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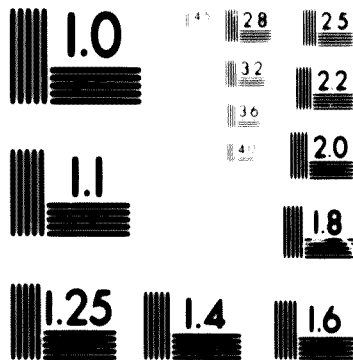
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**MINISTRY OF INDUSTRY**

**GENERAL ORGANIZATION FOR CHEMICAL AND FOOD INDUSTRIES**

**01048**

**MARKET STUDY**

**ON**

**THE VEGETABLE OIL PRODUCTS**

**IN IRAQ**

**BY**

**→ MANSOUR FAHMY**

**INDUSTRIAL EXPORT PROMOTION**

**AND MARKETING EXPERT**

**UNIDO**

**BAGHDAD**

**JANUARY 1972**

**REPUBLIC OF IRAQ**

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This study has not been cleared with the UNIDO which does not therefore necessarily share the views expressed.

CONTENTS

	<u>Page No.</u>
<u>INTRODUCTION</u>	1
- Terms of Reference	1
- Selection of the "General Company for Vegetable oil" as a "Study Case"	1
- The Contents and aims of the Study	2

Part One

Domestic Production, Consumption and Exports  
of the Vegetable Oil Products

CHAPTER I

Production and Consumption

(1) Background of the "General Company for Vegetable Oil" (G.C.V.O.)	4
(2) The Position of the Vegetable Oil Products Industry in the General Processing Industries in Iraq	6
(3) Raw Materials used in the Vegetable Oil Industries	8
(4) Development of Production	9
(5) Development of Consumption	11
(6) The Share of Production for covering the local Consumption	13
(7) The capacity of Production and the Planned Expansions	15
(8) Estimated Consumption in the Years 1971 to 1975	15
(9) Estimated Quantities Available for Exports during the years 1971 - 1975 and the Future Possibilities	17
(10) Protection of Local Production	19
(11) <u>Fiscal Charges Affecting the Cost of Production</u>	19
a- Customs duties	19
b- Excise Levied on Finished Products	20
c- Income Tax	20
(12) <u>The Price Policy and Prices</u>	21
a- For the local market	21
b- For exports	21
c- The established prices and the rate of profitability	22
(13) Productivity	25
(14) Import Duties on the Competing Foreign Products	25

CHAPTER II

Page No.

Development of Exports and the Export Policy

(15)	Share of the exports of Vegetable Oil in the Total Exports of Manufactures in Iraq	26
(16)	Development of Exports	26
(17)	<u>The Geographical Distribution of Exports</u>	28
	a- Distribution of the total Exports by Countries of Destination	28
	b- The geographical distribution by products	31
	c- Distribution of Exports by "Products" and by "Countries of Destination"	32
(18)	<u>The Export Policy and Measures for Fostering Exports</u>	34
	a- In the Stage of production	34
	b- <u>In the Stage of exportation</u>	34
	1. The draw back system	34
	2. Export subsidies	35
	3. The trade agreements	35
	4. The barter system	35
(19)	Quality Control	36
(20)	Packing	36
(21)	<u>Publicity</u>	36
	a- In the domestic market	36
	b- In foreign markets	37
(22)	<u>Channels of Distribution</u>	37
	a- For the local market	37
	b- For exports	37

Part Two

Market Conditions and the Situation of the Iraqi Vegetable Oil Products in Selected Arab Countries - (The Outcome of the Market Investigation)

CHAPTER I

Market Conditions in the Arab Countries

(23)	The Production of Similar Products in the Arab Countries	39
(24)	Quality, Taste and Habits	40
(25)	The Major Supplying Countries	41
(26)	Packing and Packaging	41
(27)	Import Policies and Regulations	42
(28)	Customs Duties	43
(29)	Trade and Payments Agreements	43
(30)	Payment Facilities	44

