32.6	7,451.0	30.1	6,423.0	26.7
Diamonds, polished (thousands of carats)	146.8	12.7	183.8	15.7	82.0	7.0	108.0	9.5
Other items, wholly or mainly manufactured	...	19.3	...	28.8	...	12.9	...	14.7
Lebanon:								
Total exports		25.7		29.1		12.8		18.2
Vegetables	49.2	3.0	89.1	5.0	20.5	1.3	34.0	1.6
Citrus fruits	31.6	1.8	46.0	3.1	27.0	1.6	22.4	1.3
Other fruits	18.7	2.1	23.9	2.6	13.4	1.5	13.0	1.5
Sudan:								
Total exports		123.6		111.9		...		...
Cotton, ginned	90.2	76.8	60.5	62.3	...	...	...	...
Cotton seed	118.5	9.2	106.5	8.6	...	...	...	...
Gum arabic	40.0	8.6	38.0	10.8	...	...	...	...
Syria:								
Total exports		102.6		128.6		47.3		66.1
Barley	153.3	6.8	431.0	23.9	98.5	5.1	25.9	1.9
Wheat and wheat flour	202.5	14.4	261.1	22.1	103.9	8.3	44.9	3.1
Cotton, raw	53.9	37.2	42.2	34.8	13.0	10.0	39.6	32.1
Wool, raw	4.5	5.9	4.8	6.5	1.9	2.6	3.1	4.0
Sheep (thousands)	441.5	5.1	520.4	6.1	287.6	3.0	460.0	5.3
Turkey:								
Total exports		396.0		334.9		162.4		151.4
Wheat	600.6	58.7	950.0	67.3	617.0	44.8	71.3	6.0
Fruits and nuts	93.2	36.3	122.6	45.8	46.0	14.0	52.0	22.6
Tobacco	71.7	85.3	64.4	85.9	18.4	24.7	26.8	39.2
Cotton	100.8	78.7	60.7	52.4	44.8	38.2	36.8	32.1
Chrome ore	678.5	28.2	356.6	15.5	185.2	8.5	311.5	11.5
Copper	22.6	15.0	16.6	9.8	4.4	2.7	8.4	5.7

Source: United Nations, Yearbook of International Trade Statistics, 1954 (sales number: 1955.XVII.9); Egypt: Ministry of Finance and Economy, Monthly Summary of Foreign Trade (Cairo); Ministry of Finance, Statistique mensuelle du commerce extérieur de l'Iran (Tehran); Iraq: Ministry of Economics, Monthly Bulletin of Statistics (Baghdad); Central Bureau of Statistics, Statistical Bulletin of Israel, Foreign Trade (Jerusalem); Lebanon: Ministry of National Economy, Bulletin statistique trimestriel, 1954 (Beirut); Syria: Ministry of National Economy, Summary of Foreign Trade (Damascus, 1954, 1955); Turkey: Central Statistical Office, Statistique annuelle du commerce extérieur and Statistique mensuelle du commerce extérieur (Ankara).

a/ Years beginning 20 to 22 March of year stated. Data exclude exports of fishery products; exports of petroleum products by consortium were begun during October 1954.

b/ Excluding exports of petroleum.

Table E. Major Imports, Selected Countries

(Totals, value in millions of indicated currency units; details in percentages)

Country and item	1953	1954	1955 First half
Egypt:			
Total imports (millions of Egyptian pounds) ..	176.8	160.2	85.0
Wheat	12.1	0.2	0.1
Tea and coffee	5.5	6.3	6.2
Sugar, refined	1.3	0.5	-
Cotton and woollen fabrics	2.4	1.8	0.8
Petroleum and petroleum products	8.0	11.3	4.8
Fertilizers, crude and manufactured	6.5	7.0	5.5
Wood for construction	3.7	4.6	3.2
Iron and steel and other common metals and products thereof	7.9	9.1	11.5
Machinery and electrical equipment	10.7	13.3	17.5
Means of transport	5.1	6.3	6.4
Iran:[a/]			
Total imports (millions of rials) 15,830.0		21,387.0	...
Tea	2.6	4.2	...
Sugar	22.8	15.2	...
Cotton textiles	14.2	9.5	...
Iron and steel, and products	7.3	6.8	...
Machines	9.3	6.7	...
Motor vehicles	2.7	12.3	...
Iraq:			
Total imports (millions of dinars)	68.7	74.1	44.0
Tea	7.0	8.6	7.9
Sugar	7.5	7.2	6.1
Cotton, woollen and artificial silk piece-goods	12.4	13.0	10.2
Boilers, electrical and other machinery, including parts	19.5	18.3	14.6
Iron and steel	17.3	11.1	12.2
Timber	1.8	2.0	2.0
Vehicles, including parts	7.0	8.4	10.2

