

SUMMARY OF RECENT ECONOMIC DEVELOPMENTS IN THE MIDDLE EAST

**Supplement to
WORLD ECONOMIC REPORT, 1950-51**



UNITED NATIONS

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PREFATORY NOTE

The present "Summary of Recent Economic Developments in the Middle East" forms a supplement to the survey of the world economic situation prepared by the Secretariat of the United Nations and issued in World Economic Report, 1950-51. This summary was prepared by the Division of Economic Stability and Development in the Department of Economic Affairs.

In general, information for the figures in the text and the tables was obtained from data compiled by the Statistical Office of the United Nations. In addition to government sources, other official international and national sources were utilized. When such data were not available, private sources were consulted. Because of variations in methods of compiling data, information for the various countries is not always strictly comparable.

Explanation of Symbols

The following symbols have been used throughout the text and tables:

Two dots (..) indicate that data are not available

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 fiscal year, e.g., 1950/51

Use of a hyphen (-) between dates representing years, e.g., 1934-38, normally signifies an annual average for the calendar years involved, including the beginning and end years. "To" between the years indicates the full period, e.g., 1947 to 1949 means 1947 to 1949, inclusive.

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

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

The present report has been prepared in accordance with the views expressed during the thirteenth session of the Economic and Social Council on the desirability of covering specifically the Middle East region, as well as Africa, in the annual world economic reports. During that session, the President of the Council declared that "the Secretary-General would doubtless continue to give careful consideration to the economic situation in the Middle East in these reports, particularly in that the Council had not yet established an economic commission for that region".^{1/}

The report describes and traces the main economic developments which have taken place in the Middle East^{2/} in the period following that covered by Review of Economic Conditions in the Middle East, supplement to World Economic Report, 1949-1950. No attempt has been made to give a complete survey of all economic aspects of the different Middle Eastern countries. However, the two activities of the region which provide its most direct and important connexion with world economy, namely its petroleum production and foreign trade, have been dealt with at some length; in addition, brief sections describe the most important developments of the past two or three years in several selected countries.

Like most of the rest of the world, the economic situation of the Middle Eastern countries has, during the last two years, been influenced by international economic trends arising from the conflict in Korea. This influence has, however, been to a certain extent limited by the economic structure of the region.

The terms of trade have shown a tendency to improve in the region as a whole, but to a varying, and often small, degree. The raw materials whose prices have increased most in world markets form only a minor part of the exports of Middle Eastern countries, the main exceptions being Egypt and the Anglo-Egyptian Sudan. In most of the other countries, exports

1/ See the Report of the Economic and Social Council, Supplement No. 3 (A/1884) and thirteenth session Plenary Meetings 550 and 551.

2/ The following countries have been included in the study: Afghanistan, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Saudi Arabia, Syria, Turkey, Yemen, Cyprus and the Non-Self-Governing Territories of the Arabian peninsula, and the Anglo-Egyptian Sudan.

consist mainly of products such as citrus and other fruits, tobacco and wheat, whose prices have not significantly risen, or have risen to a degree comparable with the prices of manufactured imports. Therefore, while terms of trade have generally improved, the improvement has been much greater in Egypt and the Anglo-Egyptian Sudan than in countries like Iran, Israel or Lebanon, whose position may even have deteriorated. Turkey's terms of trade improved in 1950, owing mainly to the sharp decrease that occurred in import prices, since Turkey had not devaluated its currency in 1949.

The improvement in terms of trade, together with the expansion of trade with Germany and the Union of Soviet Socialist Republics contributed to a reduction of the foreign trade deficit in most of the countries of the region. The deficit in trade with hard currency countries also declined and even disappeared in a few cases. Owing to the composition of exports from the Middle East and to the inelasticity of their production, petroleum excepted, this improvement in selling prices had no significant bearing on export quantities, which as a whole did not increase. On the other hand, in spite of a tighter supply situation in foreign markets, imports generally rose, both in value and in quantity, the main increases being those in cereals, petroleum, metal manufactures and capital equipment.

In connexion with the improvement in the balance of payments in the region, during 1950 and 1951 some inflationary pressure made itself felt, accentuated by local factors such as the rate of investment in Israel and in Turkey, the budgetary deficit in Iran and the rapidly expanding petroleum royalties received by other countries. In the entire region prices took an upward trend, especially in countries more closely dependent on foreign trade, such as Egypt and Lebanon. At their highest, wholesale prices, as compared with the average for the first six months of 1950, increased generally from 10 to 20 per cent, and the cost of living rose by about 10 per cent or less. According to available data, in no country of the region, except Egypt, did wholesale prices or the cost of living in 1950 or 1951 reach the annual average of 1948 or 1949 which marked the post-war peak (table 1). However, prices were rising at the end of 1951.

Table 1. Cost of Living and Wholesale Prices in Selected Countries
 1950 and 1951
 (1948 = 100)

Country	Average for 1950 (first half)		Peak in 1950-51 ^{a/}		Average for 1951	
	Wholesale prices	Cost of living	Wholesale prices	Cost of living	Wholesale prices	Cost of living
Egypt.....	100	102	118	116	116	114
Iran.....	77	93	92	98	89	93
Iraq.....	83	72	97	83	93	78
Israel ^{b/}	86	92	104	108	94	101
Lebanon.....	70	85	100	95	95	94
Turkey ^{b/}	92	99	101	94	95	94

Source: Statistical Office of the United Nations.

a/ Average of highest three months after June 1950.

b/ 1949 = 100

During the period under review the repercussions of the international economic situation on the Middle East economies were overshadowed in some of these countries by important local economic problems which were only secondarily influenced by world factors. Thus, in Lebanon and in Syria, the main effort was devoted to coping with the consequences of the breakup of the customs union that had existed between those two countries until March 1950. The plight of the Palestine Arab refugees continued to raise serious problems, especially in Jordan, where most of them were located. In Israel, the major task was still the absorption of immigrants into the economy of the country. The number of these immigrants in 1950 and 1951 reached 344,000, a total equal to 30 per cent of the population on 1 January 1950. In Iran, the various questions arising from the nationalization of petroleum and the stoppage of payments by the concessionary company constituted the main economic problem, as the dispute over nationalization remained unsettled. Increases in rates of royalties were of special importance to the oil-producing countries, and new agreements were concluded to this end in Bahrein, Iraq, Kuwait and Saudi Arabia.

The economic activity of the region as a whole continued to increase during the past two to three years, but there were great variations among individual countries, and, in a given country, among different fields of activity.

Agriculture is developing, but at a slow pace, in most parts of the Middle East. Taking the region as a whole, output in 1950 was about equal to that of 1948, which had been a record year, and was well above that of 1949, while a further rise was achieved in 1951. The cultivated area increased by almost one million hectares during 1950 and 1951, mainly in Turkey, Iraq, Syria and Israel. Insufficient rainfall during the winter of 1950/51 severely affected grain crops and the supply of animal fodder in Israel, Jordan, Syria and parts of Iraq,^{3/} but production in other

^{3/} Food and Agriculture Organization of the United Nations, Provisional Report of the Second Regional Meeting on Food and Agricultural Programmes and Outlook (Bloudane, Syria, August-September 1951).

countries increased and the 1951 crops in the area as a whole are believed to be the largest on record. In view of both the increased acreage devoted to industrial crops and the continued growth in population, however, food supplies per capita have not, in general, yet regained the pre-war level. A noteworthy feature of the past three years has been the increase in cotton acreage and production. Preliminary estimates put the total production of the region in 1951 at 30 per cent above that of 1950, the highest increase being in Turkey, Syria, Iran and Iraq.^{4/}

The over-all progress of industry was greater than that of agriculture in almost all countries of the region. In some of them, notably Iran, Egypt and Lebanon, foreign competition and the general decline in prices caused a temporary recession, mainly in textiles, during the latter half of 1949 and the beginning of 1950. This situation, however, changed after the outbreak of hostilities in Korea. The rise in prices, together with the increase in farmers' incomes resulting from better crops and higher agricultural prices, stimulated industrial production in the above-mentioned countries, as well as in Iraq and Turkey. In Israel, production increased considerably, owing to the high level of investment and the rapid expansion of the domestic market arising from large-scale immigration. Industrial production was stimulated also by government subsidies to certain industries in many countries of the region.

Production of crude petroleum continued its upward movement, with a setback following the closing down of the Iranian fields. Output rose from 71 million metric tons in 1949 to 89 million tons in 1950 and about 98 million tons in 1951. Exports of crude petroleum in 1950 were 50 per cent greater than in 1949, and the Middle East displaced the Caribbean as the largest exporter of crude petroleum. A further increase of 40 per cent was achieved in 1951. Output of refined products in 1950 rose by 7.5 per cent.

^{4/} Food and Agriculture Organization of the United Nations, The State of Food and Agriculture, 1951 (Rome, 1951), page 36.

The interruption, during the middle of 1951, of operations of the Abadan refinery, largest in the world, caused a sharp setback. Output of refined products for the whole of 1951 was about one-fifth below that of 1950, and exports of these products declined sharply in the second part of 1951. Investment in the industry was maintained at a high level. Much successful exploration was carried out; the pipeline from the Saudi Arabian oilfields to the Lebanese coast was completed; and work was begun on a pipeline from Iraq to the Syrian coast.

National plans for economic development are under way throughout the region. In Iraq, the five-year plan made an effective start in the summer of 1951. In both Israel and Turkey, investment has been considerable: in Israel it was mainly in agriculture, industry, housing, transport and public works; and in Turkey, in transport, mining and public works. Examples of projects executed during the past two years included: the Edfina irrigation dam in Egypt; some railway and irrigation projects in Iran; the international airport at Khalde and the Kasmiye irrigation work in Lebanon; the planting of cotton in Syria, partly financed by neighbouring countries; and port and railway construction in Saudi Arabia. For the Middle East as a whole, however, over-all progress is slow. The speed of execution of development plans differs greatly among countries as also their future prospects. In most of them, development continues to be slowed down by physical obstacles as well as institutional and social factors such as the unequal distribution of income, lack of technical skills and inadequate health conditions. The systems of land tenure prevailing over most of the region constitute a further barrier to economic development.

Availability of capital varies widely. Certain countries, such as Israel and Turkey, benefited by substantial capital imports, mainly under Export-Import Bank loans and private capital loans issued on foreign markets, or under the European Recovery Program. Oil-producing countries, especially Iraq and Saudi Arabia, received larger amounts of foreign exchange since payments by the concessionary companies increased, and they were in a better position to accelerate the execution of their development plans. Private capital imports continued to be small; the same holds true,

with the above exceptions, for capital imports through governmental channels or international institutions. In 1950, the International Bank for Reconstruction and Development made a loan of \$12.8 million to Iraq and two loans of \$16.4 million and \$9 million to Turkey. The sterling balances remaining from the Second World War, part of which may be mobilized for development purposes, while still large for Egypt and the Anglo-Egyptian Sudan, have diminished in the case of Iraq, and are nearly depleted for Israel and Jordan. As to the Palestine Arab refugees, the General Assembly of the United Nations, at its sixth session, took steps to provide the capital which may be required for their re-settlement through the United Nations Relief and Works Agency for Palestine Refugees.^{5/}

Nearly all Middle East countries - Afghanistan, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Syria and Turkey - have benefited from the Technical Assistance Programme of the United Nations and the specialized agencies. A Social Welfare Seminar for Arab States of the Middle East was held in Cairo in 1950, as well as a Mediterranean Centre on Agricultural and Allied Projects in Ankara in 1951. Afghanistan, Egypt, Iran, Iraq, Israel, Lebanon, Saudi Arabia and Turkey also received assistance under the programme of technical co-operation of the United States Government. The unevenness in the rate of development of the various countries of the Middle East has recently tended to increase. Taking the region as a whole, agricultural production is growing slowly and industrial production somewhat more swiftly. But there are parts of the area whose economy shows almost no change, while in others rates of investment are higher and economic conditions have improved considerably in the past few years. The differences among the countries as regards their economic development may be lessened in the coming years by the fact that most oil producing countries - until now among the least developed in the area - derive a rapidly expanding volume of foreign exchange and capital resources both from the increase in petroleum production and from the tendency to conclude more favourable agreements with the oil companies, as occurred in 1950 and 1951.

^{5/} For details see United Nations, Assistance to Palestine Refugees, Report of the Director (A/1905) and Assistance to Palestine Refugees, Special Report of the Director and Advisory Commission (A/1905/Add.1).

Chapter 1

FOREIGN TRADE

Expressed either in national currencies or in quantum, the foreign trade of the Middle East in 1950 was distinctly larger than in other post-war years and was above the pre-war level. However, owing to the devaluation, in 1949, of the currency of several countries - Aden, the Anglo-Egyptian Sudan, Cyprus, Egypt, Iraq, Israel and Jordan - the dollar value of the region's foreign trade (table 2), excluding petroleum exports^{1/} was slightly below the level attained in 1949. Figures for the first half of 1951 show a large increase in value over the previous year. Export values in national currencies increased considerably while imports rose less, or even declined, reducing the import surplus for 1950 to a figure below those of the three previous years. Available figures for the first half of 1951 show an even greater reduction in the import surplus of the region.

As table 3 shows, the outbreak of war in Korea in June 1950 was followed by a large rise in the value of the exports of the region. There was also a rise in the value of imports, which continued in most countries throughout the first half of 1951; but the rise in value of exports continued at a generally greater rate.

The increase in the value of exports in 1950 was to a very marked degree, the result of higher prices. As is shown in table 4, some of the principal countries of the region actually exported a smaller quantity of goods in that year than in 1949. In several, however, notably Iran, Syria,

^{1/} Wherever possible, exports of petroleum and imports by the petroleum companies have been excluded from the figures given in this chapter; they are discussed in the following one. The petroleum industry of the region has been developed by foreign companies under special concessions, and their marketing activities are controlled almost entirely by the companies themselves. Exports of petroleum and its products do not result in direct receipt of foreign exchange for the economies of the region; similarly, imports by petroleum companies do not involve foreign exchange payments abroad by importing countries. Exports of petroleum from the Middle East, valued at f.o.b. prices, were about \$1,300 million in 1950.

Table 2. Value of Imports and Exports of Certain Countries, Pre-war and 1948 to 1951
(Millions of United States dollars; imports c.i.f. and exports f.o.b.)^{a/}

Country	1938			1948			1949			1950			1951 First half		
	Im-ports	Ex-ports	Bal-ance	Im-ports	Ex-ports	Bal-ance	Im-ports	Ex-ports	Bal-ance	Im-ports	Ex-ports	Bal-ance	Im-ports	Ex-ports	Bal-ance
Aden Colony <u>b/</u>	29	15	-14	110	52	-58	122	54	-68	..	..	..	..	..	..
Afghanistan <u>b/</u> <u>c/</u>	30	24	-6	57	49	-8	58	50	-8	..	..	..	..	..	..
Anglo-Egyptian Sudan	32	30	-2	92	99	7	89	109	20	76	95	19	46	83	37
Cyprus <u>b/</u>	11	12	1	63	23	-40	41	30	-11	38	31	-7	24	18	-6
Egypt <u>d/</u>	184	147	-37	663	591	-72	631	515	-116	564	504	-60	340	355	15
Iran <u>e/</u>	55	52	-3	131	56	-75	211	56	-155	192	108	-84	117	60	-57
Iraq <u>f/</u>	41	18	-23	141	33	-108	148	41	-107	105	60	-55	64	41	-23
Israel/Palestine <u>g/</u> ..	56	28	-28	96 <u>h/</u>	5 <u>h/</u>	-91	321	38	-283	287	35	-252	147	31	-116
Jordan <u>i/</u>	6	3	-3	47	11	-36	49	21	-28	36	13	-23	22	2	-20
Lebanon.....	37	22	-15	213 <u>j/</u>	36	-177	217	51	-166	{	<u>k/</u>	..	67	24	-43
Syria.....										{	<u>k/</u>	..	74	68	-6
Turkey.....	119	115	-4	275	197	-78	290	248	-42	286	263	-23	174	157	-17
Total <u>l/</u>	600	466	-134	1,888	1,152	-736	2,177	1,213	-964	..	..	..	..	..	..

Source: United Nations, Monthly Bulletin of Statistics and Statistical Yearbook, 1951; International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Special trade unless otherwise indicated.

b/ General trade.

c/ Figures for twelve months beginning 21-22 March of year stated.

d/ Excluding trade with the Anglo-Egyptian Sudan.

e/ Excluding exports and imports of petroleum company and other concessionaires; 1938 adjusted to annual rates on basis of nine months; figures for 1948 to 1951 refer to Iranian year beginning 21-22 March; for 1948 and 1949, official rate used for conversion.

f/ Excluding pipeline exports of crude petroleum. Data prior to 1949 exclude silver, and imports by petroleum companies.

g/ Data for 1938 refer to the whole of Palestine.

h/ July to December only.

i/ Imports include imports by concessionaires, and, in 1938, import duties; exports include re-exports but exclude export duties.

j/ Excluding oil for refining in Tripoli.

k/ Lebanon-Syria customs union was dissolved in March 1950. Imports of both countries during first quarter of 1950 amounted to \$37 million, exports to \$17 million; during last three quarters Lebanon's imports amounted to \$84 million, its exports to \$24 million; Syria's imports amounted to \$86 million, its exports to \$95 million.

l/ Total for 1948 excludes Israel.

Table 3. Foreign Trade of Selected Countries, 1948 to 1951
(Millions of local currency)

Country	1948		1949		1950		1951
	First half	Second half	First half	Second half	First half	Second half	First half
<u>Anglo-Egyptian Sudan</u> (Egyptian pounds):							
Imports	9.8	12.3	11.7	11.8	13.2	13.2	16.0
Exports	11.8	12.9	17.1	9.5	19.5	14.7	29.0
<u>Egypt (Egyptian pounds):</u>							
Imports	73.5	86.8	84.5	82.0	83.5	112.9	118.2
Exports	71.6	71.5	73.4	64.4	82.5	92.9	123.8
<u>Iran^{a/} (rials):</u>							
Imports	1,711	2,404	3,035	3,707	2,761	3,485	3,788
Exports	900	898	809	903	875	2,620	1,950
<u>Iraq^{b/} (dinars):</u>							
Imports	23.0	21.6	19.3	21.3	20.6	19.5	22.7
Exports	3.5	4.8	3.3	9.4	9.5	12.3	14.6
<u>Israel (Israeli pounds):</u>							
Imports	-	23.2	37.7	50.0	52.5	50.1	52.5
Exports	-	..	7.2	3.0	7.9	4.6	10.9
<u>Turkey (Turkish pounds):</u>							
Imports	253.9	416.3	378.8	433.8	360.0	439.9	488.2
Exports	203.4	347.7	332.2	361.7	299.0	438.6	439.8

Source: United Nations, Monthly Bulletin of Statistics; Bank Melli Iran, Bulletin, No. 111; Ministry of Finance, Monthly Bulletin of Foreign Trade of Iran.

a/ Excluding exports of petroleum and imports by petroleum companies; years beginning 21 March 1948, 1949, 1950 and 1951.

b/ Excluding pipeline exports of crude petroleum.