	<u>Page No.</u>
(31) Prices	44
(32) The Demand on the Vegetable Oil Products - The Size of Markets	45
(33) Transport Facilities and the Regularity of Supply	45
(34) Channels of Distribution and the Selection of Agents	46
(35) Publicity	46

CHAPTER II

The Situation of the Iraqi Vegetable Oil Products  
in The Arab Countries

(36) Quality	47
(37) Packing	47
(38) Export Prices and the Export Subsidies	49
(39) The Preferential Treatment for the Importation of the Iraqi Products	50
(40) Regularity of Delivery	51
(41) Publicity	51

Part Three

Conclusions and Recommendation

Conclusions

(42) The Position of the "General Company for Vegetable Oil"	52
(43) Development of Production	52
(44) Planning of Production and Sales	52
(45) The Cost of Production	52
(46) The Supply of Raw Materials	53
(47) The Fiscal Charges on Production	53
(48) Consumption	53
(49) The Price Policy	54
(50) The Rate of Profitability	54
(51) Development of Exports	54
(52) Planning of Exports and the Quantities Available for Exports	55
(53) The Government Policy for Fostering Production and Exports	55
(54) The Export System and Channels of Distribution	56
(55) The Role of the Iraqi Trade Centre	56

	<u>Page No.</u>
(56) Quality of Exported Products	57
(57) Packing	57
(58) The Excess Capacity of the Packing System	57
(59) Quality Control	57
(60) Publicity	58
(61) The Organisation and Management and the Role of the Marketing Department in the Company	58

Recommendations

A. In the Stage of Production

(1) Increasing the Production Capacity	60
(2) Planning of Production	60
(3) The Supply of Raw Materials	60
(4) Selection of Raw materials	61
(5) The Fiscal Charges	61
(6) Revision of the Draw back and Subsidies Systems	62
(7) Selling Policy and Planning of Sales	62
(8) Quality of Products	63
(9) Packing	64
(10) The utilization of the excess capacity of the Packing Section	65
(11) The cost accounting system	65
(12) Quality Control.	65

B. In the Stage of Exports

(13) Planning of Exports	65
(14) Export Promotion Incentives	66
(15) Banking Facilities	67
(16) Payment Facilities	68
(17) Transport Facilities	68
(18) Regularity of Delivery	68
(19) Publicity	68
(20) Export Prices	69
(21) The Retail Prices in Foreign markets	70
(22) Orientation of Exports	70
(23) The Export Marketing System, Channels of Distribution and the Role of the Trade Centres	71



(24) The Re-Organization of the Marketing Department and the establishment of a Market Research Section in the Company	72
(25) The New System of Exports in Iraq	72
(26) The Follow-up of this Study and the Recommendations	73

Part Four

<u>Country Surveys</u>	74
------------------------	----

<u>1. KUWAIT</u>	75
------------------	----

<u>Basic Data and General Information</u>	75
---	----

Population	75
------------	----

Rate of Growth	75
----------------	----

Area	75
------	----

Per Capita G.N.P.	75
-------------------	----

G.N.P. Rate of Growth	75
-----------------------	----

Currency	75
----------	----

Rate of Exchange	75
------------------	----

Foreign Trade and the Balance of Trade	75
--	----

Foreign Trade Policy and Import Regulations	75
---	----

Foreign Trade Structure	75
-------------------------	----

Domestic Production of Vegetable Oil Products	76
---	----

<u>Imports of Vegetable Oil Products and Consumption</u>	76
--	----

a) Vegetable Oil	76
------------------	----

b) Soap	83
---------	----

c) Detergeants	83
----------------	----

d) Cosmetics	84
--------------	----

Import Duties	84
---------------	----

The Preferential Treatment for the Iraqi Products	84
---	----

<u>Prices</u>	84
---------------	----

(Import Prices and Selling Prices)