Table E (continued)

Country and item	1953	1954	1955 First half
Israel:[b]			
Total imports (millions of Israeli pounds) ...	100.4	103.5	106.7[c]
Consumer goods	21.2	18.5	16.4[c]
Wheat	8.6	8.6	8.0[c]
Other consumer goods	12.6	10.0	8.4[c]
Production goods	45.4	53.2	53.2[c]
Investment goods	22.6	20.3	20.0[c]
Fuel and lubricants	10.8	10.0	10.4[c]
Lebanon:			
Total imports (millions of Lebanese pounds) ..	314.3	380.5	264.7
Livestock	7.5	6.7	6.6
Cereals	11.0	15.4	3.6
Sugar	1.5	1.6	0.9
Woollen, cotton and silk fabrics	5.0	6.2	4.7
Petroleum products	6.9	6.9	6.2
Iron and steel bars, wires, sheets, pipes and tubes	4.5	3.8	7.0
Machinery [d]	2.0	2.8	9.0
Motorcars	3.7	4.1	5.2
Syria:			
Total imports (millions of Syrian pounds)	286.4	381.7	247.2
Coffee, raw, and tea	1.6	1.6	1.2
Sugar, raw	1.7	1.6	2.4
Woollen and cotton fabrics	5.6	4.6	3.7
Kerosene, gasoline, diesel and lubricating oil	13.2	11.7	9.1
Artificial silk thread	5.3	4.5	3.6
Iron and steel bars, sheets, tubes and pipes	3.3	3.3	6.9
Machinery [e]	6.8	6.9	16.5
Motorcars, including chassis	4.9	7.0	8.7
Turkey:			
Total imports (millions of Turkish liras)	1,491.0	1,339.0	739.0
Consumer goods	15.4	14.6	20.0
Cereals	0.1	0.1	8.1
Coffee, tea, cocoa	2.3	2.9	2.6
Other consumer goods	13.1	11.6	9.3
Raw materials	10.2	11.7	8.1
Fuel and tires	10.2	11.6	7.7[f]
Capital goods	59.0	58.8	59.0[f]
Unclassified	5.1	3.3	5.2

(Source and footnotes on following page)

(Source and footnotes to table E)

Source: United Nations, Yearbook of International Trade Statistics; Egypt: Ministry of Finance and Economy, Monthly Summary of Foreign Trade; Ministry of Finance, Statistique mensuelle du commerce extérieur de l'Iran; Iraq: Ministry of Economics, Monthly Bulletin of Statistics; Central Bureau of Statistics, Statistical Bulletin of Israel, Foreign Trade; Lebanon: Ministry of National Economy, Bulletin statistique trimestriel; Syria: Ministry of National Economy, Summary of Foreign Trade; Turkey: Central Statistical Office, Statistique mensuelle du commerce extérieur.

a/ Years beginning 20 to 22 March of the year stated. Data converted from foreign currencies to rials at the official rate of exchange plus the rate of exchange certificates.

b/ Imports valued at the rate of $2.80 per Israeli pound.

c/ Eleven months.

d/ Internal combustion engines, agricultural machinery, machines for manufacturing ice, electric motors and generators, including transformers.

e/ Internal combustion motors (agricultural and industrial), agricultural pumps, other agricultural machines, textile machinery, electric dynamos and motors, including transformers and choking coils.

f/ The percentage for 1955 understates the proportion of Turkey's capital goods imports (apparently the highest in the region), since total imports in that year included cereals, which previously were not imported. If cereals are excluded from imports, the ratio for the first half of 1955 is 64.3 per cent.