Table 4. Quantum Indices of Imports and Exports of Selected Countries
1943 and 1947 to 1951
(1938 = 100)

Country and item	1943	1947	1948	1949	1950	1951 First half
<u>Anglo-Egyptian Sudan:</u>						
Imports.....	51	99	112	121	136	133
Exports.....	77	94	93	111	110	102
<u>Egypt:</u>						
Imports.....	34	96	154	160	188	..
Exports.....	42	103	109	118	117	..
<u>Iran:</u>						
Imports.....	22	82	74	124	124	..
Exports.....	28	57	42	47	114	..
<u>Israel/Palestine</u>						
Imports a/.....	..	..	..	100	114	129
Exports b/.....	1	76	..	36	33	..
<u>Turkey:</u>						
Imports.....	48	102	110	125	146	153
Exports.....	63	89	93	120	117	115

Source: United Nations, Statistical Yearbook, 1951 and Monthly Bulletin of Statistics; indices for Iran constructed by dividing indices of rial values of imports and exports (excluding petroleum) by import and export price indices from International Monetary Fund, International Financial Statistics.

a/ 1949 = 100.

b/ Exports of citrus fruits only.

and to a lesser extent Iraq and Lebanon, large crops of certain products increased the quantity available for export. Israel's exports of manufactured goods also increased.

The expansion of imports was, on the other hand, more the result of an increase in quantity than of a rise in prices, though the latter factor also played a part in certain cases. Following the outbreak of war in Korea there was much speculative buying of foreign goods, in anticipation of a rise in prices, but in some countries this movement was checked in 1951, as fears of an extension of hostilities beyond Korea declined.

Taking the region as a whole, the terms of trade improved after the outbreak of war in Korea (table 5). Cotton and wool, one or both of which are exported in varying quantity by most of the Middle Eastern countries,^{2/} registered the highest rise in price. The prices of foodstuffs, such as wheat, barley, rice, olive oil, citrus and other fruits, as well as tobacco, rose only slightly or in some cases declined; countries mainly dependent on such exports, notably Iran and Israel, experienced a deterioration in their terms of trade. The improvement in the terms of trade of Turkey in 1950 was a result mainly of the fall in the prices of its imports from the sterling area and from other countries, which followed the 1949 devaluation of their currencies.

The main change in the composition of imports has been the trend toward increased imports of cereals, petroleum, metal manufactures, machinery and transport equipment. The increase in imports of cereals in 1950 over 1949 reflects both the poor crops of the earlier year and the increasing dependence on outside sources of such countries as Egypt, Israel and Lebanon, which cannot meet the food requirements of their growing populations. Consumption of petroleum products has increased rapidly in all Middle East countries and, in all but the major producers, this has resulted in a greater volume of imports of these products.

^{2/} Cotton is exported in significant quantities by Egypt, the Anglo-Egyptian Sudan, Turkey, Syria, Iran and Iraq. Wool is exported by Iran, Iraq, Syria and Turkey.

Table 5. Terms of Trade^{a/} of Selected Countries
1943, 1945 and 1947 to 1951
(1938 = 100)

Country and item	1943	1945	1947	1948	1949	1950	1951 First half
<u>Anglo-Egyptian Sudan:</u>							
Import prices.....	291	266	274	331	326	327	390
Export prices.....	179	199	313	473	459	536	747
Terms of trade.....	62	75	114	143	141	164	192
<u>Egypt:</u>							
Import prices.....	312	310	291	303	302	306	..
Export prices.....	202	249	286	439	392	506	..
Terms of trade.....	65	80	98	145	130	165	..
<u>Iran:</u>							
Import prices.....	729	688	594	588	565	526	641
Export prices.....	328	417	533	556	478	400	467
Terms of trade.....	45	61	90	93	85	76	73
<u>Israel:^{b/}</u>							
Import prices.....	..	..	..	..	100	103	112
Export prices.....	..	..	..	..	100	101	106
Terms of trade.....	..	..	..	..	100	98	95
<u>Lebanon:^{c/}</u>							
Import prices.....	..	..	..	100	..	105	108
Export prices.....	..	..	..	100	..	106	105
Terms of trade.....	..	..	..	100	..	101	97
<u>Turkey:</u>							
Import prices.....	281	221	484	469	439	361	425
Export prices.....	281	288	458	410	409	419	527
Terms of trade.....	100	131	94	87	93	116	124

Source: United Nations, Monthly Bulletin of Statistics; National Bank of Egypt, Economic Bulletin, 1951, No. 1; Ministry of Finance, Israel, Foreign Trade of Israel; United Nations Relief and Works Agency for Palestine Refugees.

- a/ Terms of trade equal export prices divided by import prices times 100.
b/ 1949 = 100; unit value of imports, from official source; unit value of exports weighted average of exports of shamuti oranges, grapefruit, polished diamonds, representing 75 per cent of total exports in 1949 and 69 per cent in 1950.
c/ 1948 = 100; unit value of exports is weighted average of eight commodities, comprising fruits, vegetables and hides, and representing about 50 per cent of exports; unit value of imports is weighted average of ten commodities representing 30 per cent of all imports of manufactured or semi-manufactured goods.

In 1950, there was a striking rise in the region's imports of metals and metal products, because of increased construction. Although, for some countries, the quantity of machinery and appliances imported was below the amount imported in 1949, taking the region as a whole, imports of machinery were more than twice as great as in the pre-war period. Imports of transport equipment, and likewise imports of rubber and rubber products, also continued the upward trend of recent years.

Regarding the direction of trade, the main trends in 1950 were an increase in the trade of the Middle East with France and the Benelux group and a further decline in intra-regional trade to a level which is, in most countries, below that of the pre-war period. Trade with India and Pakistan, which like intra-regional trade, had assumed considerable importance during the Second World War, declined further; for several Middle East countries it is now negligible. Trade with western Germany and the Union of Soviet Socialist Republics was in 1950 still well below pre-war levels, but it increased in 1951 owing to barter agreements made by Iran with western Germany and with the Soviet Union, as well as commercial agreements with western Germany made by Egypt, Lebanon and Turkey.

In 1950, for almost all Middle Eastern countries exports to "hard currency" countries increased, while imports from them were generally reduced, because of a shortage of dollars (table 6). The trade deficit with these countries declined appreciably, except for Turkey. In one country, Egypt, a small surplus was achieved. In most cases the position improved further in 1951, both Egypt and Turkey having a surplus during the first half of the year.

Generally speaking, the balance of payments position^{3/} of the Middle Eastern countries improved during the year following the outbreak of war in Korea. In those countries where merchandise exports provide the bulk of receipts of foreign exchange, namely the Anglo-Egyptian Sudan,

^{3/} Available balances of payments for different countries are discussed more fully in chapter 3.

Table 6. Value of Foreign Trade with Selected Hard Currency Countries^{a/}
1946 to 1951
(Millions of United States dollars)

Country	1946	1947	1948	1949	1950	1951 First half
<u>Egypt:</u>						
Imports.....	63.4	81.7	111.8	107.9	66.1	21.1
Exports and re-exports....	37.6	43.8	33.5	33.8	69.7	30.6
Balance.....	-25.8	-37.9	-78.3	-74.1	3.6	9.5
<u>Iran:</u> ^{b/}						
Imports.....	34.9	43.1	48.1	97.3	56.4	32.8
Exports.....	16.4	16.2	11.0	6.8	18.6	5.1
Balance.....	-18.5	-26.9	-37.1	-90.5	-37.8	-27.7
<u>Iraq:</u>						
Imports.....	11.1	20.9	21.0	19.8	..	..
Exports.....	7.1	4.6	4.5	2.4	..	..
Balance.....	-4.0	-16.3	-16.5	-17.4	..	..
<u>Israel/Palestine:</u>						
Imports.....	48.2	65.2	..	123.8	123.6	60.6
Exports.....	23.4	8.0	..	7.4	10.8	8.2
Balance.....	-24.8	-57.2	..	-116.4	-112.8	-52.4
<u>Lebanon and Syria:</u>						
Imports.....	24.7	52.2	53.6	63.6	60.7	..
Exports.....	7.5	3.3	1.8	3.0	23.0	..
Balance.....	-17.2	-48.9	-51.8	-60.6	-37.7	..
<u>Turkey:</u> ^{c/}						
Imports.....	46.5	98.6	81.2	85.0	85.2	33.9
Exports.....	66.2	72.5	52.9	53.1	51.6	48.3
Balance.....	19.7	-26.1	-28.3	-31.9	-33.6	14.4

Source: Compiled from official trade statistics; figures refer to movements of merchandise, which do not coincide in a limited period of time with actual receipts and disbursements of foreign exchange; rates of conversion supplied by the Statistical Office of the United Nations.

a/ Belgium, Canada, Portugal, Switzerland and the United States, except for Lebanon and Syria, for which data include only trade with Belgium, Switzerland and the United States.

b/ Data are for the period beginning 21 March of the year stated and ending 20 March of the following year.

c/ Not including imports under the United States Turkish aid programme, which amounted to \$72.4 million in 1948, \$55.6 million in 1949 and \$27.8 million in 1950.

Egypt, Syria and Turkey, the increase in exports reduced the deficit on current account. Available figures show an improvement in 1950, compared to 1949, in all these countries except Egypt, which, however, registered a sizeable surplus on current account during the first half of 1951. On the other hand, during the second half of 1951, their position seems to have deteriorated.

In the remaining countries, merchandise exports play a relatively minor part in the balance of payments. In Israel, donations and national funds decreased slightly in 1950, while imports rose, causing an increase in the deficit on current account. In Iran, a reduction in the import surplus together with increased revenues from petroleum led to a marked improvement in the balance of payments in 1950/51. During the following year, however, the stoppage of oil operations caused a sharp deterioration. In the other major oil-producing countries, namely Bahrein, Iraq, Kuwait and Saudi Arabia, increased revenues from petroleum resulted in an improvement in the balance of payments in 1950 and, to a greater extent, in 1951.

Chapter 2

PETROLEUM

With about half the world's proved oil reserves, the Middle East in 1950 supplied 18.3 per cent of the world's crude petroleum (not including that of the Union of Soviet Socialist Republics) and about 17.7 per cent in 1951 as against 6.4 per cent in 1938. Development of its petroleum industry on a large scale, which began after the Second World War, is continuing. Exploration activities have led to the discovery of several new fields, and the rise in output of crude petroleum has been accompanied by construction of pipelines and expansion of other transportation facilities. Refinery output has not kept pace with the sharp rise in production of crude oil, most of which has been going to the expanded refineries of western Europe. In 1950, the Middle East displaced the Caribbean as the leading exporter of petroleum, crude and refined products combined. Persian Gulf oil has been gradually replacing that of the Western Hemisphere in Europe and has even started to flow in ever larger quantities to countries of the Western Hemisphere. Although petroleum consumption is increasing rapidly in the region, per capita consumption remains comparatively low.

The Iranian oil crisis in 1951 slowed down these developments, but by the end of 1951 loss of Iran's crude petroleum had already been made up by the increased output of other Middle East producers. Nevertheless, the loss of products refined in Iran, especially aviation gasoline and fuel oil, was still being felt in the Eastern Hemisphere. In other producing countries of the region, the rapid development of the petroleum industry has been responsible for increasing financial benefits. Several governments have pressed for greater shares in the profits of the petroleum companies operating in their countries and, in some cases, negotiations have led to the conclusion of new agreements providing for equal sharing of the profits. With the anticipated expansion in

production and the higher rates stipulated in those agreements, the oil-producing countries are likely to receive larger revenue from the petroleum industry.

Production, Refining, Consumption and Exports

Production and reserves

According to estimates made in early 1951, about 48,200 million barrels (nearly 6,500 million metric tons^{1/}), one-half of the world's proved reserves, are located in the Middle East as against the estimate of 28,400 million barrels (3,800 million metric tons), or 37.2 per cent, made in early 1946.^{2/} During 1950 and 1951 exploration and drilling activities continued in many countries of the region. In 1950, proven acreage of oilfields increased in Saudi Arabia by 60,700 acres, to 191,000 acres; in Iran, by 18,000 acres, to 161,000 acres.^{3/} There were also increases in the proven acreage of Egypt, Iraq and Kuwait. New oilfields were brought into production in Saudi Arabia at Ain Dar, and in Iraq at Zubair, in 1951. Production increased in many fields already operating. The major discoveries made in 1951 were in Kuwait, at Magwa and in Saudi Arabia at Uthmaniyah. The latter was the first off-shore discovery in the region. In the latter part of 1951, the exploration activities of the Governments of Iran and Turkey resulted in discovery of oilfields near Qum in Iran and at Garzan in eastern Turkey. The extent and capacity of these fields are not yet established. Drilling operations in 1950 resulted in the bringing in of 19 oil wells in Saudi Arabia, 18 in Iraq, 13 in Kuwait and 6 in Iran.^{4/}

^{1/} For convenience approximate equivalents in metric tons have been given in parenthesis, using rates of conversion of various products and different crude petroleums.

^{2/} Gulf Publishing Company, World Oil (Houston, Texas), 15 July 1951.

^{3/} Ibid.

^{4/} Ibid.

Petroleum development programmes in the region have been accompanied by an expansion of oil-handling facilities. The most striking recent development has been the completion of a 30 to 31-inch pipeline, 1,068 miles long, stretching from the Saudi Arabian oilfields through Jordan and Syria to Sidon in Lebanon. This pipeline, which has a capacity of about 315,000 barrels a day (15.5 million tons a year), started operation in December 1950 and reduces sea haulage to Europe and the Western Hemisphere by nearly 3,500 miles.^{5/} The price differential of crude oil at Sidon and in the Persian Gulf is 66 cents a barrel (about \$4.90 a ton); for the 15.5 million tons which will be carried when the pipeline is operated at full capacity this represents around \$75 million.^{6/} Construction of another equally important pipeline, by the Iraq Petroleum Company, from the Kirkuk field in Iraq, to Baniyas in Syria, started early in 1951 and is to be completed in 1952. This 32-inch, 30-inch and 26-inch pipeline, with a capacity of about 275,000 barrels a day (13.5 million tons a year) is to be 560 miles long, requiring around 170,000 tons of pipe.^{7/} In addition, smaller pipelines were laid in Iran, Iraq, Kuwait and Saudi Arabia. Expansion of oil-handling facilities included the construction or extension of port facilities and storage tanks in Iran, Iraq, Kuwait, Lebanon, Qatar and Saudi Arabia.

The expansion of transportation facilities, the construction of pipelines, and oilfield development, accompanied by increasing demand for Middle East crude oil in world markets, resulted in a continuous rise in production to mid-1951 in Iran, Iraq, Kuwait, Qatar and Saudi Arabia. The

5/ The pipeline required an investment of about \$230 million, used around 270,000 tons of steel and utilized the services of approximately 2,000 American technicians and 8,000 Arab workers (Journal du Commerce et de la Marine, Alexandria, 18 October 1950). It is operated between Qatif and Qaisumah by the Arabian American Company and from the latter point to Sidon, a distance of 753 miles, by the Trans-Arabian Pipeline Company.

6/ This figure does not take into account amortization and operating costs.

7/ Gulf Publishing Company, World Oil, January 1951.

nationalization of the oil industry in Iran, which was followed by stoppage of production in its major fields, led to a sharp drop in the region's output of crude oil. But the subsequent rise in production in Kuwait and Saudi Arabia, and to a smaller degree in Iraq and Qatar, in the latter part of 1951 made good the loss of Iranian crude, which in 1950 represented 36 per cent of Middle East production. Table 7 shows monthly average production of crude oil in the Middle Eastern countries.

Refining

Refinery output of the Middle East increased relatively slowly until the middle of 1951, when the shutdown of the Abadan refinery, largest in the world, caused a setback. In 1950 crude petroleum runs to stills were about 319 barrels (43 million metric tons), against 301 million barrels (40 million tons) in 1949, but in 1951 declined to around 250 million barrels (33 million tons). Owing to the sharp increase in production of crude petroleum, however, the Middle East refined in 1950 the equivalent of only 48 per cent of its crude production as compared with 57 per cent in 1949. The amount of crude run to stills and the supply of crude oil in Middle Eastern countries in 1950 are shown in table 8.

The slowness of the expansion in refining was due to the increasing demand in the Western Hemisphere and western Europe for the crude petroleum of the Middle East rather than its products. Western European countries, with the assistance of the Organisation for European Economic Co-operation, have been increasing their refining capacity, the economic reasons for this being their desire to help improve their balances of payments, to reduce their dollar shortages and to expand their industrial capacity. As a result, in the year ending June 1951, refinery output in the countries which are members of the Organisation for European Economic Co-operation was estimated at 43 million metric tons as against 21 million in the year 1948/49, and it was expected that the realization of plans under way would increase output to 59 million tons by June 1953.^{8/}

^{8/} Organisation for European Economic Co-operation, Second Report on Co-ordination of Oil Refinery Expansion in the OEEC Countries (Paris, 1951).

Table 7. Production of Crude Petroleum
 1938 and 1948 to 1951
 (Monthly average; thousands of metric tons)

Period	Bahrein	Egypt	Iran	Iraq	Kuwait	Qatar	Saudi Arabia	Turkey	Total
1938.....	95	19	863	358	-	-	6	-	1,341
1948.....	125	157	2,106	286	533	-	1,605	0.2	4,812
1949.....	126	189	2,270	339	1,032	8	1,955	1.2	5,920
1950.....	126	195	2,688	540	1,440	136	2,242	1.4	7,369
1951:									
First quarter....	124	189	2,723	665	1,591	185	2,469	1.4	7,947
Second quarter...	125	195	2,583	678	2,113	189	2,991	1.2	8,875
Third quarter....	127	..	258 ^{a/}	719 ^{a/}	2,764	199	3,452	1.7	7,716 ^{b/}

Source: United Nations, Monthly Bulletin of Statistics.

a/ Average for July and August.

b/ Estimated.

Table 8. Refinery Operations and Imports and Exports
of Crude Petroleum, 1950
(Thousands of barrels)

Country	Supply of crude petroleum		Crude petroleum run to stills	Exports of crude petroleum
	Local production	Imports		
Bahrein.....	11,016	46,287	56,900	-
Egypt.....	16,373	-	16,608	-
Iran.....	242,473	-	191,175	49,640
Iraq.....	49,919	-	2,835 <u>a/</u>	46,099
Israel.....	-	1,670	1,532	-
Kuwait.....	125,722	-	7,794	116,696
Lebanon.....	-	3,682	3,682	-
Qatar.....	12,268	-	-	11,700 <u>a/</u>
Saudi Arabia.....	199,547	-	38,364	153,036
Turkey.....	54	-	52	-
Total	657,372	51,639	318,942	377,171

Source: United States Department of the Interior, Bureau of Mines, World Petroleum Statistics (Washington, D.C., 1950).

a/ Estimated.

There are no plans at present for large-scale extension of the refining capacity of the region. An important development was the completion of a catalytic cracking plant and a lubrication oil plant at Abadan in mid-1951. The capacity of certain other refineries has also been increased. Steps taken for the construction of a 200,000-ton refinery at Batman, in Turkey, the building of a one million ton refinery near Baghdad, in Iraq, at a cost of \$25 million, and expansion of the Suez refinery in Egypt by the Governments of the respective countries are only for the purpose of meeting local needs for refined products. A refinery with a capacity of 13,000 barrels per day (650,000 tons a year) to be built by the California and Texas Oil Company in Sidon, Lebanon, will meet local consumption and supply bunker fuel for tankers. It appears that the existing refineries in the Middle East will in future supply larger quantities of refined products to the Far East, eastern Africa and the Middle East as the needs of Europe are met to an increasing extent by its own refineries.

