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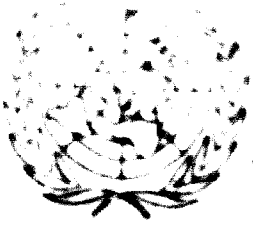
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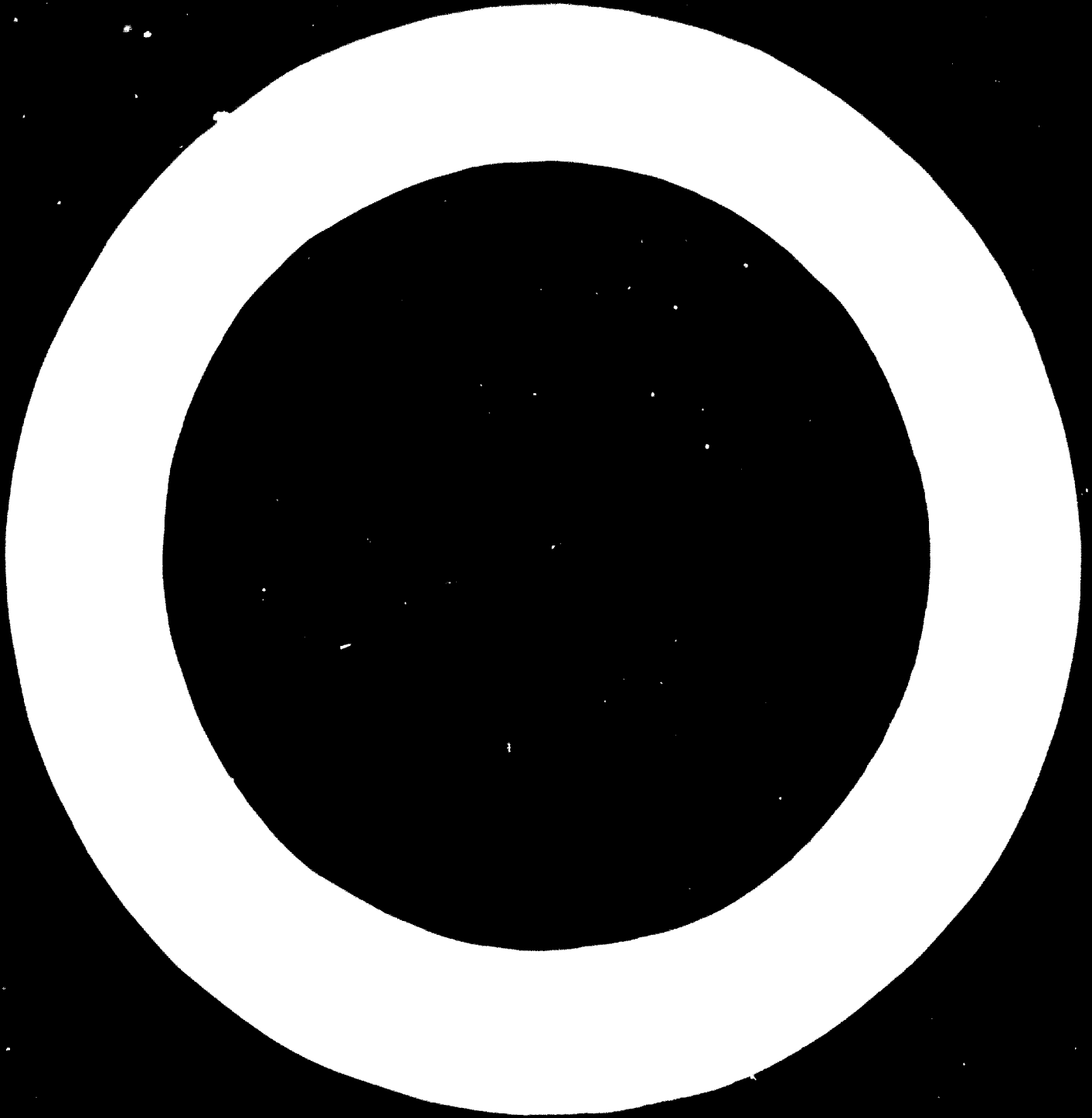
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