Table F. Geographic Pattern of Trade, by Country

(Percentage of total trade of given country)

Country, item and period	Total trade of given country (millions of dollars)	Trading area: Canada and United States	United Kingdom	France	Western Germany	Other western European countries[a]	Eastern Europe[b]	Finland and Yugoslavia	Mainland China	India and Japan	Middle East[c]	Other areas
Egypt:												
Exports:												
1953	394.4	5.6	10.9	13.2	6.6	17.7	9.6	1.3	2.6	17.4	0.7	14.4
1954	397.1	4.9	10.5	11.5	8.3	15.0	11.3	1.3	2.9	18.1	2.2	14.0
1954 Nine months	294.8	5.4	11.6	11.7	8.7	14.6	8.3	0.9	3.9	19.8	1.9	13.2
1955 Nine months	276.2	7.0	6.7	9.6	7.1	11.6	16.7	2.0	8.2	14.9	1.8	14.4
Imports:												
1953	501.7	20.9	9.9	8.8	10.5	17.5	7.6	2.1	0.1	2.6	2.4	17.6
1954	458.9	11.6	12.6	10.0	11.1	20.3	5.7	2.5	0.2	3.7	2.2	20.1
1954 Nine months	320.8	12.3	12.8	9.1	11.5	20.2	5.0	2.3	0.2	3.1	2.4	21.1
1955 Nine months	371.0	12.1	12.9	9.2	10.5	21.0	6.1	2.4	0.2	6.7	2.7	16.2
Iran:												
Exports:												
1953 d/	94.4[e]	11.3[f]	5.0	4.4	17.5[g]	10.8	14.3[h]	—	—	14.2	5.2[i]	17.3
1954	111.4	9.3	6.3	8.4	15.5[g]	12.4	18.5	—	—	14.0	3.1	12.5
1954 Four months	38.9	7.5	5.7	6.2	15.9[g]	10.0	23.6	—	—	13.6	2.1	15.4
1955 Four months	70.6	7.4	10.3	11.0	13.9	16.4	12.7	0.1	—	9.8	2.1	16.3
Imports:												
1953 d/	163.8[e]	18.7	10.7	2.4	16.1[g]	14.5	7.3[h]	—	—	17.5	1.0[i]	11.8
1954	213.3	23.9	9.3	3.2	15.4[g]	11.5	9.9	0.1	4.1[j]	15.2	2.1	5.3
1954 Four months	66.6	17.3	12.3	2.7	12.9[g]	16.3	9.9	—	2.0[j]	14.4	1.2	11.0
1955 Four months	84.7	20.5	9.2	3.0	18.5	9.9	12.4	0.1	0.5[j]	15.2	3.1	7.6
Iraq:[k]												
Exports:												
1953	53.4[l]	4.7	31.3	0.7	1.2[g]	14.5[m]	...	...	0.6[n]	8.2	11.3	27.5
1954	50.3[l]	4.8	11.0	0.5	14.0[g]	24.2[m]	...	...	1.0[n]	6.6	10.5	27.4
Imports:												
1953	192.4	15.5	37.7	3.0	4.8[g]	12.5	1.5	—	1.6[n]	9.7	3.1	10.6
1954	207.5	14.2	30.7	2.5	8.1[g]	11.8	1.8	—	1.5[n]	11.1	3.2	15.1
1954 Three months	47.8	12.6	36.0	2.5	6.1[g]	11.5	1.3	0.6	0.6[n]	10.0	3.1	15.7
1955 Three months	58.8	18.4	27.9	3.6	7.1[g]	11.8	2.7	0.2	0.5[n]	11.4	3.4	13.0
Israel:												
Exports:												
1953	57.5	23.3	26.0	0.9	—	9.2	3.3	10.6	—	—	13.6	13.1
1954	85.0	18.1	22.8	2.5	2.0	11.6	5.2	10.0	—	0.2	15.0	12.6
1954 Six months	53.8	13.0	29.8	3.0	3.0	13.0	5.4	8.2	—	0.2	10.8	13.6
1955 Six months	54.7	15.3	23.6	2.6	4.4	13.3	4.2	12.2	—	—	10.8	13.6
Imports:												
1953	281.1	34.4	10.6	1.7	4.3	13.8	0.8	2.3	—	0.1	4.5	27.5
1954	289.7	30.9	9.5	2.6	17.9	8.0	2.4	3.0	—	0.1	4.2	21.4
1954 Six months	147.5	30.7	10.3	1.4	14.9	9.0	3.0	2.6	—	0.1	6.4	21.6
1955 Six months	161.6	32.1	10.6	2.7	18.4	8.9	1.4	3.0	—	0.2	2.7	20.0