The bulk of the refinery output of the Middle East consists of residual fuel oil. As is shown in table 9, in recent years residual fuel oil has constituted nearly one-half of the total output; motor fuel around one fifth; kerosene under one-tenth; and distillate fuel oil and other products the rest. No lubrication oil was produced in Middle East refineries, and aviation gasoline was produced only in the Abadan refinery, at an annual rate of about 700,000 tons, supplying the major part of the needs of western Europe, Africa, the Middle East and the Far East.

The Abadan refinery, with a capacity of 500,000 barrels a day (25 million tons a year), which constitutes over one-half of the refining capacity of the region, has been practically idle since August 1951. The refinery processed 23.6 million metric tons of crude oil in 1949 and 24.4 million tons in 1950. Part of this refinery resumed operations on 2 November 1951 under local technicians, meeting local needs estimated at a little under one million tons a year.

The Refinery at Haifa, which has a crude charging capacity of 84,000 barrels a day (over 4,000,000 tons a year) and which, because of the closing of the pipeline from Iraq and the interruption of shipments from

Table 9. Output of Major Refined Products, 1949 and 1950

(Thousands of barrels)

Country	Motor fuel		Kerosene		Fuel oil (distillate)		Residual fuel oil		Total, major products	
	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950
Bahrein.....	a/	15,432	a/	5,648	a/	10,021	a/	24,958	a/	56,059
Egypt.....	1,877	1,653	916	1,160	911	851	10,774	10,847	14,478	14,511
Iran.....	37,101	38,738	17,226	17,833	30,676	33,478	79,385	87,826	164,388	177,875
Iraq.....	542	..	535	..	120	..	1,475	..	2,672	..
Israel.....	165 ^{b/}	261	45 ^{b/}	208	120 ^{b/}	280	200 ^{b/}	601	530 ^{b/}	1,350
Kuwait.....	120 ^{b/}	124	25 ^{b/}	41	210 ^{b/}	1,654	460 ^{b/}	5,780	815 ^{b/}	7,599
Lebanon.....	550	882	265	472	335	620	925	1,593	2,075	3,567
Saudi Arabia	24,968 ^{c/}	8,350	7,361 ^{c/}	2,947	20,773 ^{c/}	10,542	41,606 ^{c/}	15,738	94,708 ^{c/}	35,577
Turkey.....	5	5	1	2	-	-	19	25	25	32
Total ^{d/}	65,328	65,987	26,374	28,846	53,145	57,566	134,844	148,843	279,691	301,242

Source: United States Department of the Interior, Bureau of Mines,
World Petroleum Statistics, 1949 and 1950.

a/ Included in the figures for Saudi Arabia.

b/ Estimated.

c/ Including production in Bahrein.

d/ Totals for 1950 include 1949 figures for Iraq.

other Middle Eastern countries to Israel following the Arab-Israeli war, operates at only partial capacity on imports of crude from Venezuela, had an input of 1,532,000 barrels (220,000 tons) of crude in 1950 as against 590,000 barrels (85,000 tons) in 1949. At the end of 1951 it was handling 16,800 barrels a day, representing an annual rate of about 850,000 tons,^{2/} The input of Bahrein refinery in 1950 was 56.9 million barrels (7.7 million tons) compared with 56.1 million barrels (7.6 million tons) in 1949, while the crude input of Ras Tanura refinery declined from 46.3 million barrels (6.2 million tons) in 1949 to 38.4 million (5.2 million tons) in 1950. The refinery at Kuwait, which started operation late in 1949, had a throughput of 7.8 million barrels (1.1 million tons) of crude in 1950. By the end of 1951 the last three refineries had increased their output by about 50,000 barrels a day, equivalent to an annual rate of 2.5 million tons, as compared with early 1951.

Consumption

Consumption of petroleum products in the Middle East itself has been increasing fairly rapidly in recent years, owing to industrial development (including the expansion of the petroleum industry), the increasing numbers of motor vehicles and greater use of agricultural machinery, as well as the replacement of coal by petroleum products in transportation and in certain industries. In addition, the growing sea traffic to and from the Middle East has resulted in a large increase in bunkering.

In 1950 approximately 5.5 million tons of petroleum, that is, about 20 per cent more than in 1949 and almost five times as much as in 1937, were used in the region for local consumption. An additional 2 to 2.5 million tons were consumed by the refineries of Abadan, Bahrein, Kuwait and Ras Tanura. Bunker oil supplied by the Middle East amounted to about 8 million tons in 1950, against approximately 6 million in 1949 and 2 million in 1937.

Despite the growing local demand for petroleum products, per capita consumption remains comparatively low. In 1950, for the world as a whole,

^{2/} Anglo-Iranian Oil Company, Anglo-Iranian's Operations outside Iran (London, 16 November 1951).

it was at the rate of 240 kilogrammes per year, and for the Middle East close to 160 kilogrammes but if the amounts consumed by the petroleum industry and those used for bunkering are excluded, per capital consumption was around 55 kilogrammes.

The greater part of the petroleum consumed in the region consists of fuel oil, especially in countries where coal resources are relatively small; kerosene is next in importance. Table 10 shows the amounts consumed by the principal countries of the Middle East.

Exports

The pattern of the world's oil trade has undergone a drastic change in recent years. World consumption of petroleum has been increasing at the rate of about 10 per cent annually; supply of oil from major sources is also rising, at varying rates. The petroleum surplus of the Western Hemisphere, which traditionally supplied the major portion of Europe's demand for oil, has been declining in recent years despite large increases in production. The United States, until recently one of the world's chief oil exporters, has become the largest single net importer of petroleum since 1949. The Caribbean area, largest exporter of oil in the world until 1949, and the main supplier of Europe's petroleum requirements, has been shipping increasing quantities to countries of the Western Hemisphere and especially to the United States, while its exports to other parts of the world, mainly Europe, have declined.

The sharp rise in the consumption of petroleum products in Europe and the favourable competitive position of Middle East petroleum have greatly increased the demands on this area. The growing consumption of the Middle East, as well as of Africa - with the exception of the western part of Africa - is dependent on Middle East production. In addition, even countries of the Western Hemisphere, like the United States, Canada and Argentina, have imported increasing quantities of Middle East crude in recent years. Oil shipments to the Far East, another major consumer of Middle East petroleum products, have also been considerable. As a result of these changes, in 1950 and the first half of 1951 the region became the largest exporter of petroleum products; it is not yet clear to what extent

Table 10. Consumption of Major Petroleum Fuels
in Selected Countries a/

1937, 1949 and 1950

(Thousands of metric tons)

Country	1937	1949	1950
Afghanistan.....	3	20	..
Anglo-Egyptian Sudan.....	18	127	120
Cyprus.....	26	72	85
Egypt.....	491	1,418	1,933
Iran ^{b/}	172	780	842
Iraq.....	88	518	619
Israel/Palestine.....)		(430	655
Jordan.....)	146	(50	53
Lebanon.....)			(264
Syria.....)	87	348	(231
Turkey.....	90	432	413
Total	1,121	4,195	5,235 ^{c/}

Source: Statistical Office of the United Nations; Iran: United States Department of the Interior, World Petroleum Statistics; and Iranian Ministry of Finance, General Statistical Bulletin, Nos. 6 and 7; Annuaire statistique du commerce exterieur de l'Iran.

a/ Apparent consumption, exclusive of bunker fuel.

b/ Excluding refinery consumption; figures are for Iranian years beginning 21 March of the years indicated.

c/ Including 1949 figure for Afghanistan.

the interruption of Iranian exports in the second half of 1951 affected this leading position. Despite the post-war increase in Middle East production, the Eastern Hemisphere is still drawing, though in decreasing quantity, on the Western Hemisphere's petroleum for its deficit. Whereas in 1947 the Eastern Hemisphere met from its own resources 70 per cent of its demand for petroleum, estimated at 120 million tons, in 1950 it met 92 per cent of its demand of 160 million tons.^{10/}

The export surplus of petroleum in the Middle East increased from about 26 million tons in 1946 to about 73 million tons in 1950, while the Caribbean area surplus increased from 51 million tons to 71 million tons.

In the same period, the deficit of Europe (excluding the Union of Soviet Socialist Republics) increased from about 31 million tons to over 61 million tons, and the deficit of the United States amounted to 30 million tons in 1950, as against a surplus of over 8 million tons in 1946.^{11/}

Exports of crude and refined petroleum from the Middle East, excluding transfers within the region from producing areas to refineries, were around 540 million barrels (73 million tons) in 1950 as against 425 million (57 million tons) in 1949. There was a sharp increase in exports of crude oil, mainly because of increased demand arising from the development of Europe's refining industry: exports in 1950 were about 330 million barrels (44.5 million tons), an increase of 50 per cent over 1949; 1951 exports were about 40 per cent higher than those of 1950. The chief exporters of crude petroleum in 1950 were Kuwait, Saudi Arabia, Iran, Iraq and Qatar.

Exports of refined products increased from about 27.5 million tons in 1949 to 28.5 million in 1950. Before Abadan stopped exporting, on 24 June 1951, Iran was by far the largest exporter of refined products in the region. However, Bahrein and Saudi Arabia have been exporting large quantities of refined oil, and Kuwait has also started to export small amounts. Israel's exports of refined oil ceased in mid-1948, and have not resumed. Table 11 provides an estimate of the 1950 exports of petroleum products from six countries.

As regards direction of exports, petroleum shipped to countries west

^{10/} World Oil, July 1951.

^{11/} Ibid.

Table 11. Exports of Major Petroleum Products
 from Selected Countries, 1950
 (Thousands of barrels; estimated)

Exporting country	Crude Petroleum	Motor fuel	Kerosene	Fuel oil (distil late)	Residual fuel oil	Total
Bahrein.....	-	15,380	5,615	9,317	19,565	49,877
Iran.....	49,640	28,989 ^{a/}	..	..	103,160 ^{b/}	181,789
Iraq.....	46,099	-	-	-	-	46,099
Kuwait.....	116,696	-	-	1,543	871	119,110
Qatar.....	11,700	-	-	-	-	11,700
Saudi Arabia	106,749 ^{c/}	7,617	2,900	8,890	7,275	133,431 ^{c/}
Total	330,884 ^{c/}	51,986	..	..	..	542,006 ^{c/}

Source: For exports of crude petroleum, United States Department of the Interior, Bureau of Mines, World Petroleum Statistics, 1950. Exports of other products calculated by deducting figures on estimated demand from production; stock changes which are not important have not been taken into account. Data on exports of motor fuel and fuel oil from Iran taken from United States Bureau of Mines, International Petroleum Trade (Washington, D.C.), 30 April 1951.

a/ For year ending 20 March 1950.

b/ For year ending 20 March 1950; includes kerosene and fuel oil (distillate).

c/ Excluding exports of 46,287,000 barrels of crude from Saudi Arabia to Bahrein for refining.

of Suez amounted to about 52.5 million tons in 1950,^{12/} compared with 40 million tons in 1949, and represented about 72 per cent of the Middle East's total 1950 petroleum exports as against 69 per cent of 1949 exports. The greater part of these exports to countries west of Suez consisted of crude oil, approximately 27.5 million tons in 1949 and 41 million in 1950. Of the balance of Middle East exports of crude and refined oil, the bulk was shipped to countries east or south of Suez.

At present the Middle East meets over three-quarters of Europe's requirements of petroleum. The largest importer in recent years has been France, to which in 1950 about 95 million barrels (12.7 million tons) of oil were sent, through the Suez Canal or from the Tripoli terminals of the Iraqi pipelines, compared with 75 million (10 million tons) in 1949. The corresponding figures for the United Kingdom were 81 million barrels (10.8 million tons) in 1950 and 64 million barrels (8.5 million tons) in 1949, approximately; for Italy, 38 million barrels (5.1 million tons) and 27 million (3.6 million tons); for the Netherlands, 38 million barrels (5.1 million tons) and 19 million (2.5 million tons); for Sweden, 12 million barrels (1.6 million tons) and 9 million.^{13/} United States imports from the Middle East were 47 million barrels (6.3 million tons) in 1950 compared with 39 million (5.2 million tons) in 1949.

Part of the oil of the Middle East was shipped to countries east of Suez. India imported 2.7 million tons of fuel products in 1949 and 2.8 million in 1950; Australia 4.2 million tons and 4.6 million tons, respectively, in 1948/49 and 1949/50.^{14/}

The interruption of crude and refined petroleum exports from Iran in mid-1951 deeply affected the pattern of world petroleum trade. In the first half of 1951, crude petroleum exports from Iran had been at the rate of about 150,000 barrels (20,000 tons) per day, and exports of refined products

^{12/} Calculated from figures published by the Suez Canal Company, adjusted to include exports from Iraq.

^{13/} Calculated from figures published by the Suez Canal Company, adjusted to include exports from Iraq.

^{14/} The figures given in this paragraph are taken from the foreign trade statistics of the importing countries.

450,000 barrels (60,000 tons). The latter included over 200,000 barrels (30,000 tons) a day of fuel oil and approximately 18,000 barrels (2,000 tons) a day of aviation gasoline. After June 1951, these quantities disappeared from the world market. Great efforts have been made to replace them by products from other sources, especially from Kuwait, Saudi Arabia, the United States and Venezuela, as well as through increased activity of European refineries.

By the end of 1951, world output of crude petroleum and of refined products had surpassed the totals of April 1951, when Iran was still exporting. Around the end of November 1951, the Persian Gulf area was whipping approximately 1,800,000 barrels (240,000 tons) a day of crude as against 1,720,000 barrels (230,000 tons) a day in April, representing an increase of 80,000 barrels (11,000 tons) a day notwithstanding the loss of Iranian exports. This increase, augmented by some 140,000 barrels (19,000 tons) a day of crude petroleum previously exported to the Western Hemisphere, was added to the shipments of crude from the Middle East to Europe for refining.

In the same period output of refineries in the Persian Gulf area, excluding Iran, rose by about 50,000 barrels (6,700 tons) a day, and Europe's daily refinery runs increased by around 250,000 barrels (35,500 tons). To meet the deficits, the United States increased its shipments of refined products to the Eastern Hemisphere by nearly 200,000 barrels (27,000 tons) a day, and the Caribbean area increased its exports of refined oil by about 25,000 barrels (3,400 tons) a day.

In view of the growing world demand for petroleum products, these increases have hardly covered all requirements. Shortages of fuel oil, and especially of aviation gasoline, are still being felt; stocks in Europe, and still more in the Far East, have declined drastically. The growth in the volume of international shipments of petroleum, together with the dislocation of the previously existing pattern, has resulted in a shortage of tankers. The chief cause of the shortage has been the fact that Abadan's shipments of refined products to countries to the east have had to be replaced mostly by Middle East crude, refined in Europe.

Tanker construction, though progressing fairly rapidly, has not kept pace with the demand. As a result, the spot tanker rate, which was below the United States Maritime Commission rate in early 1950, increased to about 150 per cent of the latter early in December 1951.^{15/} But prices of Middle East oil products were not affected by these developments. Crude oil, the main export item, was quoted at the end of 1951 at the same price as early in 1951. The price for 36 degree crude (f.o.b. tanker) in the Persian Gulf area was \$1.75 per barrel, and in eastern Mediterranean ports \$2.41 per barrel,^{16/} throughout the year.

Changes in Terms of Payment and Use of Oil Revenues
for Development Purposes

In March 1951, following prolonged and unsuccessful negotiations between Iran and the Anglo-Iranian Oil Company, the oil industry of Iran was nationalized. This controversy had repercussions in other Middle Eastern oil-producing countries. The rise in world prices of petroleum products in post-war years and the very low cost of oil production in the Middle East, resulting in a large margin of profits for the petroleum companies, had led governments to demand an increased share in oil revenues. In 1948 the receipts of oil-producing countries had been the equivalent of between 13 and 32 cents per barrel of crude. On 20 February 1949, the Government of Saudi Arabia and the Pacific Western Oil Corporation signed a concession agreement for the exploitation of oil in the Neutral Zone (shared equally by Kuwait and Saudi Arabia) which provided for royalties and profit-sharing arrangements totalling more than twice the highest rates hitherto paid in the Middle East. Although production has not yet begun in the Neutral Zone the agreement itself was enough to strengthen the bargaining position of the governments concerned. In the course of demands by the oil-producing countries for higher revenues from oil operations, reference was frequently made to the above-mentioned agreement and to the equal profit-sharing formula applied in the Venezuelan oil industry. Towards the end of 1950, a formula providing for equal sharing of profits was introduced by the

^{15/} Petroleum Publishing Company, Oil and Gas Journal (Tulsa, Oklahoma), 22 November 1951.

^{16/} Petroleum Press Bureau, Petroleum Press Service (London).

Arabian American Oil Company for its operations in Saudi Arabia, and similar agreements were later concluded in Iraq and Kuwait. The more important of these revisions are summarized in the pages that follow.

Saudi Arabia

In 1949 the Government of Saudi Arabia began to press the Arabian American Oil Company for a higher share in its profits. Negotiations between the Government and the company led to the conclusion of a supplemental agreement on 30 December 1950 resolving a number of long-standing problems. The most important feature of the new agreement is the provision for payment to the Saudi Arabian Government of a share in the company's net operating revenues in Saudi Arabia. Reportedly, the Saudi Arabian Government receives, in the form of royalties and participation in profits, an amount equal to fifty per cent of the net operating revenues, that is, of the balance arrived at by deducting from gross receipts the operating expenses, depreciation, exploration and development expenses, and foreign government taxes, including United States income taxes. The amount thus arrive at is to stand in lieu of all previous types of payments, including royalty, income tax, import duties, visa fees and port charges.^{17/} Payments by the company may not fall below the fixed rate of royalty, plus taxes, hitherto paid. The exact basis for the valuation of petroleum products and calculation of net operating revenues has not been disclosed.

Another important provision is that monetary transactions between the Saudi Arabian Government and the Arabian American Oil Company will be carried out at the internationally accepted rates of exchange,^{18/} and that

^{17/} Petroleum Publishing Company, Oil and Gas Journal (Tulsa, Oklahoma), 11 January 1951.

^{18/} Prior to this arrangement the company had to buy the local currency it required from the Saudi Arabian Government at a premium. Moreover, the royalty of four shillings gold per ton, stipulated in the original 1933 concession agreement, had been paid since the special agreement of 1948 on the basis of the gold sovereign, valued at \$12.00, as against the International Monetary Fund rate of \$8.24, thus increasing royalties per barrel from about 22 cents to 32 cents.

payment to Saudi Arabia can be made in any currency which the company receives and in the same proportion that the receipts of such currency bear to total receipts.

Under the terms of the new agreement, the Government of Saudi Arabia is, reportedly, to receive 55 cents a barrel. On this basis, Saudi Arabia's receipts in 1950 may be estimated at \$110 million (\$45 million more than it would have been entitled to under the previous agreement) as against approximately \$55 million in 1949; and the 1951 receipts may be estimated at around \$155 million.