a) Vegetable Oil	84
------------------	----

b) Soap	86
---------	----

c) Detergeants	86
----------------	----

d) Cosmetics	87
--------------	----

Channels of Distribution and Selling Conditions	88
---	----

Sanitary Certificates	88
-----------------------	----

Payment Facilities	89
--------------------	----

Publicity	89
-----------	----

Transport Facilities	89
----------------------	----

	<u>Page no.</u>
<u>Situation of the Iraqi Products and Market Investigation</u>	89
<u>Quality and Taste</u>	89
a) Vegetable Oil	89
b) Soap	89
c) Detergeants	89
d) Cosmetics	89
<u>Packing</u>	90
a) Vegetable Oil	90
b) Soap	90
c) Detergeants	90
d) Cosmetics	90
Prices	90
<u>The Major Competing Countries</u>	91
a) Vegetable Oil	91
b) Soap	91
c) Detergeants	91
d) Cosmetics	91
The Importing System and Channels of Distribution	91
Payment Facilities	91
Publicity	91
Transport Facilities	92
Regularity of Delivery	92
<u>Forecasts</u>	92
a) Vegetable Oil	92
b) Soap	92
c) Detergeants	93
d) Cosmetics	93
_____	
2. <u>Bahrain</u>	94 - 106
3. <u>Abu Dhabi</u>	107 - 114
4. <u>S. Yemen</u>	115 - 124
5. <u>Saudi Arabia</u>	125 - 132
6. <u>Syria</u>	133 - 147
7. <u>Egypt</u>	148 - 153
	94 - 106
	107 - 114
	115 - 124
	125 - 132
	133 - 147
	148 - 153
<u>Annex</u>	
<u>Advertising Costs in The Arab Countries</u>	154
1. Kuwait	154
2. Bahrain	155
3. S. Yemen	155
4. Syria	155
5. Egypt	156

List of Tables

<u>Table No.</u>		<u>Page No.</u>
1.	Position of the Vegetable Oil Products Industry related to the General Processing Industries in Iraq	7
2.	Production of Vegetable Oil Products 1960/1970	10
3.	Production and Consumption of Vegetable Oil in Iraq 1960/1970	12
4.	Co-Relation Between Production and Consumption of Vegetable Oil Products	14
5.	Capacity of Production and the planned expansions	15
6.	Estimated Consumption of Vegetable Oil Products for the years 1971/1975	16
7.	Estimated Quantities for Exports of the years 1971/1975	18
8.	Price list of the Iraqi Vegetable Oil products (July 1970)	23
9.	Share of the Exports of Vegetable Oil products in the total exports of Manufactured products in Iraq	26
10.	Exports of Vegetable Oil Products 1966/1970 (in value and quantities)	27
11.	Exports of Vegetable Oil Products (Geographical Distribution) 1966/1970	29
12.	The Geographical Distribution of the Exports <u>by Products:</u>	
	a) in Value	31
	b) in Quantities	31(a)
13.	Distribution of Exports of the Vegetable Oil Products according to Items and Countries of Destination:	
	a) in Value	33
	b) in Quantities	33(a)

Country Surveys

1. KUWAIT

14.	Imports of <u>Vegetable Oil</u> and Consumption in Kuwait	77
15.	"    " <u>Soap</u> "    "    "    "	78 - 79
16.	"    " <u>Detergents</u> "    "    "    "	80 - 81
17.	"    " <u>Cosmetics</u> "    "    "    "	82
18.	Prices of <u>Vegetable Oil</u> in Kuwait	85
19.	"    " <u>Soap</u> "    "	86
20.	"    " <u>Detergents</u> "    "	87
21.	"    " <u>Cosmetics</u> "    "	88

2. BAHRAIN

<u>Table No.</u>		<u>Page No.</u>
22.	Imports of <u>Vegetable Oil</u> in Bahrain	97
23.	" " <u>Soap &amp; Detergents</u> "	98
24.	" " <u>Cosmetics</u> " "	99
25.	Prices of <u>Vegetable Oil</u> in Bahrain	100
26.	" " <u>Detergents</u> " "	102
27.	" " <u>Cosmetics</u> " "	103