Lebanon:												
Exports:												
1953	25.4	5.5	4.7	11.0	0.3	5.1	2.4	—	0.3	0.4	28.0	42.3
1954	32.9	6.1	4.0	4.3	2.4	9.4	2.1	—	—	0.9	28.0	42.8
1954 Three months	6.8	4.4	5.9	5.9	1.5	3.0	—	—	—	—	33.8	45.5
1955 Three months	9.9	5.1	5.1	4.0	2.0	10.1	4.0	2.0	—	—	27.3	40.4
Imports:												
1953	165.9	16.0	9.4	9.0	4.2	13.4	2.0	0.6	0.1	0.5	31.2	13.6
1954	221.0	14.8	18.0	8.0	4.9	12.2	1.9	0.3	—	0.6	27.9	11.4
1954 Three months	48.0	32.7	8.1	6.7	4.8	10.4	2.1	0.2	—	0.4	22.7	11.9
1955 Three months	51.4	12.6	16.4	9.9	6.4	12.6	1.9	0.6	—	0.8	25.5	13.3
Syria:												
Exports:												
1953	103.6	5.5	12.3	15.5	6.4	16.2	—	—	—	0.2	29.5	14.4
1954	130.3	4.1	6.3	15.5	6.0	20.0	0.1	0.2	0.5	0.5	32.7	14.1
Imports:												
1953	140.1	12.7	10.8	10.7	9.5	18.1	2.6	0.9	0.7	2.5	16.5	15.0
1954	186.2	12.6	12.0	11.8	9.7	16.9	2.5	3.0	0.1	3.9	14.4	13.1
Turkey:												
Exports:												
1953	396.0	20.3	6.9	4.5	15.3	18.3	7.4	6.6	—	1.8	8.1	10.8
1954	334.9	17.5	6.9	3.0	17.9	11.8	16.5	7.9	—	0.8	5.8	11.9
1954 Seven months	185.0	8.6	4.5	3.2	14.1	12.6	20.3	11.0	—	1.4	7.8	16.5
1955 Seven months	169.4	11.7	5.4	9.1	12.3	15.6	26.7	6.0	—	0.3	4.6	8.3
Imports:												
1953	532.4	11.8	13.7	6.1	20.8	20.0	5.5	6.4	—	0.6	1.8	13.3
1954	478.3	15.3	8.7	7.0	17.3	12.4	9.4	8.7	—	2.0	3.8	15.4
1954 Seven months	294.8	14.6	9.3	7.5	18.8	14.2	6.7	7.8	—	1.8	3.7	15.6
1955 Seven months	299.8	24.1	7.3	4.6	16.2	7.6	20.1	3.8	—	1.0 o/	3.5	11.8 o/

Source: Unless otherwise indicated, Direction of International Trade, a joint publication of the Statistical Office of the United Nations, the International Monetary Fund and the International Bank for Reconstruction and Development. Total values of exports and imports, as shown in this publication, differ in some cases from those published separately by the Statistical Office of the United Nations or by the International Monetary Fund, owing to certain adjustments in the latter, particularly the exclusion of gold. See Direction of International Trade, annual issue, series T, vol. VI, No. 10, page 330. For Iran petroleum exports are included.

a/ Belgium-Luxembourg, Italy, Netherlands, Sweden, Switzerland.

b/ Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Romania and the Union of Soviet Socialist Republics. See Direction of International Trade, annual issue, series T, vol. VI, No. 10, page 333.

c/ Egypt, Iran, Iraq, Israel, Lebanon, Syria, Turkey.

d/ Year beginning 20 to 23 March. Data from United Nations, Yearbook of International Trade Statistics, 1954, page 274.

e/ Exports 3,020 million rials, imports 5,324 million rials, converted at the rates of US $1 per 32 rials for exports, and $1 per 32.5 rials for imports.

f/ United States only.

g/ Eastern and Western Germany.

h/ Czechoslovakia and the Union of Soviet Socialist Republics only.

i/ Excluding trade with Israel and Turkey, which is negligible.

j/ Data refer only to Taiwan.

k/ Data on exports from United Nations, Yearbook of International Trade Statistics, 1954, page 277. Export figures exclude pipeline exports of petroleum.

l/ Converted into dollars at the rate of one dinar equals US $2.80.

m/ Excluding Switzerland.

n/ Including Taiwan.

o/ Imports from India included under "other areas".