A major portion of this revenue has been used for the current expenditure of the Government of Saudi Arabia, but development projects have also received a substantial share. It has been estimated that the Government has spent about \$30 million a year of its oil receipts on public works.^{19/} Owing to the increase in amounts available for capital expenditure, there has been greater development of transportation facilities, irrigation systems, and agricultural resources, as well as other improvements. In many cases the Arabian American Oil Company has helped the Government in carrying out these projects and on certain occasions it has undertaken development projects on behalf of the Government. In October 1951, a 556-kilometre railroad connecting Damman with Riyadh was completed at a cost of about 175 million riyals, including 28 million riyals used for the construction of the port of Damman.^{20/}

Early in 1951 the Government signed a \$8.4 million contract with a British firm for the construction of a road between Jidda and Medina,^{21/} and in July announced the allocation of about \$1.6 million for improvement of roads and the water supply at Mecca.^{22/} Construction of a jetty at Jidda, on the Red Sea, was finished in 1951. Air traffic transportation in particular has made a striking development. Early in 1951, there were

^{19/} Petroleum Press Bureau, Petroleum Press Service (London), February 1951.

^{20/} Le Commerce du Levant (Beirut), 3 September 1951.

^{21/} Ibid., 30 September 1951.

^{22/} The Middle East Institute, Middle East Journal (Washington, D.C.) vol. 5, 4 November 1951.

around twenty-five airfields in Saudi Arabia,^{23/} and an increasing number of pilgrims travelled by plane. In the field of agriculture, the expansion of the water supply by drilling wells and installing pumping equipment has made it possible to extend cultivation. Tractors have also come into use. Other improvements consist of the installation of telephones, the building of a broadcasting station and generating plants, providing piped water, and constructing schools, hospitals, warehouses and other buildings. A soap factory was completed in early 1951. In addition, an Egyptian firm secured a contract at ££650,000 for construction of a sewage system in Mecca.

Iraq

Until 1950, Iraq's receipts from the oil operations of the Iraq Petroleum Company Limited, the main producer in Iraq, were at a royalty rate of four shillings gold per ton of oil exported, equivalent to about 22 cents per barrel.

Following announcement in July 1949 of the proposed revision in the terms of payment of the Anglo-Iranian Oil Company, negotiations began which, in August 1950, led to an agreement raising the royalty rate from 4 shillings to 6 shillings gold per ton of oil removed from the country (that is, about 33 cents a barrel). Another agreement, superseding the previous one, was announced in Bagdad on 13 August 1951. This provides for another form of equal profit-sharing, before payment of foreign taxes. Profit is determined by deducting from the value of crude oil at Iraqi borders the cost of production, overhead and transportation to the Iraqi borders.^{24/} Iraq's receipts, however, are not to be less than the f.o.b. value of 25 per cent of the crude oil, produced and transported by the Iraq Petroleum Company and Mosul Petroleum Company, at the eastern Mediterranean ports; and 33-1/3 per cent of the crude oil, produced and transported by the Basrah Petroleum Company, at the Persian Gulf port of

23/ Petroleum Press Service, February 1951.

24/ At present costs and prices, it is agreed that the price of crude oil of Kirkuk quality will be 94 shillings per long ton at the Iraqi/Syrian border, and 81 shillings and 9 pence per long ton at Fao, and that costs will be 23 shillings in 1951, declining to 13 shillings in 1953 and thereafter.

Fao. The Government of Iraq may take in kind at seaboard terminals, 12-1/2 per cent of the crude oil produced in Iraq at f.o.b. posted prices. It is estimated that at current costs and prices, Iraq's revenues in 1951 were around 35 shillings sixpence per long ton of oil (66 cents per barrel).

The agreement stipulates that the minimum rate of production will be 22 million long tons a year of crude oil from the Iraq and Mosul companies for 1954 and afterwards, and 8 million long tons from the Basrah company for 1956 and thereafter. Thus, oil production in Iraq is expected to increase from 6.6 million tons in 1950 to at least 30 million long tons in 1955. In addition, the companies have undertaken to supply the one-million-ton government refinery which will be built at Baiji, near Baghdad, with crude oil for local consumption at a cost price of five shillings sixpence per ton (about 10.3 cents per barrel); the cost of transporting this oil will be borne by the Government. Other provisions of the agreement deal with the following: training of Iraqi employees at Kirkuk and in British universities; employment of Iraqi workers as far as possible; appointment of a number of Iraqi directors to the boards of the companies; payment of \$14 million in settlement of past disputes; payment of a minimum of \$14 million a year, for two years, in case of compulsory shutdown of operations; and revision of terms of payment if neighbouring countries conclude arrangements with oil companies containing better terms of payment.^{25/}

According to the terms of the agreement just described, Iraq's revenues, which amounted to \$8.7 million in 1949 and about \$20 million in 1950, were estimated at about \$40 million for 1951 (excluding the \$14 million settlement fund), and were expected gradually to rise to around \$165 million in 1955.

Kuwait

Until 1951 the rate of royalty paid to Kuwait had been the lowest in the region. The payments of the Kuwait Oil Company consisted of three rupees per ton of oil as royalty plus one-fourth of a rupee per ton in lieu of taxes.^{26/} Devaluation of the rupee in September 1949 brought

^{25/} Agreement of 3 February 1952 between the Government of Iraq and Iraq Petroleum Company and associates.

^{26/} Arabian American Oil Company, Summary of Middle East Oil Developments (New York, 1948).

Kuwait's receipts from the equivalent of 13 cents per barrel to around 9 cents per barrel. On 3 December 1951, an agreement providing for equal profit-sharing was announced in London. This agreement, which was to be effective from 1 December 1951, imposed an income tax on the earnings of the company before deduction of foreign taxes to bring about an equal division of profits. It was reported that the Sheikh's revenues under this agreement would amount to between 49 cents and 50 cents a barrel at 1951 costs and prices.^{27/} Kuwait's receipts from the operations of the Kuwait Oil Company amounted to the equivalent of about £3.9 million in 1950, against £2.8 million in 1949. It was expected that its revenues from the company's operations in 1951 would amount to nearly \$30 million, and in 1952 to about \$140 million, as a result both of changes in terms of payment and of increased production.

Part of Kuwait's oil revenues have been utilized for building hospitals and schools and for improving the city of Kuwait. Since Kuwait has no drinking water, work is proceeding on the construction of a water distillation plant, estimated to cost about \$8.5 million, with a capacity of one million gallons per day, to be completed in 1953. In addition, Kuwait has been negotiating with the Government of Iraq regarding construction of a water pipeline to draw water from the Shatt al Arab to Kuwait.^{28/} A power plant costing about \$7,000,000 will also be built.^{29/} These projects can absorb only a fraction of the increasing funds which are accruing to Kuwait from oil operations, but aside from oil the natural resources of Kuwait - with an area of about 6,000 square miles and a population of approximately 170,000 - are limited.

The foreign trade of Kuwait has flourished as a result of these recent developments, and of increased foreign exchange receipts from oil operations. Its imports, excluding imports by the oil company, increased from \$5.1 million for the year ending 31 March 1946 to \$21.1 million for

^{27/} The Journal of Commerce (New York), 4 December 1951.

^{28/} Petroleum Publishing Company, Oil and Gas Journal, 22 November 1951.

^{29/} The Economist (London), 18 December 1951.

the year ending in March 1950; some of the imports were for re-export. Excluding petroleum shipments, exports and re-exports increased from \$128,600 to \$6.4 million in the same years.^{30/}

Bahrein

Under the terms of the concession agreement, the Sheikh of Bahrein received three and one-half rupees per ton of crude oil, equivalent to about 14 cents a barrel before the September 1949 devaluation.^{31/} In 1950, the Bahrein Petroleum Company reportedly agreed to increase its payments to 10 rupees per ton - about 29 cents a barrel - effective from January 1950, and subsequently another supplemental agreement was made, in 1951, increasing further the payments.

Bahrein's revenue from oil was about \$1.6 million in 1948, increasing to around \$3.2 million in 1950. One-third of these revenues is assigned the Sheikh and his family, and the balance is partly set aside as reserve funds and partly used to finance the current expenditures of the Government as well as development projects.^{32/}

^{30/} Middle East Economist and Financial Service, (Forest Hills, New York), June 1951; and United States Department of Commerce, International Reference Service, Arabian Peninsula Areas, vol. V, No. 92, November 1948.

^{31/} Arabian American Oil Company, Summary of Middle East Oil Development (New York, 1948).

^{32/} J.H.D. Belgrave "The Future of the Bahrein Islands", The Arab World, (London), October 1951.

Chapter 3

TRENDS IN PRODUCTION AND PRICES IN SELECTED COUNTRIES

Egypt

The most important factor in Egypt's economic situation during the period under review was the sharp rise in the price of cotton. This increased considerably the value of Egypt's exports, but imports grew correspondingly, giving rise to an import surplus in these years. The deficit in the balance of payments was, however, more than covered by releases from sterling balances. The expansion in incomes which came from the increased value of cotton exports, and the rise in import prices, as well as the budget deficit of 1949/50, were responsible for the rise in wholesale prices, which, in 1951, were about 15 per cent above the previous post-war peak of 1948.

Owing to the relaxation of restrictions on acreage, production of cotton regained the pre-war level in 1948, but fell slightly below it in the following years (table 12). Prices for Egyptian cotton, which in the early post-war period had followed the trend of American prices, rose sharply in 1948, partly owing to demand from Europe, where the dollar shortage persisted, but there was a downward tendency during the latter half of the year and the first half of 1949. The devaluation of sterling and of the Egyptian pound in September 1949, and the increased demand for cotton from soft currency areas, stabilized the price of Egyptian cotton during the following months, while prices of cotton from the United States at first declined, then rose slowly. The outbreak of war in Korea in 1950 was followed by a sharp increase in cotton prices, which levelled off in the spring and summer of 1951, declined in the fall, following the announcement of a large crop in the United States, and recovered towards the end of the year when the previous estimate was reduced. From the beginning of 1951, the Government of Egypt pursued a policy aiming at maintaining the price of cotton by fixing minimum prices, and, later, by undertaking to buy any amount of cotton tendered at those prices. The purchase of cotton was financed by the issuing of Treasury bills. In

Table 12. Egypt: Production, Prices and Exports of Cotton
1947 to 1951

Period	Production (thousands of metric tons) ^{a/}	Prices in Alexandria ^{b/}		Prices in United States ^{c/}	Exports	
		Long staple (Karnak "good")	Medium staple (Ashmuni "good")		Quantity (thousands of metric tons) ^{d/}	Value (millions of Egyptian pounds) ^{d/}
1947.....	286	45.42	42.32	34.4	336	69.3
1948.....	400	90.79	66.08	33.8	345	113.3
1949:						
June.....	..	75.68	44.20	32.8	194	58.9
December.....	391	78.66	75.18	30.3	359	106.1
1950:						
June.....	..	74.76	124.00	33.8	203	71.7
December.....	377	126.48	124.09	42.6	387	149.8
1951:						
June.....	..	162.60	117.01	45.2	225 ^{e/}	105.5
December.....	345	161.25	99.81	42.0		143.6 ^{e/}

Source: National Bank of Egypt, Economic Bulletin; Food and Agriculture Organization of the United Nations, Food and Agricultural Statistics (Rome); Egypt, Ministry of Finance, Monthly Survey of Foreign Trade; International Cotton Advisory Committee, Cotton Quarterly Statistical Bulletin (Washington, D.C.).

a/ Production during year or six months ending on date specified.

b/ In tallaris per cantar. One tallari equals 57 cents (post-devaluation rate) and one cantar equals 44.9 kilogrammes; average for year or month specified.

c/ 15/16" middling; average of 10 spot markets in cents per pound; average for year or month specified.

d/ Exports during period ending on date specified.

e/ November.

January, the export tax on cotton was doubled to £8 per 100 kilogrammes, as an anti-inflationary and revenue-raising measure, but in May it was reduced to its pre-war level to stimulate exports.

The value of cotton exports in 1950 was over three times as great as in 1946, and during the first half of 1951 a rate almost five times as high as that of 1946 was achieved. Exports of other commodities, however, showed very little increase, while the value of imports rose by two and a half times between 1946 and 1950. The main elements of Egypt's balance of payments are shown in table 13.

Except for 1949, all the post-war years showed a deficit on current account but, taking the period as a whole, this was more than offset by releases from Egypt's sterling balances.^{1/} In 1950, Egypt had a surplus in its current accounts with hard currency countries, owing to several factors: the large increase in exports of cotton to the United States; the decline in imports from the United States and Canada; insistence on dollar payments for exports of rice and some varieties of cotton; use of transferable sterling for payments to Belgium, Sweden and Switzerland^{2/}; and the purchase of dollar goods from non-dollar countries against payment of Egyptian pounds. This surplus has been used to increase gold and dollar reserves, partly as a cover for the note issue. Egyptian gold reserves and balances in United

^{1/} The latest Anglo-Egyptian agreement, signed 1 July 1951, provided for the release of £150 million, out of Egypt's £230 million of blocked sterling, during the next 10 to 13 1/2 years. During the period 1951 to 1960, annual releases are to be £10 million, Egypt having the right to draw an additional £5 million, to a total of £35 million during the period, should its free balances fall below £45 million. Provision was also made for the release of an additional £14 million in dollars in 1951. Moreover, Egypt is to be assisted by the United Kingdom in obtaining petroleum products against payment in sterling, to a total value of £11 million in each of the ten years, 1951 to 1960 (International Monetary Fund, International Financial News (Washington, D.C.), 23 March 1951).

^{2/} International Monetary Fund, International Financial News, 1 December 1950.

Table 13. Egypt: Principal Items in Balance of Payments, 1946 to 1950
(Millions of Egyptian pounds)

Item	1946	1947	1948	1949	1950
Credit:					
Proceeds of exports.....	51.9	67.2	132.6	138.7	184.8
Shipping.....	..	..	..	7.9	7.5
Suez Canal.....	..	..	18.4	23.0	26.2
British army expenditures..	20.7	11.5	23.1	11.5	13.0
Other credit items.....	30.4	32.5	20.6	35.8	36.8
Total	103.0	111.2	194.7	216.9	268.3
Debit:					
Payments for imports.....	88.6	100.4	162.5	158.3	221.7
Shipping.....	..	..	..	8.8	7.0
Interest, dividends and other revenues.....	12.1	8.7	6.8	13.7	15.8
Expenditures of tourists, pilgrims and others.....	4.7	2.5	7.2	10.4	8.9
Other debit items.....	17.0	31.3	30.4	20.8	28.9
Total	122.4	142.9	206.9	212.0	282.3
Balance.....	-19.4	-31.7	-12.2	4.9	-14.0
Reduction in sterling balances.....	11.8	37.1	4.9	21.7	29.0
Increase in gold and foreign exchange.....	..	3.9	3.6	19.4	23.0

Source: National Bank of Egypt, Economic Bulletin.

States banks rose from \$82 million at the end of 1948 to \$116 million in 1949, \$174 million in 1950 and \$284 million in 1951.^{3/}

One of the reasons for the growth in Egypt's imports has been its increasing deficiency in foodstuffs, notably cereals and sugar, due to the rapid increase in population. During the post-war years, restrictions on the area planted to cotton were gradually relaxed, and cereal acreage decreased (table 14). Maize yields declined, while the wheat yield remained unchanged, resulting in a decline in the total cereal crop. Imports of cereals of all kinds rose from 16,000 metric tons in 1938 to 595,000 in 1949 and 614,000 in 1950,^{4/} but against this should be set an increase in exports of rice, from a pre-war average of 97,000 tons to 309,000 tons in 1949 and 174,000 tons in 1950. Net imports of refined sugar in 1950 totalled 115,000 tons, against exports of 42,000 tons in 1938; at the same time imports of raw sugar declined from 109,000 tons to 18,000 tons. In 1951, however, the area planted to cereals increased and a very good crop was obtained.

In 1949, most Egyptian industries began to feel acutely the impact of foreign competition, and production in certain branches was curtailed. The declared net profits of eighteen industrial companies with a combined paid-up capital of £E9 million, fell from a peak of £E2,334,000 in 1947 to £E2,166,000 in 1948 and £E1,951,000 in 1949.^{5/} Data for 1950 are incomplete, but show an increase; in 1951 there was a distinct expansion in industrial activity, stimulated by the rise in incomes and prices, and profits increased appreciably.^{6/}

^{3/} International Monetary Fund, International Financial Statistics. During the first half of 1951, exports exceeded imports for the first time since the outbreak of the Second World War, and the balance of payments showed a surplus on current account. This favourable situation does not, however, seem to have prevailed during the second half of the year, when deficits were incurred, mainly in transactions with soft currency countries.

^{4/} National Bank of Egypt, Economic Bulletin, No. 2, 1951.

^{5/} Banque Belge et Internationale d'Egypte, Etudes financières.

^{6/} Dividends distributed in 1950 by all Egyptian corporations amounted to £E11.6 million, against £E10.4 million in 1949 (L'Egypte industrielle, Cairo, November 1951).

Table 14. Egypt: Area and Production of Principal Cereals

Pre-war, 1945 and 1948 to 1951

(Area in thousands of hectares; production in thousands of metric tons)

Years	Wheat	Maize	Rice	Barley	Total
1934-38:					
Area.....	588	649	174	113	1,524
Production.....	1,184	1,616	609	225	3,634
1945:					
Area.....	692	789	265	151	1,897
Production.....	1,182	697	866	262	4,007
1948:					
Area.....	637	652	330	92	1,711
Production.....	1,080	1,409	1,308	167	3,964
1949:					
Area.....	595	628	295	71	1,589
Production.....	1,167	1,250	1,168	138	3,723
1950:					
Area.....	576	610	294	49	1,529
Production.....	1,018	1,306	1,242	91	3,657
1951:					
Area.....	629	695	294	50	1,668
Production.....	1,194	1,446	1,260	99	3,999

Source: Food and Agriculture Organization of the United Nations, Yearbook of Food and Agricultural Statistics; Monthly Bulletin of Food and Agricultural Statistics.

The Government made many efforts to help Egyptian industry, especially the cotton textile industry, where capacity is now twice as great as it was before the war and production two and a half times above the pre-war level. In October 1949 duties on yarns were doubled and those on cloth were raised appreciably. In the following year, duties on raw materials and machinery were reduced and those on wheat and maize eliminated; at the same time duties on luxuries and some manufactured goods were raised. A subsidy was granted to exporters of cotton yarn, to offset the differential between the prices of Egyptian cotton and of foreign cotton. In May 1951, all imports of industrial machinery were exempted from customs duties.^{7/} These measures had little effect on imports of cotton yarn and cloth, which were already at a low level, but they stimulated exports of yarn, which increased from 10 tons in 1947 and 42 tons in 1948 to 4,732 in 1949, 5,263 in 1950,^{8/} and 5,715 in the first eight months of 1951.

As table 15 shows, output generally increased, but some industries found difficulty in disposing of their products and accumulated inventories. Recently established factories not represented in the table include a chemical fertilizer plant, a motorcar assembly plant, a large shoe factory and a small steel mill.