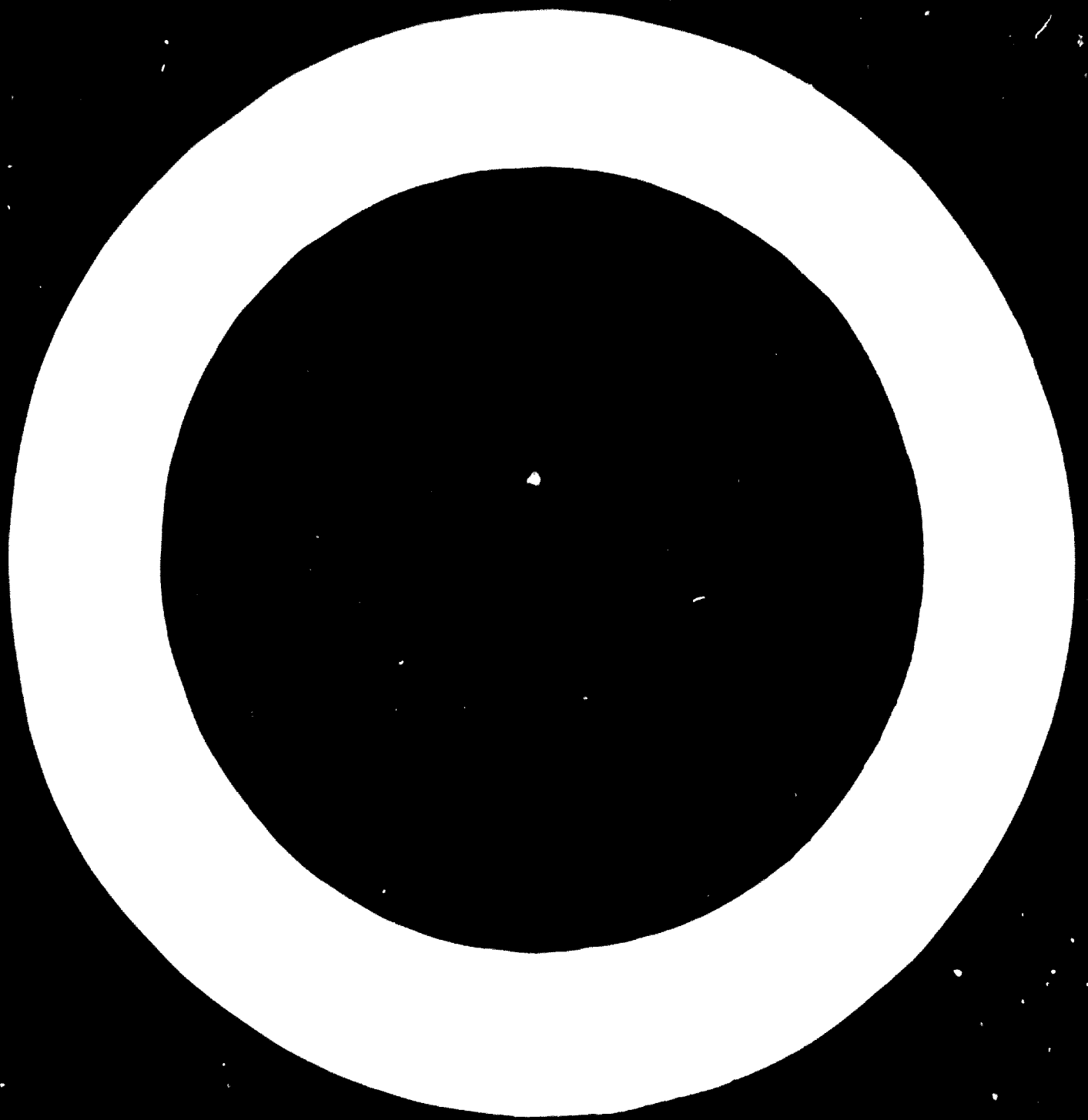
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**A COMPARATIVE ANALYSIS OF SMALL-SCALE INDUSTRIES
IN ARAB COUNTRIES OF THE MIDDLE EAST AND IN
SELECTED OTHER COUNTRIES**