Table G. Balance of Payments, Selected Countries

(Millions of indicated currency unit)

Country, currency and year	Merchandise (including non-monetary gold)		Transportation and insurance	Investment income	Other services	Private donations	Official donations	Total of preceding	Private capital	Official and banking capital		Net errors and omissions
	Exports	Imports								Long-term	Short-term and monetary gold	
Egypt (United States dollar):												
1953	395	- 478[a]	86	- 31	6	...	...	- 22	- 5	31	- 3	- 1
1954	414	- 448[a]	87	- 38	- 5	...	...	10	- 15	-	5	-
Iran[b] (United States dollar):												
1953	95	- 175[a]	-	-	4	-	63	- 13	...	1	- 33	45
1954	208	- 247[a]	-	- 43	1	-	56	- 25	10	2	1	12
Iraq (United States dollar):												
1953	403	- 197[a]	4	- 141	- 6	- 1	2	64	3	- 11	- 57	1
1954	495	- 216[a]	4	- 189	- 4	- 1	2	91	- 10	- 10	- 55	- 16
Israel (United States dollar):												
1953	57	- 282[a]	7	- 17	- 28	85	88	- 90	17	48	10	15
1954	88	- 296[a]	6	- 17	- 25	136	127	19	11	52	- 62	- 20
Lebanon (Lebanese pound):												
1953	———	- 223.8 ———		18.1	94.2	161.4	4.8	54.7	- 14.7	13.6	- 18.2	- 35.4
Syria (Syrian pound):												
1953	408	- 484[a]	6	...	46	10	10	- 4	20	...	- 10	6
1954	554	- 673[a]	10	...	5	10	4	- 90	22	———	42 ———	26
Turkey (United States dollar):												
1953	396	- 472[c]	- 43	- 5	- 13	1	47	- 89	29	- 11	- 43	114
1954	335	- 423[c]	- 41	- 5	- 23	...	45	- 112	42	- 9	81	- 3

Source: International Monetary Fund, Balance of Payments Yearbook; United Nations Bureau of Economic Affairs; and Statistical Office of the United Nations. For Turkey the figures have been converted into United States dollars at the rate of $1 equals £T 2.8. Owing to the difficulty of determining the appropriate rate of conversion, the data for Lebanon and Syria are given in national currencies.

a/ Imports c.i.f.

b/ Years beginning 20 to 23 March. As three months of the following calendar year are included, figures do not agree with those in table 26.

c/ Import figures do not agree with those in table 26 because transportation costs and insurance have been deducted.

Table H. Share of Direct Petroleum Revenue in Total Government Revenues, Major Oil Producing Countries

(Millions of dollars)

Country and year	Total government revenue	Direct petroleum revenue	Petroleum revenue as percentage of total government revenue
Iran:[a]			
1953/54	88.2	-	-
1954/55	132.1	18.5	14.0
1955/56 [b]	255.8	98.0	38.3
Iraq:[c]			
1953/54	279.5	140.4	50.2
1954/55 [b]	307.6	155.0 [d]	50.4
1955/56 [b]	318.6	169.2 [d]	53.1
Kuwait:			
1953/54	173.3	168.8	97.4
1954/55	191.3	184.8	96.6
1955/56 [b]	194.7	188.9	97.0
Saudi Arabia:			
1952/53 [b/e]	204.6	153.9	75.2
1954/55 [b/f]	361.8	258.1	71.3

Source: United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, No. 13, April 1956 (Beirut); Iranian Ministry of Finance, and Bank Melli, Iran.

a/ Total government revenue includes ordinary government revenue plus direct oil income allocated to the National Iranian Oil Company and the Seven-Year Plan Organization. It does not cover other revenues of the autonomous agencies of the Government, United States grants and loans from Bank Melli.

b/ Estimate.

c/ Total government revenue includes revenue in the ordinary budget and related budgets, as well as income of the Development Board and the municipalities.

d/ Actual direct petroleum revenue amounted to $191.5 million in the calendar year 1954 and $206.4 million in 1955 (International Monetary Fund, International Financial News Survey, 9 March 1956).

e/ 27 March 1952 to 16 March 1953.

f/ 30 August 1954 to 19 August 1955.

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