Some evidence is available of an increase in consumption in 1950, resulting from higher incomes of cotton producers. The caloric contents of food supplies available per capita in 1950/51 have been estimated at 3 per cent above the amount in the preceding year; this however, is still slightly below the pre-war level.^{9/} Sugar consumption has steadily increased, from 135,000 tons in 1938 to 252,000 in 1949 and 263,000 in 1950.^{10/} Consumption in 1951 was estimated at 270,000 tons.^{11/} Available supplies of cotton piece-goods

^{7/} International Monetary Fund, International Financial News, 18 May 1951.

^{8/} L'Egypte industrielle, June 1951.

^{9/} Food and Agriculture Organization of the United Nations, Monthly Bulletin of Food and Agricultural Statistics, September 1951.

^{10/} Annual reports of the Société Générale des Sucreries et de la Raffinerie d'Egypte.

^{11/} Al Ahram (Cairo), 10 September 1951.

Table 15. Egypt: Output of Principal Industries, 1947 to 1951

(Thousands of metric tons except as indicated)

Industry and product	1947	1948	1949	1950	1951 ^{a/}
<u>Textiles:</u>					
Cotton yarn.....	49 ^{b/}	50	58	53	26
Cotton fabrics <u>c/</u>	143	156	152	158	87
Rayon yarn <u>d/</u>	-	20	948	1,887	1,107
Rayon fibres <u>d/</u>	-	-	16	1,336	1,097
Woollen fabrics <u>d/</u> .....	..	878	1,406	1,206	589
<u>Mining:</u>					
Crude petroleum.....	1,334	1,886	2,266	2,343	2,300 ^{b/}
Phosphates.....	377	350	350	397	250
Manganese ore (metal content).....	-	17	40	60	..
Common salt <u>e/</u>	623	360	466	539	..
Natron <u>d/</u>	5,100	4,000	1,400	500	..
Gold <u>f/</u>	2,090	3,858	7,045	10,324	..
<u>Other industries:</u>					
Cement	648	768	889	1,023	1,130 <u>g/</u>
Refined sugar	185	199	216	231	218 <u>g/</u>
Alcohol <u>h/</u>	9.8	9.4	9.4	14.6	5.5

Source: United Nations, Monthly Bulletin of Statistics; National Bank of Egypt, Economic Bulletin; Egyptian Federation of Industries, l'Egypte industrielle (Cairo); Société Misr pour la Rayonne, Annual Report, 1950.

a/ Six months.

b/ Estimated.

c/ Millions of square metres.

d/ Tons.

e/ Exports.

f/ Ounces.

g/ Twelve months.

h/ Millions of litres.

were estimated at 2.77 kilogrammes per capita in 1948, 2.90 in 1949 and 2.63 in 1950. These compare with 2.45 in 1937 and 2.36 in 1938.^{12/}

The rise in cotton prices, the increase in consumption and the expansion of industrial output are reflected in greater financial activity (table 16). The increase in the money supply is the combined consequence of a rise in note and currency circulation, caused by higher incomes and greater business activity, from $\text{£}141$ million in December 1947 to $\text{£}189$ million in December 1950, and to $\text{£}164$ million in August 1951, together with a decline in Egyptian Government deposits from $\text{£}88$ million in December 1947 to $\text{£}56$ million in December 1950 and $\text{£}25$ million in August 1951.^{13/} These withdrawals from government deposits were used in greater part to buy foodstuffs abroad in an attempt to keep down the cost of living. Between 1945 and the end of 1950, the Government spent $\text{£}157.3$ million on the purchase of local products and $\text{£}89.2$ million on the purchase of foreign goods. Resale of foodstuffs at lower prices resulted in a loss of $\text{£}40$ million to the Government over that period.^{14/}

The 1949/50 budget accounts showed a deficit of $\text{£}5.3$ million; as in previous years, expenditure on military and development projects was less than two-thirds of estimates.^{15/} In the 1950/51 budget estimates, the deficit was $\text{£} 25$ million, while for 1951/52 it was estimated at $\text{£}18.6$ million.^{15/}

The main development projects completed during the period under review were the Edfina barrage and the Suez Canal by-pass. The first, finished in 1951 at a cost of $\text{£}4$ million, will save 600 million cubic metres of Nile water each year.^{16/} The seven-mile by-pass, the largest improvement since

^{12/} National Bank of Egypt, Economic Bulletin, vol. IV, No.3, 1951.

^{13/} Ibid. August represents the seasonal low in money supply. In August 1950, the note and currency circulation was $\text{£}143$ million and government deposits were $\text{£}42$ million.

^{14/} Commerce du Levant (Beirut), 17 January 1951.

^{15/} United Nations, Statistical Yearbook, 1951; National Bank of Egypt, Economic Bulletin.

^{16/} Al Ahram (Cairo), 13 August 1951.

Table 16. Egypt: Selected Indicators of Financial Activity

1947 to 1951

(Millions of Egyptian pounds)

Date	Money supply a/	Bank loans and discounts	Bank clearings, beginning of year to end of period	Index of wholesale prices (June-August 1939 = 100)	Index of cost of living
<u>31 December:</u>					
1947.....	411.7	61.3	386.5	311	280
1948.....	401.5	75.1	467.4	324	282
1949.....	424.6	97.6	474.5	322	282
1950.....	426.3	109.1	603.8	376	306
<u>31 August:</u>					
1950.....	367.4	61.3	364.9	344	295
1951.....	379.7	64.0	476.0	383	319

Source: United Nations, Monthly Bulletin of Statistics; National Bank of Egypt, Economic Bulletin.

a/ Currency in circulation and bank deposits.

the opening of the Suez Canal in 1869, provides two-way passage and thus speeds up canal traffic.^{17/} Egypt is also participating in the construction of a reservoir at Owen Falls, on Lake Victoria.

Iran

Economic developments in Iran in 1951 were dominated by the repercussions of the policy of petroleum nationalization initiated in March 1951. Implementation of this policy was followed by a stoppage of oil exports in June 1951 and the shutdown of the oilfields and of the Abadan refinery in August 1951. Oil revenues, except income from local sales of petroleum products, practically ceased; foreign exchange holdings dwindled; unemployment increased; development activities were curtailed; imports were restricted; and public borrowings increased. On the other hand, the rise in agricultural and industrial production, the expansion in exports other than petroleum, the economy measures which were adopted, and other steps taken by the Government, prevented the full impact of the closure of the oil industry from making itself felt on the economy. By the end of 1951, Iran was in the process of adjusting itself to an economy functioning without substantial oil revenues as had been the case to a certain extent in the nineteen thirties, when most of the government revenue derived from petroleum was used for the purchase of armaments.

In recent years petroleum production has constituted approximately one-third of the total geographical product of Iran, and the oil industry through direct payments to the Government, wages and other local expenditures accounted for around one-tenth of the national income. Direct payments to the Government by the Anglo-Iranian Oil Company on account of royalties, taxes and share of profits were 1,885 million rials in the Iranian year 1950/51,^{18/} as against 1,284 million rials the previous year, totals which were about 20.5 per cent and 15 per cent, respectively, of the Government's actual

^{17/} Middle East Economist and Financial Service (Forest Hills, New York), September 1951.

^{18/} The Iranian year begins on 21 March.

budget expenditures,^{19/} (including the development budget). These revenues, according to the law of February 1949, were earmarked for the Seven Year Plan Organization, to carry out its development projects.

The role of petroleum in the balance of payments of Iran was highly important. The foreign exchange contribution of the petroleum industry to the Iranian economy (table 17) was 3,524 million rials in the Iranian year 1949/50 and 3,680 million in 1950/51. Foreign exchange thus received provided 65 per cent of foreign exchange disbursements of the authorized banks of Iran in the year 1950/51 as compared with 54 per cent in 1949/50 and 70 per cent in 1948/49.

After the shutdown of the petroleum industry in August 1951, and the stoppage of oil revenues and foreign exchange receipts, the immediate major problems of Iran consisted of the adjustment of the balance of payments, the balancing of government revenues and expenditures and the provision of work for unemployed petroleum workers. The petroleum industry had employed about 70,000 Iranians in early 1951, of whom 57,000 were direct employees of the Anglo-Iranian Oil Company, out of a total industrial labour force in the country of around 300,000. The trend of unemployment in Iran, after reaching a peak in the first half of 1950, was downward until August 1951, when the Anglo-Iranian Oil Company ceased paying the wage bill of its workers, amounting to about 1,800 million rials a year. The Iranian National Oil Company, financed by the Government, became responsible for paying the idle employees and meeting the other expenses of the nationalized oil industry.^{20/} Part of this expenditure was met by the local sale of nearly one million tons a year of petroleum products; the rest was obtained by drawing on foreign

^{19/} These figures do not include government receipts from customs duties paid by the company on imports of consumption goods or the proceeds of sales of foreign exchange certificates received from the company, as well as other taxes. These items amounted to around 820 million rials in 1949 and 930 million in 1950.

^{20/} Early in November 1951, Iranian technicians resumed operation of part of the Abadan refinery, as well as extraction of crude from Agha Jari field, to fill the storage space provided by gradual withdrawal of oil products for domestic consumption. Operations in the small oilfields and refinery in Kermanshah have continued.

Table 17. Iran: Exports and Imports of the Anglo-Iranian Oil Company and Foreign Exchange Contribution to the Iranian Economy

1949/50 to 1951/52

(Millions of rials)

Year ^{a/}	Exports of petroleum products	Total imports (capital goods and consumption goods)	Foreign exchange contribution to the Iranian economy ^{b/}
1949/50.....	15,309	1,889 ^{c/}	3,524
1950/51.....	22,184	914	3,680
1951/52.....	9,381	247	..

Source: Bank Melli Iran, balance sheets of 20 March 1950 and 20 March 1951; Bank Melli Bulletin, No. 111; Ministry of Finance, Monthly Bulletin of Foreign Trade Statistics of Iran.

a/ Beginning 21 March.

b/ Direct payments to the Government and purchase of Iranian currency for local expenditure.

c/ Adjusted.

exchange reserves covering the note issue. A few thousand oil workers were transferred to the construction of dams in Khuzistan Province, others turned to building activities in Abadan and the oilfields, and some continued the partial operation of the industry for local needs; however, the greater part of the number remained non-productive.

The balance of payments position of Iran was favourable in the Iranian year 1950/51 (table 18), but the stoppage of foreign exchange receipts from oil operations in 1951 resulted in a large deficit, which was filled mainly by drawing on foreign exchange holdings. The main expenditure item, imports, had been running high since 1949, because of the poor 1949 crops and also because of increased imports of capital goods and consumer goods, especially textiles, in the following years. Imports totalled 6,742 million rials in the year 1949/50 (table 19), 6,246 million rials in 1950/51 and about 3,788 million rials in the following six months. Exports meantime rose rapidly, largely owing to the resumption of trade with western Germany and a barter trade agreement with the Union of Soviet Socialist Republics, as well as increasing prices of export items in 1950 and 1951. As a result, exports increased from 1,712 million rials in 1949/50 to 3,495 million in 1950/51 and to about 1,950 million in the period March to September 1951.

Up to the end of 1951, however, the increase in exports was far from closing the gap between imports and exports, although prospects were for further improvement. In the crop year 1951/52, Iranian production of sugar, one of the leading import items, was estimated at 67,000 metric tons, as against about 30,000 in 1949/50. Crops were generally favourable, and there were no shortages requiring added imports. Output of domestic factories such as textile and glass factories, and of several other industries, had also considerably increased. The supply of several export items - for example, cotton, dried fruits, rice and wool - had also sharply risen. Cotton output in the crop year 1950/51 was estimated at nearly 50,000 tons, that is, about two-thirds above the 1949/50 level. At the same time, imports of capital goods had to be curtailed owing to lack of funds.

In order to fill the gap in the balance of payments in the second half of 1951, the Iranian Government was authorized to draw up to £14 million on the foreign exchange backing of notes issued, of which £12 million had been

Table 18. Iran: Balance of Payments
Fiscal Years 1948/49 to 1950/51

Item	1948/49	1949/50	1950/51
<u>Receipts by:</u>			
Government (royalties; taxes; share of profits from Anglo-Iranian Oil Company).	1,174	1,284	1,885
Authorized banks:			
Sales of foreign exchange by Anglo-Iranian Oil Company for its local expenditures.....	2,068	2,240	1,795
Exports, including sales of bank Melli's silver.....	1,745	1,172	1,971
Miscellaneous	117	834 ^{a/}	138
Total receipts	5,104	5,530	5,789
<u>Disbursements for:</u>			
Imports.....	4,272 ^{b/}	6,141	4,703
Other items.....	370	382	973
Total disbursements	4,642	6,523	5,676
Increase (+) or decrease (-) in foreign exchange holdings.....	†462	-993	†113

Source: Bank Melli Iran, balance sheets for 20 March 1949, 20 March 1950, and 20 March 1951.

a/ Including receipt of the equivalent of 742 million rials by the Government from the United Kingdom on account of using the Trans-Iranian Railways.

b/ Adjusted.

Table 19. Iran: Foreign Trade,^{a/} 1949/50 to 1951/52
(Millions of rials)

Period ^{b/}	Imports	Exports	Balance
1949/50:			
First half.....	3,035	809	-2,226
Second half.....	3,707	903	-2,804
1950/51:			
First half.....	2,761	875	-1,886
Second half.....	3,485	2,620	-865
1951/52:			
First half.....	3,788	1,950	-1,838

Source: Ministry of Finance, Monthly Bulletin of Foreign Trade Statistics of Iran.

a/ Excluding imports and exports by concessionaires and the petroleum company.

b/ Year beginning 21 March.

used by the end of 1951. Despite this, in December 1951 Iran still owned about \$58 million of foreign exchange and \$138 million of gold, in the note cover, as against \$102 million and \$139 million, respectively, in December 1950. Decreasing foreign exchange holdings and the withdrawal by the United Kingdom of Iran's privilege of converting its sterling holdings into dollars prompted the Iranian Government to buy \$8,750,000 from the International Monetary Fund in November 1951.^{21/} In addition, in the last two months of 1951 several measures were taken by the Government to restrict imports and to cut foreign exchange spending abroad in order to adjust the unfavourable balance of payments.

Owing mainly to increased expenditure under the seven-year plan, the Government's financial condition was already unfavourable when the shutdown of the oil industry cut its direct receipts from the petroleum industry (table 17). The government budget, including both revenue from petroleum and expenditure under the seven-year plan, showed a deficit of about 1,000 million rials in the year ending 20 March 1950, and 1,200 million rials in the following year.^{22/}

In order to meet the increased deficits in the second half of 1951 resulting from the stoppage of oil revenues and the provision of funds for the wages of workers of the oil industry, the Government was authorized by Parliament to utilize the greater part of the proceeds of the sale of \$14 million in foreign exchange and to issue 2,000 million rials of government bonds. By the end of 1951, about \$12 million had already been used; in December 500 million rials of government bonds were floated. In the meantime, as a result of economy measures taken by the Government, particularly the curtailment of funds available for seven-year plan projects, a balanced budget was submitted to Parliament .

The Seven Year Plan Organization absorbed 2,234 million rials (\$70 million) of oil revenues during the period between July 1949, the

^{21/} In 1949/50 the equivalent of about \$93 million of Iran's sterling holdings was converted into dollars, and in 1950/51 the corresponding amount was \$41 million (annual reports of Bank Melli Iran).

^{22/} United States Department of Commerce, Business Information Service, World Trade Series, Iran: Annual Economic Review for 1950 (Washington, D.C.)

inception date of the plan, and November 1950. This represented 83.8 per cent of the total revenue of the organization, including a loan of 195 million rials from Bank Melli Iran. The expenditures of the organization during this period amounted to 2,452 million rials, 12 per cent of which was spent on agriculture and irrigation, 16.5 per cent on transport, 14.8 per cent on industry, 25 per cent on loans to and rehabilitation of government-owned industrial and mining establishments, and the rest on administrative and other expenditures. In addition, work is progressing on the installation of a drinking water system for Tehran; by the end of 1951, about 400 million rials had been spent on this project.^{23/}

The budget of the Seven Year Plan Organization, covering the period between December 1950 and March 1953, had anticipated a revenue of 5,690 million rials, 54.2 per cent of which was to come from oil revenues. The interruption of the latter in April 1951 seriously curtailed development activities in Iran. In 1950, Iran was granted a \$25 million loan by the United States Export-Import Bank, but no part of this had been made available to December 1951.

Iraq

During the past two years, there has been a great improvement in the economic situation of Iraq; this was due both to the developments in the petroleum industry, which have been described in the preceding chapter, and to better agricultural conditions.

Following the very poor seasons of 1947 and 1948, when wheat production barely covered domestic requirements, crops increased considerably. Table 20 shows the production of the principal ones. The increase in production in 1949 and 1950 resulted mainly from a rise in yields, due to favourable weather conditions; in 1950 there was also an expansion in acreage. Mechanization of agriculture has made progress; in 1951, there were in operation 320 combines and 750 tractors.^{24/} Many irrigation pumps have also been installed, the

^{23/} Bank Melli Bulletin (Tehran), July 1951; and Keyhan (Tehran), 26 February 1952.

^{24/} International Bank for Reconstruction and Development, The Economic Development of Iraq (Washington, D.C., 1952), page 19.

Table 20. Iraq: Production of Principal Crops, 1946 to 1950
(Thousands of metric tons)

Year	Wheat	Barley	Rice ^{a/}	Dates	Cotton ^{b/}
1946	370	895	356	295	1.0
1947	235	500	193	301	0.6
1948	301	570	350	170	0.5
1949	450	750	212	255	1.9
1950	520	900	..	406	12.5
1951 ^{c/} ...	650	900	..	270	19.0

Source: United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, 1952; Food and Agriculture Organization regional meeting, Bloudane, Syria; International Monetary Fund, International Financial News Survey, 4 August 1950; Middle East Economist, June 1951.

^{a/} Unhusked.

^{b/} Ginned.

^{c/} Estimated.

number rising from 2,757 in 1945 to 3,748 in 1951.^{25/} Information relating to 1951 shows that an appreciable expansion in cultivated area has been offset by a decline in yields. The expansion in acreage was particularly marked for cotton; acreage devoted to this crop increased more than tenfold between 1948 and 1951. Industry continued to play a very minor part in the country's economy, its gross output being estimated at only 3 million dinars, but some development has recently taken place, stimulated by improved agricultural conditions and by government assistance. The cement and brewing industries are in the process of doubling their capacity; cotton and woollen textile factories have expanded. A jute factory and a cotton textile factory, with 20,000 spindles and 400 looms, are being set up, and the construction of three small sugar refineries has been approved. Consumption of electricity by industry is increasing steadily, rising from 20 million kilowatt-hours in 1946 to 35 million in 1949. The paid-up capital of the government-owned industrial bank is to be raised from 550,000 dinars to 1,000,000 dinars; in 1950 it advanced loans of 200,000 dinars.^{26/}

As table 21 shows, Iraq experienced balance of payment difficulties in 1947 and 1948. In the former year imports were twice as high as exports, and in 1948 they were more than three and a half times as high. Moreover, the closing of the pipeline to Haifa, following the outbreak of the Arab-Israeli war, reduced production of petroleum, as well as the royalties paid by the petroleum companies, but this was partly compensated by increased capital investment in Iraq by these companies. The deficit on current account was covered by sales of securities and other assets by the National Bank and commercial banks.