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A COMPARATIVE ANALYSIS OF SMALL-SCALE INDUSTRIES
IN ARAB COUNTRIES OF THE MIDDLE EAST AND IN SELECTED OTHER COUNTRIES

An attempt is made in this paper to present a comparative analysis of data on small-scale industry in (a) Arab countries of the Middle East, (b) selected other developing countries and (c) selected developed countries.^{1/}

Role of Manufacturing Industry

The relatively small share which manufacturing industry has in the economies of Arab countries of the Middle East, as compared to other selected developing and developed countries, is brought out in the following table, which shows the contribution of manufacturing industry to domestic product.

1/

The data used have been obtained or compiled from the following secondary sources:

1. Yearbook of National Accounts Statistics, 1966, United Nations, New York
2. "Situation, Problems and Prospects of Small-scale Industries in Selected Countries of the Middle East", by Edmond Y. Asfour, doc.ID/WG.17/2
3. "The Place of Small-scale Industry in the Industrial Framework: A Statistical Analysis", by G.K. Boon
(To be published by the United Nations in 1969; summary of the study included in doc. ID/WG.17/BF.1)
4. "Industrial Development Survey" by the United Nations Industrial Development Organization, International Symposium on Industrial Development, doc.ID/CONF.1/46, September 1967
5. Modern Small Industry for Developing Countries by Staley and Morse, McGraw Hill, New York, 1965
6. "Small-scale Industry in the Development of Latin America", Economic Bulletin for Latin America, vol.XII, No.1, May 1967, United Nations, New York

The selection of countries and the extent of analysis possible have been limited by the availability of comparable data. Primary sources of data could not be used on account of limitations of time.

Table 1 Contribution of Manufacturing Industry to Domestic Product in Selected Countries

<u>Country</u>	<u>Year</u>	<u>Proportion of manufacturing in gross/net domestic product</u>
<u>Middle East</u>		
Iraq	1964	11.0
Jordan	1965	8.0
Kuwait	1965	3.0
Lebanon	1964	13.0
Saudi Arabia	1963-65	less than 3.0
Syria	1963	12.0
<u>Some other developing countries</u>		
Argentina	1965	34.0
Chile	1965	17.5
China (Taiwan)	1965	19.2
Colombia	1965	17.7
India	1964	16.8 <u>a/</u>
Mexico	1965	28.5 <u>b/</u>
Pakistan	1964	10.9
Peru	1963	16.4
<u>Some developed countries</u>		
Canada	1965	26.3
Finland	1965	24.7
Japan	1965	27.7
Netherlands	1963	30.5
United Kingdom	1965	35.5
United States	1965	30.5

Source: Middle East: Edmond Y. Asfour, ID/WG.17/2

Other Countries: United Nations, Yearbook of National Accounts Statistics, 1966

a/ Including construction, electricity, gas and water

b/ Including extraction of crude petroleum

The manufacturing sector accounts for 3 to 13 per cent of the national income in Arab countries of the Middle East, as compared with 11 to 19 per cent in other developing countries (excluding Mexico and Argentina) and 25 to 35 per cent in developed countries. Among the Arab countries of the Middle East, manufacturing industry is more developed in Iraq (11 per cent), Lebanon (13 per cent) and Syria (12 per cent) than in Jordan (8 per cent), Kuwait (3 per cent) and Saudi Arabia (less than 3 per cent).

Role of Small-scale Industry

Within manufacturing industry, the small-scale sector accounts on the whole for a higher proportion of employment and value added in Arab countries of the Middle East than in other developing and developed countries, for which data are presented below.

Table 2 Percentage Share of Small-scale Industry in Employment and Value Added in the Manufacturing Sector in Selected Countries

<u>Country</u>	<u>Year</u>	<u>Percentage of employment</u>	<u>Percentage of value added</u>	<u>Definition of small-scale industry (employment)</u>
<u>Middle East</u>				
Iraq	1964	49.5	30.9 ^{a/}	1-49
Jordan	1965	80.3	53.7	"
Kuwait	1965	54.4	N.A.	"
Lebanon	1964	65.8	63.4	"
Saudi Arabia	1963-65	84.2	N.A.	"
<u>Some other developing countries</u>				
Brazil	1960	38.9	32.2	5-99
Chile	1957	42.8	25.4	5-99
Colombia	1962	45.9	29.2	5-99
Ghana	1959	8.4	6.5	6-100
India	1962	35.8	29.7	1-100
Korea (Rep. of)	1963	56.7	42.4	5-99
Pakistan	1958	22.2	24.8	1-99
Philippines	1960	42.1	23.6	5-99
<u>Some developed countries</u>				
Canada	1961	34.5	27.7	1-99
Japan	1961	46.2	47.4	4-99
United Kingdom	1958	15.8	13.6	1-99
United States	1958	27.0	23.0	1-99

Source: Middle East: Edmond Y. Asfour ID/WG.17/2
Other countries: G.K. Boon ID/WG.17/BP.1