In 1949, the position was eased by a sharp decline in the import surplus, and the deficit on current account was greatly reduced. In 1950 there was a marked improvement. Exports almost doubled in value owing to a large

^{25/} Ministry of Economics, Statistical Abstract, 1949, and United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development (Beirut), No. 1, October 1951.

^{26/} International Monetary Fund, International Financial News Survey, 3 October 1951.

Table 21. Iraq: Principal Items in Balance of Payments, 1946 to 1950
(Millions of dinars)

Item	1946	1947	1948	1949	1950
Merchandise exports (f.o.b.)....	15.2	17.3	10.3	14.8	26.0
Merchandise imports (c.i.f.)....	25.2	35.0	36.9	30.0	29.9
Trade balance	-10.1	-17.7	-26.5	-16.1	- 3.9
Non-monetary gold	- 1.6	- 0.4	-	-	-
Transportation and other services.....	4.5	0.6	1.8	2.9	3.2
Remittances and capital movements	-	0.1	0.1	0.2	0.7
Official non-compensatory transactions	- 0.3	- 0.8	2.1	-	3.8
Foreign exchange provided by petroleum companies <u>a/</u>	4.1	7.7	11.1	7.6	9.1
Errors and omissions	0.3	2.2	1.2	4.2	- 3.4
Surplus or deficit on current account	- 3.0	- 8.4	-10.2	- 1.2	9.5

Source: International Monetary Fund, International Financial Statistics, February 1952.

a/ Including royalties and other local expenditures by the companies.

increase in the quantity of grain and of dates and a sharp rise in the prices of cotton and wool, while imports were restricted by the establishment, in March 1950, of foreign exchange control, the fixing of import quotas and the raising of customs duties on luxury goods.^{27/} At the same time, production of petroleum increased by 50 per cent, and royalties rose more than correspondingly. The year therefore closed with a surplus on current account, the first since the end of the Second World War. It is likely that this improvement was maintained in 1951, since the large increase in petroleum royalties probably offset the import surplus.

Iraq's sterling balances, which amounted to £70 million in June 1945^{28/} and £60 million in July 1947,^{29/} were reduced to about £45 million by the end of 1949. At the end of October 1951, they stood at £49.6 million.^{30/} In 1950, Iraq contracted two foreign loans: £3 million from the United Kingdom, for railway development, and \$12.8 million from the International Bank for Reconstruction and Development, for flood control projects.

The deficit in current accounts exerted a deflationary pressure on the economy in 1949. Construction and other forms of investment slowed down. The situation was aggravated by the dislocation caused by the exodus to Israel of Iraqi Jews, who had played an important part in the commercial life of the country and owned many of the smaller banks. In an effort to balance the budget, the Government curtailed expenditure on public works and succeeded in reducing the deficit for 1949/50 to a small amount.^{31/} The devaluation of the Iraqi pound, together with the pound sterling, in September 1949 brought some relief, and the improvement in crops made possible increased exports in 1950 and 1951, while the rise in revenues

^{27/} United Nations Relief and Works Agency for Palestine Refugees, op. cit.

^{28/} The Economist (London), 21 August 1948.

^{29/} British Information Services, Britain and Middle East Development, November 1951.

^{30/} United Nations Relief and Works Agency for Palestine Refugees, op. cit.

^{31/} United States Department of Commerce, Foreign Commerce Weekly (Washington, D.C.), 1 May 1950.

from petroleum, and the loans contracted by the Government, exerted an inflationary pressure. The index of wholesale prices, which had fallen to 75 in September 1949 (1948 = 100) rose to 82 in May 1950, 90 in December 1950 and 101 in December 1951.^{32/}

In 1950, a start was made on a large-scale economic development plan. By the terms of a law passed in April 1950, all oil revenues accruing to the Government will be handed over to the Iraq Development Board and spent on development projects. Under the plan which this board has been carrying out, a total of ID 57.8 million has been allocated, as follows: irrigation, ID 29.5 million; wells and drainage, ID 5.8 million; building, ID 11.6 million; roads, ID 9.9 million; administration, ID 1 million. In May 1951, the total authorized was raised to ID 65.7 million to cover additional road and bridge building and other projects.^{33/}

The principal development projects being carried out at present are at Wadi Tharthar and Habbaniya. The Wadi Tharthar project will provide flood control and permit year-round navigation between Baghdad and Basra; it will also provide irrigation water and offers possibilities of generating hydro-electricity.^{34/} Work on the Habbaniya scheme is far advanced, and it is hoped to utilize part of the works in 1952, to irrigate 160,000 hectares. Operations have begun on the Dokhan dam, on the Lesser Zab River, and projects on other tributaries of the Tigris have been approved. Drainage work is being carried out, and some of the irrigation canals are being improved. A large-scale programme of road and bridge building is also under way. Other projects include public buildings, mechanization of agriculture and small-scale electrification. The increase in revenues from petroleum has removed the financial obstacles holding up development in Iraq, but difficulties have been caused by the shortages of technicians, skilled and semi-skilled labour and materials.

^{32/} United Nations, Monthly Bulletin of Statistics.

^{33/} United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, No. 1, October 1951.

^{34/} Brad Fisk, "The Wadi Tharthar Flood Control Project", in Middle East Journal, summer, 1951.

Another important step was the passing, in June 1951, of a law empowering the Government to set up, on all government-owned land, co-operative farms such as the one successfully tried out at Dujaila. So far, about half the non-desert area of Iraq has been surveyed, and of this 64 per cent is government-owned.^{35/} Land has been allotted to landless peasants in two areas in the north of Iraq, and preparations for settlement are proceeding in two localities in the southern part of the country. It is estimated that 2,500 families will benefit from these projects in the course of 1952.

Israel

The chief characteristics of the Israeli economy during the period under review have been large-scale immigration; a great inflow of foreign funds; a high level of investment; increased output; a heavy import surplus; and powerful inflationary pressures. All of these are closely inter-connected.

The population has grown rapidly and continuously, from 867,000 at the end of 1948 and 1,164,000 at the end of 1949 to 1,370,000 and 1,560,000 at the end of 1950 and 1951, respectively. Immigration has accounted for most of this increase: 111,000 persons between 15 May and 31 December 1948; 239,000 in 1949; 170,000 in 1950; 174,000 in 1951.

Output has increased considerably, but at a rate less than the percentage of population increase. In September 1951, the Minister of Finance estimated that industrial and agricultural production had increased by 80 per cent since the establishment of the State, while the population had more than doubled.^{36/}

The national income was estimated at EI330 million,^{37/} against

^{35/} United Nations Relief and Works Agency for Palestine Refugees.

^{36/} Israel Information Office, Israel Digest (New York), 28 September 1951.

^{37/} Jewish Agency for Palestine, Israel Economic Horizons (New York), September 1951.

£1250 million in 1949. Table 22 shows the number of gainfully employed people in 1950 and the contribution made to the national income by the different sectors. Both the figures for employment and those for national income are somewhat above the level anticipated in the four-year development plan, which envisaged a national income of £1490 million and a gainfully employed population of 666,000 (out of a total population of 1,800,000) by 1953.^{38/}

The increase in agricultural output has been achieved partly by bringing back into cultivation farms owned by Arabs who had left the country during the Arab-Israeli conflict, farms which had been left untilled after the hostilities of 1948 and 1949; partly by putting new land under cultivation; and partly by increasing production on existing Jewish and Arab farms. The area under rain-fed crops increased from 135,000 hectares in 1948/49 to 213,000 in 1949/50, while the irrigated area increased from 29,000 hectares to 35,000 hectares.^{39/} The value of agricultural output on Jewish farms rose from £127 million in 1947/48 to £143.7 million in 1949/50.^{40/} In 1950/51 with a cultivated area of about 350,000 hectares (including 50,000 hectares of land lying fallow in the Negev), a drought caused much damage, especially to cereals and deciduous fruit, bringing production down considerably below the level of the previous year, despite the increase in acreage.

The 1950/51 citrus crop amounted to 8,153,000 boxes,^{41/} against 6,270,000 in 1949/50.^{42/} The current crop is estimated at about 9 million boxes. It is estimated that the area in Palestine devoted to citrus fruit declined from 30,000 hectares, when production reached a peak of 18 million cases in 1938/39, to 27,000 hectares at the end of the Second World War.

^{38/} A.L. Gruenbaum, Four Year Development Plan of Israel (Hakiryá, 1950).

^{39/} State of Israel, Government Yearbook, 1951/52.

^{40/} Israel and the Middle East, Special Issue (Tel Aviv), 1951.

^{41/} United States Department of Commerce, Foreign Commerce Weekly (Washington, D.C.), 6 August 1951.

^{42/} E.L. Gaton, op. cit.

Table 22. Israel: Employment and Income, 1950

Branch of Industry or service	Number employed	Per cent of total employed	Income (millions of Israeli pounds)	Approximate percentage of total income
Agriculture.....	97,000	21.0	32.1	9.5
Manufacturing.....	107,000	23.3	82.2	24.3
Building and construction	27,000	5.9	40.0	11.8
Commerce.....	63,000	13.7	49.9	14.8
Transport and communications.....	23,000	5.0	20.9	6.2
Finance.....	11,000	2.4	9.5	2.8
Other services.....	132,000	28.7	103.6	30.7
Total	460,000	100.0	337.6	100.0

Source: E.L. Gatton, The Israeli Economy in 1950, Special Study No. 1
(Central Statistical Office, Jerusalem) (in Hebrew).

Further destruction during the Arab-Israeli conflict brought it down to about 15,000 hectares; the area at present under citrus in Israel is estimated at 13,500 hectares.

Output of vegetables has increased by 220 per cent since the establishment of the State; this has been achieved by expanding the cultivated area from 7,000 hectares in 1948/49 to 13,000 hectares in 1949/50 and 17,500 in 1950/51. The fish catch has also considerably increased, being estimated at 18,000 tons in 1951, against 7,000 in 1950.^{43/} This tonnage covers a little more than half the country's consumption. Israel is still dependent on imports for 85 per cent of its bread cereals, oils and fats, and 55 per cent of its combined poultry and meat consumption.^{44/} It is estimated that since the establishment of the State employment in agriculture has increased by about 60,000. Mechanical equipment used in farming increased between 1948 and the end of 1950 as follows: tractors, from 547 to 3,500; combines, from 232 to 943; ploughs and cultivators, from 154 to 3,527; seeders, from 154 to 632; balers, from 143 to 551.^{45/}

Current development plans envisage an expansion of cultivated area to nearly 500,000 hectares by 1953. The chief increases planned are for grain, from 230,000 hectares to 410,000; for vegetables and potatoes, from 12,000 hectares to 22,000; for citrus groves, from 12,000 hectares to 15,000; for other orchards, from 26,000 hectares to 33,000.^{46/} The value of agricultural output is to increase threefold, to almost £1100 million.^{47/}

Industrial output has approximately doubled in the past three years. Gross output in 1950 was estimated at £195 million and net output at £182.2 million, against £140 million (net) in 1948. The number of workers employed rose from 55,000 to 107,000, and industrial consumption of

^{43/} Israel Digest, 7 September 1951; the figures for 1948 and 1949 were 2,700 tons and 4,200, respectively.

^{44/} American Financial and Development Corporation, op. cit.

^{45/} Israel Economic Horizons, June 1951.

^{46/} Jerusalem Post (Jerusalem), 4 August 1950.

^{47/} Middle East Economic Service (Forest Hills, New York) August 1950.

electricity increased from 84 million kilowatt-hours to 141 million.^{48/} During the past three years, many factories have been re-equipped with up-to-date machinery and several new industries have started operation, including a motorcar assembly plant, a steel mill, a plant for making electric refrigerators, a shoe factory, an electric bulb factory and a tire and rubber plant. However, industrial expansion has been slowed recently by the shortage of imported raw materials and, at the beginning of 1951, by strikes and lockouts.^{49/} Table 23 shows the increase in output in some leading industries.

Under the proposed four-year plan, the total capital invested in manufacturing was to have increased from £154 million in 1950 to £188 million in 1953, employment in manufacturing was to have risen to 122,000, and gross output to have reached a value of £1294 million.^{50/} The planned increase was to have affected the major industrial groups in approximately equal proportions.

Construction has been maintained at a high level, the floor space of new buildings completed rising from 324,000 square metres in 1949 to 639,000 in 1950 and 520,000 during the first half of 1951. It is estimated that during 1950 there were 20,000 unemployed, including unemployed in immigrant reception camps, or 4.3 per cent of the total number of income earners. "At the same time there is a scarcity of skilled labour of certain descriptions which may sometimes hamper the increase in employment for unskilled workers."^{51/}

In 1949, net investment amounted to £170 million, or 28 per cent of the national income; in 1950, it increased to £1114 million, or about one-third of the national income. These sums were distributed as indicated in table 24. A large part of this investment has been made by the Government,

^{48/} Israel and the Middle East, special issue, 1951.

^{49/} Central Bureau of Statistics, Statistical Bulletin of Israel, vol. II, Nos. 3 and 4 (Jerusalem).

^{50/} Israel Economic Horizons, August 1950.

^{51/} M. Kalecki, Report on Main Current Economic Problems of Israel (Tel Aviv, 1951), page 6.

Table 23. Israel/Palestine: Output of Certain Industries
1947 to 1951

Industry or product and unit	1947	1948	1949	1950	1951
Electricity ^{a/} (millions of kilowatt-hours).....	304	261	329	464	370 ^{b/}
Cement (thousands of metric tons).....	328	160	241	380	362 ^{c/}
Soap (metric tons).....	5,800 ^{c/}	2,600 ^{d/}	5,400	9,200	..
Cigarettes (metric tons)...	1,063	511 ^{d/}	1,031	1,516	617 ^{e/}
Matches (boxes, thousands of gross).....	231	136 ^{d/}	182	292	96 ^{e/}
Beer (thousands of litres).	17,972	3,670 ^{d/}	8,936	12,288	3,944 ^{e/}
Wine (thousands of litres).	7,511	2,441 ^{d/}	6,501	3,078	4,095 ^{e/}

Source: Central Bureau of Statistics, Statistical Bulletin of Israel;
United Nations, Monthly Bulletin of Statistics.

a/ Sales.

b/ January to August.

c/ January to October.

d/ June to December.

e/ January to April.

Table 24. Israel: Net Investment, 1949 and 1950
(Millions of Israeli pounds)

Item	1949	1950
Residential construction (excluding housing in agricultural settlements).....	31.0	55.0
Agriculture (including housing in agricul- tural settlements).....	18.5	28.0
Industry.....	11.5	15.0
Transportation, public works and services..	9.0	16.0
Total	70.0	114.0

Source: American Financial and Development Corporation for Israel,
State of Israel, Independence Issue.

drawing on both foreign and domestic sources. In addition to a balanced ordinary budget and a secret defence budget, there is a development budget, expended as shown in table 25.

The inflationary pressure generated by the high level of investment, the military expenditure and the cost of maintenance for new immigrants has been to a large extent offset by the considerable import surplus, financed by foreign gifts or loans. In both 1949 and 1950, private capital imports covered less than half the deficit on current account (table 26); the balance was made up from National Funds, releases from sterling balances and drawings on the Export-Import Bank loans. At the end of 1951, the Israeli pound depreciated, on the free market, to a low of 49 cents in Geneva, as against an official rate of \$2.80.

Israel's exports during the first half of 1950, at EI7,900,000, covered 15.2 per cent of its imports, which totalled EI52,540,000. During the second half, exports registered a seasonal decline, amounting to only EI4,640,000 or 9.2 per cent of imports, which were EI50,060,000. Measures were taken to reduce imports. During the first half of 1951, however, they amounted to EI52,500,000, but exports increased to EI10,770,000, covering 20.5 per cent of imports.

Numerous commercial agreements have been concluded, designed to further Israel's exports, in return for its large imports. During 1949, the Government concluded agreements with Finland, Hungary, the Netherlands, Poland, Uruguay and Yugoslavia, providing for imports aggregating \$33,916,000 and exports totalling \$8,998,000 the balance to be paid in hard currency and capital transfers. In 1950, agreements with Argentina, Czechoslovakia, Finland, Hungary and the Netherlands provided for imports worth \$33,560,000 and exports worth \$12,060,000;^{52/} an agreement was also concluded with Turkey for the exchange of up to \$840,000 of goods.^{53/} Analysis of imports during the first half of 1951 showed that 30 per cent consisted of consumer goods, an increase in value of 15 per cent over the

^{52/} Israel Economic Horizons, November 1950.

^{53/} Turkish Information Office, News from Turkey, 7 September 1950.

Table 25. Israel: Development Budget, 1949/50 to 1951/52

(Millions of Israeli pounds)

Item	1949/50 (closed accounts)	1950/51 (estimates)	1951/52 (estimates)
<u>Revenue:</u>			
Government land bonds.....	16.7	35.0	10.0
Internal loans.....	-	10.0	10.0
Payments on account, Export-			
Import Bank loans.....	-	3.5	-
Export-Import Bank loans.....	18.1	16.5	12.3
Bond issue in the United States..	-	-	30.0
United States grant-in-aid.....	-	-	18.0
Other revenues.....	1.1	-	4.7
Total revenue	35.9	65.0	85.0
<u>Expenditure:</u>			
Housing and public buildings.....	9.7	24.8	19.4
Public works.....	3.3	3.0	6.5
Loans to local authorities.....	3.5	6.5	5.5
Agriculture.....	9.9	11.3	24.5
Industry.....	0.4	8.7	17.1
Communications.....	7.7	6.0	6.8
Tourism.....	} 0.7	{ 1.3	1.3
Miscellaneous.....		{ 3.4	3.9
Total expenditure	35.2	65.0	85.0

Source: Central Bureau of Statistics, Statistical Bulletin of Israel; Jerusalem Post (Jerusalem), 5 December 1951.

Table 26. Israel: Current Accounts and Capital Movements, 1949 and 1950

(Millions of Israeli pounds)

Current accounts	1949			1950		
	Credit	Debit	Net credit or debit (-)	Credit	Debit	Net credit or debit (-)
Goods (imports c.i.f. and exports f.o.b.)....	10.6	87.7	-77.1	13.2	102.6	-89.4
Travel abroad	2.1	0.8	1.3	1.2	1.0	0.2
Transport)	1.2	0.3	0.9	0.9	1.9	1.0
Insurance)						
Revenue from investments	-	0.3	-0.3	-	0.5	-0.5
Government	1.5	2.2	-0.7	1.0	4.5	-3.5
Miscellaneous	-	1.8	-1.8	2.5	2.9	-0.4
Total, goods and services	15.4	93.1	-77.7	18.8	113.4	-94.6
Gifts and payments:						
Private	5.2	1.0	4.2	5.0	1.5	3.5
Institutions	24.5	-	24.5	18.9	-	18.9
Imports without payments	22.4	-	22.4	20.2	-	20.2
Total, current accounts	67.5	94.1	-26.6	62.9	114.9	-52.0
Capital movements ^{a/}	1949 ^{b/}			1950 ^{b/}		
	Assets	Liabili- ties	Net assets	Assets	Liabili- ties	Net assets
Long-term and short-term credit:						
Credit from Export-Import Bank.....	-	6.6	-6.6	-	16.2	-16.2
Changes in foreign currency balances, commercial credits and other capital movements	-20.0	..	-20.0	-35.8	..	-35.8
Total capital and gold movement for currency purposes	-20.0	6.6	-26.6	-35.8	16.2	-52.0

Source: Statistical Bulletin of Israel, vol. II, Nos. 3 and 4.^{a/} Movement of capital and gold for private currency purposes, excluding banking.^{b/} Net changes, increase or decrease (-).

first half of 1950; 32 per cent consisted of producers' goods, that is, industrial and agricultural raw materials, an increase of 4 per cent; 28 per cent consisted of capital goods, a decrease of 26 per cent; and 10 per cent was for fuel, an increase of 78 per cent.^{54/}

The attempt to reduce the deficit in the balance of payments has, however, increased the inflationary pressures. Various measures have been taken by the Government to keep down prices, including more comprehensive and higher taxes on individual and corporate incomes, taxes on luxury goods, credit restrictions, rationing of goods and food subsidies. These measures, however, have had only a limited effect; the cost of living index, which includes subsidized items, had been stable during the first half of 1950, but rose from 94 in July 1950 (1948 = 100) and 96 in December 1950 to 114 in December 1951. A black market has also developed in goods rationed by the Government.

The difficulty experienced in reducing the import surplus, as well as the need for further capital for investment, led to the issuing in March 1951 of \$500 million in bonds, floated in the United States. By the end of that year, a total of \$102 million had been subscribed.

Lebanon and Syria

The outstanding events of the period under review in Lebanon and Syria were the dissolution of the customs union between the two and the great expansion in cotton production in Syria.

Termination of the French Mandate did not loosen the economic ties binding Lebanon and Syria. The customs union between them continued in force. Notes issued by the "Banque de Syrie et du Liban" circulated freely, at par, in both countries, and the railways and other monopolies in the two countries operated under the supervision of a joint board. In the post-war period, however, strains began to be felt, especially in regard to the

^{54/} State of Israel, Ministry of Finance, Foreign Trade of Israel during January - June 1951.

allocation of customs revenues between the two countries. The conclusion of a financial agreement between Lebanon and France in 1948, and the failure of Syria to conclude one until the following year, put the Lebanese pound at a premium over the Syrian pound. More important was the incompatibility of the desire of the Syrian Government to protect its agriculture and its nascent industries and that of the Lebanese Government to reduce restrictions on trade and movement of capital and to lower the cost of living, and the consequent divergence in the fiscal policies of the two.

The breakup of the customs union, on 14 March 1950, was followed by considerable dislocation of trade and production. After prolonged negotiation, a temporary commercial agreement was signed in December 1950, removing prohibitions on the importation from either country of agricultural and domestic industrial goods, that is, goods containing local raw materials to the extent of 50 per cent of their value. Such goods are, however, subject to the usual custom duties and, in Syria, require import licences. So far, Syrian licences have been granted mainly for Lebanese citrus fruit. As regards foreign goods, the Syrian Government is attempting to import them directly and not through the intermediary of Lebanon.

Lebanon

The immediate effect of the breakup of the customs union with Syria was disruptive. This, however, has to some extent been overcome by the increased volume of international trade and financial transactions, the very high level of construction and the increase in exports of fruit and other commodities.

It is estimated that, before the breakup of the customs union, some 60 per cent of Lebanon's industrial production was marketed in Syria.^{55/} The bulk of Syria's foreign trade passed through the port of Beirut and was handled by Lebanese merchants. In addition, Lebanon relied heavily for income on tourist traffic from Syria. When, therefore, after the

^{55/} United States Department of Commerce, Foreign Commerce Weekly, (Washington, D.C.), 4 September 1950.

dissolution of the union, the Syrian Government took steps to divert the country's foreign trade from Beirut to Latakia and to reduce the amount of Syrian tourist travel in Lebanon, as well as to protect its domestic market against Lebanese industries - already suffering from foreign competition - serious repercussions were felt in Lebanon. Certain industries, such as those producing cotton yarn, beer and matches, which were largely dependent on the Syrian market, had to curtail production. Concurrently, the termination or reduction of construction work by the petroleum companies and the pressure of Palestine Arab refugees on the labour market increased unemployment.

During the second half of 1950, however, conditions began to improve. Commerce with Syria was resumed, imports during the last three quarters of 1950 amounting to EL41.6 million and exports to EL20.1 million, or about one-sixth of Lebanon's imports and 30 per cent of its exports. During the first half of 1951, imports from Syria amounted to EL31.8 million, out of a total of EL156.1 million, and exports to EL14 million out of a total of EL59.7 million. Private investment remained at a high level, especially in construction (table 27), which accounts for a large percentage of total investment and in the building or extension of electric plants. This investment was financed from reserves accumulated in previous years. Government expenditure on public works also increased.

As a result of measures taken by the Government, including a small subsidy, the tourist trade in 1950 was much more substantial than in 1949, the number of visitors rising from 8,000^{56/} to 17,000, with a total estimated expenditure of EL27 million.^{57/} Further improvement was evident in 1951, when 24,000 tourists visited the country, spending EL60 million.

Commercial activity also continued at a high level, Lebanon handling a large proportion of Syria's expanded foreign trade, as well as its own increased exports and imports. Shipping tonnage handled through the port of

^{56/} International Monetary Fund, International Financial News Survey, 23 December 1949.

^{57/} Ibid., 8 December 1950.

Table 27. Lebanon: Building Licences Issued in Beirut, 1945 to 1951

Item	1945	1946	1947	1948	1949	1950	1951
Number of licences.....	390	591	572	780	780	655	678
Total space ^{a/} (thousands of square metres).....	107.2	176.9	149.5	257.7	253.7	254.7	234.3

Source: Ministry of National Economy, Bulletin Statistique Trimestriel (Beirut, 1951); United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, 1952.

a/ Space requested in applications for permits; space actually built is estimated at one-third more than that applied for.

Beirut increased (table 28), facilitated, in 1950, by the extension of the free zone in that port. On the Lebanese railways, merchandise traffic increased by over 25 per cent in 1950 and by about 25 per cent in 1951.

The opening of the airport at Khalde, near Beirut, has considerably increased Lebanon's transit traffic. The number of passengers using the new airport rose from 11,000 during the second half of 1950 to 41,000 during the first three quarters of 1951.

With a view to augmenting the volume of commercial and financial transactions, exchange restrictions were greatly relaxed. In November 1950, non-residents were permitted to open accounts in any Lebanese bank and to use these accounts for any purpose within the country or abroad. At the same time, exports of gold were authorized, resulting in increased trade. Foreign exchange transactions in Beirut increased appreciably and transit trade in 1951, excluding petroleum, was about 20 per cent greater than in 1950. The value of clearing-house transactions rose from EL262 million in 1948 to EL276 million in 1949, EL364 million in 1950 and EL501 million during the first eleven months of 1951.^{58/}

The income earned from these services, and other receipts, have covered the greater part of the deficit in Lebanon's balance of trade. During the twelve months following the dissolution of the customs union with Syria (1 April 1950 to 31 March 1951) imports amounted to EL405 million and exports to EL94 million. The other principal credit items on current account were: profits on transit trade, EL49 million; international aid to Palestine Arab refugees, EL39 million; tourist expenditure, EL33 million; remittances by Lebanese emigrants (including transfers of capital by emigrants), EL50 million; exports of gold, EL30 million; expenditure by foreign institutions, EL24 million; profits on gold trade and foreign exchange, EL20 million. The main debit items were: expenditures by Lebanese tourists and students abroad, EL14 million; and transfers of investment income, EL12.5 million. The deficit in current accounts

^{58/} United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, (Beirut), February 1952.

Table 28. Lebanon: Shipping Activity in the Port of Beirut, 1945 to 1951

Period	Ships entering Beirut harbour	(Thousands of metric tons)		
		Net registered tonnage	Merchandise entering	Merchandise exported
1945.....	765	325	128	37
1946.....	1,160	1,030	300	87
1947.....	1,470	1,637	457	63
1948.....	1,744	1,902	773	119
1949:				
First half.....	788	1,081	408	51
Second half.....	1,013	1,247	398	92
1950:				
First half.....	919	1,245	371	93
Second half.....	1,190	1,316	461	126
1951:				
First half.....	996	1,388	465	122
Second half.....	1,060	1,535	439	102

Source: United Nations, Monthly Bulletin of Statistics; Ministry of National Economy, Bulletin Statistique Trimestriel, 1951; Le Commerce du Levant (Beirut), 13 February 1952.

amounted to EL44 million, of which EL18 million were accounted for by imports of gold.^{59/}

Imports amounted to EL244.8 million during the last three quarters of 1950 and to EL231.5 million^{60/} during the first three quarters of 1951, while exports and re-exports were EL70.7 million and 80.6 million respectively. The increase in exports is largely accounted for by increased exports of fruits and vegetables, resulting from higher production and subsidies granted by the Government to growers and exporters. The 1950/51 citrus crop was estimated at 77,000 metric tons, against 45,000 during the poor 1949/50 season, and 57,000 in 1948/49.

Besides increased exports of citrus fruit, there has been an increasing trade in apples, bananas and vegetables. Grain crops in 1949/50 and in 1950/51 were fairly good; cotton acreage, which was formerly negligible, is now estimated at 6,000 hectares. Tobacco production also shows an increase over previous years.

Work continued on the main irrigation projects, namely those of Akkar and Yammouneh. The Kasmiye project is now practically complete, and some of its canals are already in use. It is designed to irrigate 5,000 hectares from the waters of the Litani River.

Prices, which had moved downward in 1949, were steady during the first half of 1950, in part owing to the purchase of gold in the local market by the Government, which increased local purchasing power, and in part owing to the high level of construction. They rose sharply following the outbreak of war in Korea. By the second quarter of 1951, however, the heavy import surplus forced them down. In the latter part of that year

^{59/} Budget speech of Minister of Finance of Lebanon, reported in Le Commerce du Levant (Beirut), 26 December 1951.

^{60/} Ministry of National Economy, Bulletin Statistique Trimestriel (Beirut), third quarter of 1951. The import values given in this publication are calculated by converting foreign currencies at the official rate of 2.21 Lebanese pounds to one United States dollar. The value of imports in the estimate of the balance of payments given above was calculated at the free market rate, which averaged EL3.47 to the dollar in 1950 and EL3.73 in 1951.

there was a small increase due to a rise in food prices (table 29).

Helped by rising prices, in 1950 industrial production was generally greater than in previous post-war years (table 30), but in some industries it remained well below capacity. Factories under construction or recently opened include a sugar refinery, a hosiery plant, a soft drinks factory, and a cotton-seed oil plant. In addition, a petroleum refinery, with a capacity of 10,000 to 13,000 barrels a day, is to be built at Saida, terminal of the pipeline from Saudi Arabia.

Syria

In Syria, the adverse effects of the breakup of the customs union have been greatly eased by an expansion in production of cotton, an increase in industrial activity and a rise in export prices following the outbreak of war in Korea. Although the stimulus provided by some of these factors began to weaken by the middle of 1951, the situation remained distinctly better than it had been in 1949.

The area planted to cotton, which averaged 32,000 hectares in 1934-38, declined during the war years to a low point of 13,000 hectares in 1942, rising again to 25,000 hectares in 1949. Acreage was extended in 1950 to 78,000 hectares and was estimated at 160,000 to 180,000 hectares in 1951, while yields doubled during the period 1946 to 1950 and are now well above the world average. From 9,000 metric tons of ginned cotton in 1948, a figure somewhat above the pre-war average, and 13,000 tons in 1949, production rose to 35,000 tons in 1950. In 1951, drought and destruction caused by the boll weevil sharply reduced yields; the crop was estimated at about 45,000 tons.^{61/}

Exports of cotton, however, in 1951 amounted to 23,000 metric tons,^{62/} compared to 19,000 tons in 1950. The value of cotton exported in 1950 was

^{61/} Ministry of National Economy, Economic Bulletin (December 1951) and United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, February 1952.

^{62/} Le Commerce du Levant (Beirut), 16 January 1952.

Table 29. Lebanon: Indices of Wholesale Prices
and Cost of Living

January 1949 to December 1951

Period	Wholesale prices ^{a/}			Cost of living ^{b/}	
	General	Raw materials	Finished goods	All items	Food
1949:					
January.....	..	..	..	493	636
1950:					
January.....	93	82	85	425	505
June.....	93	89	87	411	478
1951:					
January.....	126	154	142	463	563
March.....	136	167	161	468	578
June.....	124	142	139	458	554
August.....	121	130	127	450	536
October.....	124	129	126	465	585
December....	126	137	126	473	604

Source: United Nations, Monthly Bulletin of Statistics.

a/ 1950 = 100.

b/ For Beirut; June-August 1939 = 100.

Table 30. Lebanon: Production in Leading Industries, 1946 to 1951

Industry or product and unit	1946	1947	1948	1949	1950	1951
Electricity (millions of kilowatt-hours) a/	61	73	86	101	114	120 b/
Cement (thousands of metric tons)	158	168	209	254	263	303
Cotton yarn (metric tons).	1,760	1,840	6,000	5,000	1,950	1,100 c/
Leather:						
Sole leather (metric tons).....	2,500	1,500	2,000	2,500	2,900	..
Boxcalf (thousands of square feet).....	2,000	2,000	2,500	2,750	1,750	..
Alcohol, industrial (metric tons).....	441	468	831	822	950	..
Vegetable oils (metric tons).....	..	7,000	9,000	12,000	12,000	..
Beer (thousands of litres)	1,583	1,568	1,895	2,016	2,086	..
Matches (millions of boxes).....	24.6	34.7	51.9	60	45	..
Oil, refined (thousands of tons).....	227	242	256	304	492	549

Source: Statistical Office of the United Nations; Ministry of National Economy, Bulletin Statistique Trimestriel; United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, February 1952.

a/ Production of two companies, accounting for 95 per cent of total; industrial consumption amounted to 22.8 million kilowatt-hours in 1948, 24.1 million in 1949 and 26.6 million in 1950.

b/ Estimated.

c/ Six months.

ES65 million. In previous years, Syria's production had been insufficient to meet its needs and those of Lebanon.

The extension of cotton acreage in the 1950/51 season was carried out, to a certain extent, at the expense of cereals and rice. Cereal yields were high in 1950 but fell very sharply in 1951 owing to insufficient rainfall. Production of the principal grains is shown in table 31. The smallness of the 1951 crops caused the Government, in the summer of that year, to prohibit the exporting of wheat and to re-establish a board to supervise trade in cereals and to buy wheat from farmers, for distribution to the towns. Some 50,000 tons of wheat were imported from Turkey.

The production of olives, estimated at 103,000 tons in 1948 and 91,000 tons in 1949, fell to 26,000 tons in 1950, in part because of a severe winter. Likewise, in the output of livestock products, which had been well above average in 1950, there was a sharp drop in 1951 owing to the reduction in grazing lands, transferred to the growing of cotton, as well as a decrease in the cereal surplus and in hay production, a severe drought and losses from animal diseases.^{63/}

Much of the profit made through production of cotton has been reinvested. Several hundred irrigation pumps have been installed, for the lifting of underground or river water to the cotton fields. The number of tractors in Syria rose from 300 in 1948^{64/} to 1,342 in 1951. By 1951, there were over 1,200 ginning machines.^{65/}

In addition, large areas in the north-eastern part of El Jezira, where rainfall is abundant, have been put under cultivation. The scarcity of labour in that region has encouraged nomads to settle there and has also attracted farm labourers from more densely populated districts. There has been a marked growth in the principal towns of El Jezira.

From 1947 to 1949, industry, which had expanded rapidly and in some instances had outgrown the domestic market's capacity to absorb its

^{63/} United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, October 1951.

^{64/} Food and Agriculture Organization of the United Nations, Farm Mechanization (Washington, D.C., 1950), page 61.

^{65/} United Nations Relief and Works Agency for Palestine Refugees, op. cit.

Table 31. Syria: Production of Cereals
Pre-war and 1948 to 1951

(Thousands of metric tons)

Crop	1934-38	1948	1949	1950	1951
Wheat.....	459	657	889	830	464
Barley.....	290	305	357	322	144
Millet.....	60 ^{a/}	63	57	78	..
Maize.....	22	37	39	36	..
Rice.....	3	30	20	18	..

Source: Food and Agriculture Organization of the United Nations, Food and Agricultural Statistics; Ministry of National Economy, Economic Bulletin (in Arabic); United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, October 1951.

a/ Estimate.

products, was adversely affected by large imports of manufactured goods. The breakup of the customs union caused further disruption, since some Syrian industries, such as the making of silk and woollen textiles and the drying and canning of fruits and vegetables, marketed a substantial proportion of their output in Lebanon. This was, however, more than offset by the increased protection given industry by the Syrian Government against all foreign goods, including those of Lebanon. Increased construction activity on the Syrian portion of the trans-Arabian pipeline and the beginning of work on the petroleum pipeline from Iraq to the Syrian coast raised industrial employment and incomes. Moreover, the rise in agricultural incomes increased domestic demand for industrial goods. Investment, which had slackened in 1949 except for pipeline construction, recovered in 1950, being stimulated by government-sponsored loans to some industries, and employment remained at a high level. During the last three quarters of 1951, however, the decrease in the purchasing power of the agricultural population, together with increased foreign competition in export markets, caused a setback in some industries, notably textiles. Table 32 shows the production of electric power and the output of several leading industries. Recently established factories not included in this table include glass works, a cement plant and a vegetable oil factory. In March 1951, the companies in Damascus and Aleppo producing electricity were nationalized.

In 1949 the foreign trade of Syria and Lebanon showed a large import surplus, to which both countries contributed. After the breakup of the customs union in 1950, however, the increase in exports of cotton, wool and cereals, together with the restriction of imports during the second and third quarters, led to a small export surplus of £510 million during the nine and a half months following separation. Expenditures by the oil companies and profits on gold and the transit trade seem to have more than offset items of current expenditure, leaving the current account of Syria for the whole of 1950 approximately in balance. This was probably the first time since the war years that the balance of payments did not show a deficit on current account. During the first quarter of 1951, the trade surplus

Table 32. Syria: Output of Selected Industries
1947 to 1951

Industry or product and unit	1947	1948	1949	1950	1951 ^{a/}
Electricity (millions of kilowatt-hours) <u>b/</u>	47	56	69	81	70 <u>c/</u>
Asphalt (thousands of tons).	16	..	..	20	10
Cement (thousands of tons)..	48	54	58	68	44 <u>d/</u>
Cigarettes (tons).....	833	962	1,192	1,361	1,327 <u>d/</u>
Araq (tons).....	590	1,070	542	820	
Wine (tons).....	66	133	145	170	..
Alcohol, distilled (tons)...	77	36	41	195	128
Alcohol, crude (tons).....	8	20	20	100	76
Cotton, yarn (tons).....	1,600	2,400	3,700	4,700	..
Cotton, piece-goods (millions of metres).....	17	14	21	..	..
Silk and rayon cloth (millions of metres).....	15	..	..	27	..
Soap (thousands of tons)....	4	..	..	5	..
Sugar (thousands of tons)...	-	-	-	9	..