^{a/} Share of wages paid.
N.A. = Not Available

If factories employing less than 10 workers are excluded, the share of small-scale industry is smaller in Arab countries of the Middle East. The following table compares for several countries the percentage of employment in small-scale industry on this basis:

Table 3 Percentage Share of Small-scale Industry in Employment in Manufacturing Industry (10-99 workers) in Selected Countries

<u>Middle East</u>		<u>Source</u>
Iraq	31.7	G.K.Boon
Jordan	21.0	Asfour (10-49 workers)
Kuwait	23.2	Asfour (10-49 workers)
Lebanon	49.0	Staley and Morse
Saudi Arabia	12.5	Asfour (10-49 workers)
<u>Some other developing countries</u>		
Argentina	34.3	Staley and Morse
Brazil	31.5	Do
Chile	37.9	Do
Colombia	37.8	Do
El Salvador	40.6	Do
Korea, Rep. of	50.6	Do
Philippines	47.0	Do
<u>Some developed countries</u>		
Australia	35.3	Do
Federal Republic of Germany	22.1	Do
Japan	43.7	Do
New Zealand	46.2	Do
Sweden	33.1	Do
United States	23.4	Do

In Arab countries of the Middle East, small-scale industry predominates in establishments with employment of less than 10 workers. In Iraq, there is a substantial development of industry in the group of 50 and more workers (55,557 workers), which is more than employment in the group of less than 50 workers (54,293 workers). In Lebanon and Kuwait, employment in industry in the group of 50 or more workers is more important than in the group of 10-49 workers, but employment in small-scale factories (less than 50 workers) exceeds employment in large-scale factories. The comparative data in table 3 indicate that, on the whole, the structure of industry in Middle Eastern countries, as compared to other countries, shows concentration in extremely small and relatively big size-groups, with inadequate development in the middle-sized small industry categories.

The extremely small average size of small factories in Arab countries of the Middle East is brought out in the following table:

Table 4 Number of Persons Employed per Establishment in Arab Countries of the Middle East

Country	Year	Small-scale	Large-scale	Total
Iraq	1964	3.0	139.1	5.1
Jordan	1965	-	-	5.0
Kuwait	1963-65	4.7	177.3	8.6
Lebanon	1964	12.1	150.5	21.4
Saudi Arabia	1963-65	2.3	108.9	2.8
Syria	1960	-	-	3.4

Source: Compiled from the tables in the Appendix of E.Y.Asfour's paper Doc.ID/WG.17/2

N.B. Establishments with less than 50 employees are classified as small-scale.

Productivity of Small-scale Industry

Comparable data for Arab countries of the Middle East and some other countries are available only in respect of value added per employee in different size categories of industries. They are tabulated below:

Table 5 Value Added Per Employee in Selected Countries
(in U.S.Dollars)

Country	Year	Size-category (number of employees)			All	
		1-9	10-49	50 or more		
<u>Middle East</u>						
Iraq	1964	-	-	-	1420	
Jordan	1965	683	1039	2719	1159	
Lebanon	1964	1257 ^{a/}	2067	2666	2222	
<u>Some other developing countries</u>						
		5-19	20-49	50-99	100 or more	All
Brazil	1960	1296	1468	1515	1891	1631
Central America	1962	1030	1917	2432	2675	2055
Colombia	1960	1226	1854	2415	3591	2683
<u>A developed country</u>						
		small-scale	medium-scale	large-scale		
India	1963	435	693	978		
Pakistan	1958	small-scale		large-scale		
		819		735		
<u>A developed country</u>						
		5-19	20-49	50-99	100 or more	All
United States	1954	6032	6140	6551	7890	7470

Source: Middle East - Edmund Y.Asfour, Doc.ID/WG.17/2
 India - Small Scale Industries in India, Development Commissioner
 Small-scale Industries, New Delhi, 1968
 Pakistan- G.K.Boon, Doc.ID/WG.17/3.P.1
 Other countries - Economic Bulletin for Latin America, vol.XII,
 no.1, May 1967, United Nations, New York

^{a/} 5-9 employees

N.B.Figures given in local currencies in quoted sources have been converted into U.S.dollars at exchange rates prevailing in the relevant years.

The value added per employee in the small-scale sector in Jordan and Lebanon is comparable to the value added by these industries in Brazil, Central America and Colombia, but higher than in India and Pakistan. In the higher size category (i.e. large-scale industry) and in industry as a whole, figures for the Middle Eastern countries are lower than those for the Latin American countries but higher than those for India and Pakistan.