Source: Statistical Office of the United Nations; Ministry of National Economy, Nashrat al ibsaat al shahria (monthly bulletin of statistics), August 1951, and Monthly Economic Bulletin, July 1951, August 1951; United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, October 1951.

a/ First six months.

b/ Of this total industry used 18 million kolowatt hours in 1948, 22 million in 1949 and 28 million in 1950.

c/ Ten months.

d/ Eleven months.

amounted to £S20 million, but in the following quarter there was an import surplus of £S34 million and, in view of the decline in exports of textiles and grains, the balance for the year is likely to show a deficit.

In 1949, Syria was subjected to powerful deflationary pressures, and prices declined. Agricultural prices fell sharply, especially those of wheat, owing to abundant crops and the world-wide decline in agricultural prices, causing a contraction in income of farmers. In addition to the large import surplus there was an accumulation of inventories. Because of political uncertainty, much capital is believed to have been transferred to Lebanon. A large budget deficit failed to offset these deflationary factors since it resulted mainly from purchases of foreign war equipment.

The situation changed greatly in 1950, following the dissolution of the customs union and the outbreak of war in Korea. The quantity of imports was reduced, while import prices rose. At the same time there was a sharp increase in the price of export products, notably cotton and wool. Crops were good, and the value of exports showed a large increase.

These factors are reflected in the expansion in the money supply, especially bank deposits, in 1950 (table 33). It would appear that the Government and the Bank of Syria, which fulfils many of the functions of a central bank, co-operated in carrying out a restrictive credit policy. This failed to offset the upward movement, however, and prices rose appreciably until the spring of 1951, when large imports and the decline in prices of export crops once more reversed the trend.

The budget estimates for 1950 balanced at £S142.8 million; those for January to June 1951 at £S67.8 million; and those for July 1951 to December 1952 at £S265 million. These budgets included several development projects. The port of Latakia is being enlarged and improved at an estimated cost of £S20 million, to handle the increased exports of northern Syria and to divert part of Syria's foreign trade away from Beirut. Latakia is to be linked by a railway to Aleppo. Most of the cost is being met by the Government, assisted by a \$6 million loan from Saudi Arabia.

The increase in traffic through Latakia is evident from the following data on imports and exports, in thousands of metric tons:

<u>Period</u>	<u>Imports</u>	<u>Exports</u>
1947.....	10	18
1948.....	16	17
1949:		
First half.....	23	19
Second half.....	17	126
1950:		
First half.....	35	84
Second half.....	82	79
1951:		
First half.....	84	48
Third quarter.....	77	18

Source: Le Commerce du Levant, 13 January 1951;
Ministry of National Economy, Monthly Bulletin of Statistics
(in Arabic).

It appears that, owing to the undeveloped condition of the port, winter traffic is still low, a fact which has raised costs of warehousing, insurance and interest and thus tied up funds which were required for the financing of crops and other projects.

Other public works projects being carried out include road building in El Jezira, and the installation of a water pipeline from the Euphrates to Aleppo. The major irrigation projects in course of execution are on the Khabur River, in El Jezira, from which 9,000 hectares will benefit in the spring of 1952; the Homs-Hama project, which now irrigates 22,000 hectares and will eventually benefit 60,000; and the Rouj project, which calls for the draining of swamps near Idlib and the irrigation of 3,500 hectares.^{66/}

^{66/} United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, October 1951.

Table 33. Syria: Note Circulation and Bank Deposits
December 1948 to June 1951
(Millions of Syrian pounds)

Item	31 December 1948	31 December 1949	30 June 1950	31 December 1950	30 June 1951
Note circulation.....	238.0	242.1	194.5	224.6	236.4
Bank deposits.....	98.1	96.3	152.5	170.8	165.5
Total money supply	336.1	338.4	347.0	395.4	401.9
Loans and advances	47.1	66.2	87.6	101.6	108.4

Source: Ministry of National Economy, Monthly Bulletin of Statistics
(in Arabic).

Turkey

The years 1949 to 1951 witnessed an unprecedentedly high level of investment in Turkey, financed mainly from internal sources and United States Government loans and grants. Large-scale expenditures on defence also contributed to the strain on the budget, as did the resettlement of 150,000 refugees from Bulgaria. The inflationary effects of these factors seem, however, to have been more than offset by large import surpluses, as well as by the "counterpart funds" raised under the European Recovery Program. Except during the months following the outbreak of war in Korea, the trend of prices was therefore downward.

Following the very poor crops of 1948/49, when the index of agricultural output fell from 123 per cent of pre-war to 112, satisfactory crops were harvested in 1949/50, raising the index to 125.^{67/} In 1950/51, acreage in cereals was 8 per cent above that of the preceding year, owing to increased mechanization of agriculture and the high prices offered by the Government to growers. The number of tractors in use is now about 10,000 compared to 3,000 in 1948. The area in industrial crops also increased, by about 20 per cent. Weather conditions were favourable, and output was the highest on record. The most recent estimates put the cereals harvested at 11,818,000 tons, leaving an export surplus of 200,000 tons.^{68/} Output of cotton has increased greatly during the post-war period, as has the production of sugar-beets (table 34).

Industrial and mineral production increased in both 1949 and 1950 (table 35). The index of production rose from 153 in 1947 (1938 = 100) to 154 in 1948 and 161 in 1949, at which level it remained during the first half of 1950.^{69/} The main obstacles to increased output were the expansion in

^{67/} Economic Co-operation Administration, Turkey, Country Data Book (Washington, D.C., 1951).

^{68/} Turkish Information Office, News from Turkey (New York), 18 October 1951.

^{69/} Economic Co-operation Administration, Turkey, Country Data Book.

Table 34. Turkey: Area in Major Crops and Production

Pre-war and 1946/47 to 1950/51

(Area in thousands of hectares; production in thousands of metric tons)

Crop	1934-38	1946/47	1947/48	1948/49	1949/50	1950/51
<u>Wheat:</u>						
Acreage.....	3,450	4,177	4,478	4,008	4,477	4,867
Production.....	3,412	3,246	4,867	2,517	3,872	5,616
<u>Barley:</u>						
Acreage.....	1,772	1,805	1,828	1,759	1,902	2,048
Production.....	1,954	1,512	2,167	1,247	2,047	2,640
<u>Maize:</u>						
Acreage.....	442	35	534	597	593	623
Production.....	557	531	696	725	628	850
<u>Rye:</u>						
Acreage.....	350	436	453	423	488	518
Production.....	336	348	514	274	443	655
<u>Oats:</u>						
Acreage.....	229	270	275	294	302	320
Production.....	223	196	323	236	316	352
<u>Sugar-beets:</u>						
Acreage.....	28	46	48	51	50	52
Production.....	432	639	721	818	821	957
<u>Cotton:</u>						
Acreage.....	249	206	271	347	448	630
Production.....	52	47	67	97	122	165
<u>Tobacco:</u>						
Acreage.....	72	132	106	127	..	..
Production.....	55	102	74	91	85	90
<u>Sunflower seed:</u>						
Acreage.....	-	36	69	120	110	108
Production.....	-	70	90	93	66	121

Source: Food and Agriculture Organization of the United Nations, Yearbook of Food and Agricultural Statistics, 1950; Food and Agriculture Organization regional meeting in Bloudane, 1951, Current Food and Agricultural Production Situation in Turkey; Turkish Information Office, News from Turkey (New York), 18 October 1951 and 24 January 1952.

Table 35. Turkey: Output of Principal Industries

1938 and 1948 to 1951

(Thousands of metric tons except as indicated)

Industry	1938	1948	1949	1950	1951
<u>Fuel and power:</u>					
Electricity a/....	313	674	737	790	812 b/
Coal.....	2,589	4,023	4,183	4,360	4,730
Lignite.....	158	1,010	1,272	1,203	622 c/
<u>Mining:</u>					
Iron ore.....	77	186	210	220	220
Copper.....	2.2	11	11.3	11.7	17.5
<u>Textiles:</u>					
Cotton yarn d/....	19,668	28,349	29,708	30,212	23,476 e/
Woollen yarn d/...	4,500	7,462	7,878	7,457	5,149 e/
<u>Other industries:</u>					
Pig-iron.....	-	100	113	110	155
Steel.....	-	102	103	91	135
Cement.....	287	336	363	396	400 c/
Glassware d/.....	5,028	10,092	10,412	8,292	..
Paper d/.....	8,940	20,352	18,384	18,228	17,525 c/
Sugar (refined)...	57	118	135	137	..

Source: United Nations, Monthly Bulletin of Statistics; Economic Cooperation Administration, Turkey, Country Data Book, 1951; Ministère de l'Economie et du Commerce, Conjoncture (Konjonktür).

a/ Millions of kilowatt-hours.

b/ Approximate.

c/ Six months.

d/ Tons.

e/ Ten months.

imports of manufactured goods and the sharp decline in agricultural incomes following the poor crop of 1949. The textile industry suffered particularly from foreign competition; by the beginning of 1950, factories had accumulated large stocks, and unemployment was widespread. This condition continued until the autumn of 1951, when higher agricultural incomes stimulated the demand for local products.^{70/}

Two main tendencies have manifested themselves during the past two years. On the one hand the Government has sought to transfer to private ownership several of the state-owned and state-operated enterprises, such as merchant shipping, breweries and match factories, but this has so far proved difficult.^{71/} In order to extend long-term and medium-term credit to private industry, an industrial development bank was established in 1950 jointly by the Government and the International Bank for Reconstruction and Development.

On the other hand, there has been much investment in both government-owned and private industries. Factories which have been recently built or expanded, or which are under construction, include cement plants, meatpacking equipment, sugar refineries, and factories for the production of electric bulbs, chemical and medicinal products, railway freight cars, paper, cellulose and vegetable oils. Installed electric capacity has been raised from 217,000 kilowatts in 1947 and 305,000 in 1948 to 374,000 in 1949,^{72/} and 402,000 in 1950.^{73/} The most important generating station recently completed is the 60,000-kilowatt thermic station at Catalagzi, which cost over \$9 million.^{74/} At present work is proceeding on an 80,000-kilowatt hydroelectric plant at Sariyar, on the Sakarya river, which is estimated to

^{70/} United States Department of Commerce, Foreign Commerce Weekly, 24 September 1951.

^{71/} The Economist (London), 12 May 1951.

^{72/} International Bank for Reconstruction and Development, The Economy of Turkey (Washington, D.C., 1951)

^{73/} Middle East Economist and Financial Service (Forest Hills, New York), June 1951.

^{74/} News from Turkey, 3 November 1949.

cost \$47 million and to be completed by 1954.^{75/} A large-scale improvement programme is also being carried out by Eti Bank in its coal, lignite, iron-ore and sulphur mines.

In 1949, gross public investment, which slightly exceeded gross private investment, was estimated at ~~£~~529 million,^{76/} out of a gross national product of ~~£~~7,000 million,^{77/} and in 1950 at ~~£~~600 million. Budget estimates of investment in 1951^{78/} were close to ~~£~~700 million. Net loans and grants from the United States Government from April 1948 to 31 December 1950 amounted to \$68 million and \$156.6 million, respectively.^{79/} In addition, Turkey received in 1950 loans of \$25.4 million from the International Bank for Reconstruction and Development. Amounts granted by the Economic Co-operation Administration, which constituted the greater part of the total, are listed in table 36.

Public investment during the past three years went in large part into transport, mining and public works. Gross public investment in 1949 and the amounts allocated for 1951 were as follows, in millions of Turkish pounds:

^{75/} Ibid., 29 March and 5 October 1950.

^{76/} International Bank for Reconstruction and Development, The Economy of Turkey, page 262.

^{77/} Economic Co-operation Administration, Turkey, Country Data Book.

^{78/} International Monetary Fund, International Financial News Survey, 12 January 1951.

^{79/} Economic Co-operation Administration, Turkey, Country Data Book.

Economic sector receiving allocation	1949	1951
Agriculture.....	27.5	104
Electric power.....	22.4	131
Industry.....	37.9	113
Mining.....	79.6	
Public works.....	103.0	48
Transport.....	225.0	272
Communications.....	21.7	
Other.....	11.5	32
Total	528.6	700

Source: International Bank for Reconstruction and Development, The Economy of Turkey (Washington, D.C., 1951); International Monetary Fund, International Financial News Survey, 12 January 1951.

The total allocated for 1950 had been ~~£~~600 million. Projected and actual investment in industry, mining and transport is set forth in table 37. The high level of investment, as well as the large-scale defence expenditure, accounted for the budget deficits recorded during the period under review. The closed accounts for the fourteen months ending on 28 February 1950 showed a deficit of ~~£~~77.6 million, and the estimates for 1951 and 1952 forecast deficits of ~~£~~173.9 million and ~~£~~234.8 million respectively. In recent years, deficits have been met by Central Bank credits and by the issue of Treasury bonds.

Largely as a result of poor crops, consumption declined in 1949, food supplies per capita falling to 2,340 calories in 1949/50, against 2,500 in 1948/49 and 2,560 in pre-war years. Improved crops, however, resulted in a rise of 7 per cent in 1950/51.^{80/} Sales of some items by government

^{80/} Food and Agriculture Organization of the United Nations, Food and Agricultural Statistics, October 1951.

Table 36. Turkey: Aid received under the European Recovery Program, 1948 to 1951

Period	Economic Cooperation Administration				Counterpart funds	
	Loans	Grants	Conditional aid	Total	Deposited	Withdrawn
	(millions of United States dollars)				(millions of Turkish pounds)	
April through June 1948	10.0	-	-	10.0	..	..
July 1948 through June 1949	28.0	1.2	9.8	39.0	..	..
July 1949 through June 1950	35.0	16.0	7.5	58.5	..	..
July 1950 through June 1951 <u>a</u> /.....	-	45.0	-	45.0	..	..
Cumulative total	73.0	62.2	17.3	152.5	200.3	96.1

Source: Economic Cooperation Administration, Turkey, Country Data Book (Washington, D.C., 1951).

a/ Including an allotment of \$7.8 million under the Mutual Defense Assistance Program during the fiscal year 1 July 1950 to 30 June 1951.

Table 37. Turkey: Projected and Actual Investment in Industry,
Mining and Transport, 1949 and 1950
(Millions of Turkish pounds)

Source of investments	Total estimated cost	Amount spent by end of 1949	Allocations for 1950	Remaining to be allocated
<u>Industrial investment</u> <u>by Summer Banks:</u>				
Textiles.....	104.8	28.8	32.1	43.9
Iron and steel industry	19.1	-	8.4	10.8
Other.....	49.5	25.1	12.9	11.5
Total	173.5	54.0	53.4	66.2
<u>Mining investment by</u> <u>Eti Bank:</u>				
Coal.....	307.9	76.2	51.2	181.5
Copper.....	32.6	24.8	5.6	2.2
Other.....	28.4	9.6	4.0	14.8
Total	368.9	110.6	60.8	198.4
<u>Government investment</u> <u>in transport:</u>				
Railways.....	375.0	169.5 <u>a/</u>	..	205.5 <u>b/</u>
Ports.....	218.0	25.0 <u>a/</u>	..	193.0 <u>b/</u>
Shipping and docks.....	49.4	..	..	49.4 <u>b/</u>
Highways.....	1,650.0	74.0 <u>a/</u>	..	1,576.0 <u>b/</u>
Airlines.....	85.0	29.0 <u>a/</u>	..	56.0 <u>b/</u>
Total	2,377.4	297.5 <u>a/</u>	..	2,079.9 <u>b/</u>

Source: International Bank for Reconstruction and Development, The Economy of Turkey.

a/ Expenditure to June 1950.

b/ As from July 1950.

monopolies have not increased in the same ratio as the growth in population since the pre-war period (table 38). Available figures for 1951 sales show a distinct increase over the previous year.

The inflationary pressures arising from the budget deficits were offset by the large import surpluses of 1948 and 1949, which amounted to $\text{£}220$ million and $\text{£}119$ million respectively. The index of wholesales prices fell from its post-war peak of 507 (1937 = 100) in March 1949 to 422 in June 1950. The outbreak of war in Korea produced a speculative rise in prices, while the increased foreign demand for raw materials led to an expansion in Turkey's exports, reducing the import surplus for 1950 to $\text{£}62$ million. The index of wholesale prices rose sharply to 519 in March 1951. Good crop prospects, however, exerted a downward pressure on prices, as did the large increase in imports, mainly from the Organisation of European Economic Co-operation countries, following liberalization of trade after the establishment of the European Payments Union in 1950. This resulted in an import surplus of $\text{£}160$ million during the first eight months of 1951. The wholesale price index fell rapidly, to 475 in June, and 446 in August.

In table 39 the principal items in Turkey's balance of payments in 1949 and 1950 are set forth. The figure shown for 1950 under the heading "errors and omissions", is believed to "reflect primarily unrecorded prepayments for imports and proceeds of exports left abroad."^{81/} When this is taken into account, it appears that grants, loans and drawing rights from the United States and the countries participating in the Organisation for European Economic Co-operation, aggregating about $\text{£}320$ million, failed to close the gap in Turkey's accounts and that the country had to draw on its assets to the extent of $\text{£}133$ million.^{82/}

^{81/} International Monetary Fund, Balance of Payments, 1949-50, (Washington, D.C.), page 375.

^{82/} Ibid., page 377. The main credit items, in millions of Turkish pounds, were: United States Turkish aid programme, 77.6; Economic Co-operation Administration grants, 40.3; OEEC loans, 75.7; OEEC drawing rights, 130.6.

Table 38. Turkey: Sales by Government Monopolies
1938 and 1948 to 1950

(Thousands of metric tons or litres, as indicated)

Commodity	1938	1948	1949	1950
Salt <u>a/</u>	170	237	236	249
Sugar <u>a/</u>	57	118	135	137
Tobacco <u>a/</u>	14	18	18	18
Beer <u>b/</u>	2,652	18,636	16,356	17,627
Wine <u>b/</u>	6,372	10,464	11,556	12,719
Araq <u>b/</u>	7,404	7,500	6,480	6,252

Source: Ministère de l'Economie et du Commerce: Conjoncture (Konjonktür).

a/ Thousands of metric tons.

b/ Thousands of litres.

Table 39. Turkey: Balance of Payments, 1949 and 1950
(Millions of Turkish pounds)

Item	1949			1950		
	Credit	Debit	Balance	Credit	Debit	Balance
<u>Current transactions:</u>						
Merchandise.....	693.9	877.5	-183.6	737.6	789.5	-51.9
Travel, transport and insurance.....	17.8	103.6	-85.8	18.7	109.8	-91.1
Investment income..	1.0	37.6	-36.6	0.4	37.7	-37.3
Other.....	35.9	48.0	-12.1	38.6	46.0	-7.4
Total, goods and services	748.6	1,066.7	-318.1	795.3	983.0	-187.7
Donations (including official grants)...	273.9	66.6	204.3	283.7	36.5	247.2
Total, current transactions.....	1,022.5	1,136.3	-113.8	1,079.0	1,019.5	59.5
<u>Movement of capital and monetary gold:</u>	-37.9	40.9	-78.8	-152.0	53.0	-205.0
<u>Errors and omissions: a/</u>						
Net errors and omissions.....			35.0			264.5

Source: International Monetary Fund, Balance of Payments Yearbook, 1949-50 (Washington, D.C., 1951).

a/ Difference between capital movements and current transactions.

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