It is not possible to compare the productivity of the small-scale sector, since no figures of fixed assets per employee are available.

Pattern of Industrialization

In his study on "The Place of Small-scale Industry in the Industrial Framework,"^{2/} Mr. G.K.Boon reaches the conclusion, on the basis of a statistical analysis of data from a number of developed and developing countries, that while in developed countries the highest number of establishments and the lowest average number of persons employed is found in the light industry group, followed by the metal products industry group and the heavy industry group,^{3/} in developing countries the position of light industry and metal products industry is the reverse of that in developed countries. In the case of Arab countries of the Middle East, it is noticed that, except in Lebanon, the largest number of establishments is in light industry, followed by the metal products industry and the heavy industry. In Lebanon, there is a larger number of establishments in heavy industry than in the metal products industry. Regarding the average number of persons employed in the three groups of industry, heavy industry employs the highest average number, except in Lebanon, where the metal products industry is slightly more important than heavy industry. Except in Kuwait, Lebanon and Saudi Arabia, light industry has higher average employment per establishment than the metal products industry.

The following tables bring out some pertinent data for Arab countries of the Middle East:

^{2/} See doc.ID/WG.17/B.P.1, Annex I

^{3/} Ibid. See Table I for classification of industry into the three industry groups

Table 6 Relative Importance of Light, Metal Products and Heavy Industry in Arab Countries of the Middle East

	<u>Percentage of establishments</u>			<u>Percentage of employment</u>		
	<u>Light</u>	<u>Metal products</u>	<u>Heavy</u>	<u>Light</u>	<u>Metal products</u>	<u>Heavy</u>
Iraq (1964)	67.6	30.0	2.4	57.0	22.1	20.9
Jordan (1965)	72.9	23.3	3.8	67.1	20.0	12.9
Kuwait (1963-65)	53.5	40.7	5.8	37.0	46.7	16.3
Lebanon (1964)	73.6	7.3	19.1	70.5	8.5	21.0
Saudi Arabia (1963/65)	53.8	37.2	9.0	47.7	33.8	18.5
Syria (1960)	75.8	18.9	5.3	73.3	13.2	13.5

Source: Compiled from Asfour, doc. ID/WG.17/2

Table 7 Number of Persons Employed per Establishment in Arab Countries of the Middle East

	<u>Light</u>	<u>Metal Products</u>	<u>Heavy</u>
Iraq (1964)	4.3	3.7	44.4
Jordan (1965)	4.6	4.2	16.6
Kuwait (1963/65)	5.9	9.8	24.3
Lebanon (1964)	20.5	24.6	23.5
Saudi Arabia (1963/65)	2.4	2.5	5.7
Syria (1960)	3.3	2.3	8.6

Source: Compiled from Asfour, doc. ID/WG.17/2

In the absence of information on value added per establishment, value added per employee and average wage paid per employee, for the three different groups of industry, no definite conclusions on the pattern of industrialization are possible.

Types of Small-scale Industries

Table 3 shows the share of small-scale industry in light, metal products and heavy industry groups in Arab countries of the Middle East.

Table 8 Share of Small-scale Industry in Light, Metal Products and Heavy Industry in Arab Countries of the Middle East

	<u>Percentage of establishments</u>			<u>Percentage of employment</u>		
	<u>Light</u>	<u>Metal products</u>	<u>Heavy</u>	<u>Light</u>	<u>Metal products</u>	<u>Heavy</u>
Iraq (1964)	99.2	99.5	66.0	67.1	76.1	16.3
Jordan (1965)	99.4	99.7	96.5	N.A.	N.A.	N.A.
Kuwait (1963/65)	98.6	97.4	93.4	60.2	49.3	56.0
Lebanon (1964)	94.9	90.3	88.4	55.5	51.6	44.3
Saudi Arabia (1963/65)	99.7	100.0	97.7	87.9	100.0	46.7
Syria (1960)	99.7	99.97	98.8	N.A.	N.A.	N.A.

Source: Compiled from E.Y.Asfour, doc. ID/WG.17/2

N.A. = Not Available

It is noted that small-scale industry is dominant in all three groups, except in Iraq, Lebanon and Syria, where large industry dominates the heavy industry group and Kuwait where large industry accounts for more than half the employment in the metal products group. In Arab countries of the Middle East the prevalent size even in the metal products industry and in heavy industry is smaller than in many other developing countries, probably because of limitations of market, finance and technology.



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