3. ABU DHABI

28.	Imports of Vegetable Oil Products (Oil - Soap - Detergents and Cosmetics)	108
29.	Average Retail Prices of <u>Vegetable Oil</u> in Abu Dhabi	110
30.	" " " " <u>Soap</u> " " "	111
31.	" " " " <u>Detergents</u> " " "	111
32.	" " " " <u>Cosmetics</u> " " "	112

4. S. YEMEN

33.	Imports of <u>Vegetable Oil</u> and Consumption in S. Yemen	117
34.	" " <u>Soap</u> " " " " "	118
35.	" " <u>Detergents</u> " " " " "	119
36.	" " <u>Cosmetics</u> " " " " "	119
37.	Prices of <u>Vegetable Oil</u> in S. Yemen	120
38.	" " <u>Detergents</u> " " "	121

5. SAUDI ARABIA

39.	Imports of <u>Vegetable Oil</u> in Saudi Arabia	126
40.	" " <u>Soap</u> " " "	127
41.	" " <u>Detergents</u> " " "	128
42.	" " <u>Cosmetics</u> " " "	129

6. SYRIA

43.	Imports of <u>Vegetable Oil</u> in Syria	136
44.	" " <u>Soap</u> " " "	138
45.	" " <u>Detergents</u> " " "	140
46.	" " <u>Cosmetics</u> " " "	141 - 142

7. EGYPT

47.	Imports of Vegetable Oil Products in Egypt (Oil - Soap - Detergents and Cosmetics)	149
48.	Retail Prices of Vegetable Oil Products in Egypt (Oil - Soap and Cosmetics)	151

Market Study  
on  
The Vegetable Oil Products  
in Iraq

Introduction

This study is a "Study Case" conducted on the "General Company for Vegetable Oil" in Iraq (G.C.V.O.) producing the four groups of products: vegetable oil (liquid and hydrogenated), soap (laundry and toilet soap), detergents and cosmetics (toothpaste and shaving cream).

Terms of Reference

The study is undertaken within the framework of my two "Working Plans" dated 2 April 1971 and 5 August 1971 for my assignment as UNIDO "Industrial Export Promotion and Marketing Expert" to the Iraqi Ministry of Industry (General Organization for Chemical and Food Industries) for a total period of one year.

My two working plans have been formulated in accordance with the UNIDO "Job Description" No. IRQ-141-C(RP/SD) stipulating that my duties cover mainly the evaluation of the export capacity and potential of Iraqi industry, recommend measures for optimum export performance and assist in their implementation. This includes advice, instruction and training of local personnel in marketing techniques for export of manufactured goods, carrying out some joint projects covering all aspects of modern marketing techniques and market surveys and problems of penetration of new markets.

Selection of the "General Company in Vegetable Oil" as a "Study Case"

A general survey on the industries covered by the "General Organization for Chemical and Food Industries" (G.O.C.F.I.) has been undertaken to evaluate the export potentials of each industry with the view to identify these industries which are, or could be, export-oriented. This survey revealed that the "General Company for Vegetable Oil" is the most powerful of the industries covered by the organization in terms of production capacity and export

company as a "Study Case" to undertake a comprehensive Market Study for the vegetable oil products.

The Contents and Aims of the Study

The aim of this study is to evaluate the export potential of the "G.C.V.O." and to draw up a long term policy for the promotion of the exports of vegetable oil products in Iraq. The study is divided into four main parts:-

Part One

This section deals with the development of production, consumption and exports of the vegetable oil products in Iraq and with all the relating problems, especially with regard to the policy of fostering production and exports and the regulations applied thereto.

Part Two

This section constitutes an assessment for the situation of the Iraqi vegetable oil products in foreign markets and their export possibilities in the light of the first section of the study and the outcome of the market investigations drawn from the work of the trade mission which has been sent to a number of the Arab countries in accordance with my proposal, to conduct a market survey for these countries according to the programme drawn up for this survey.

Part Three

The recommendations.

Part Four

This section includes the individual "Country Surveys" as a recapitulation of the outcome of the investigations of the aforementioned mission.

It is to be pointed out in this respect that the aim of my proposal to appoint the said mission for undertaking a market survey has been also to give a practical training for my counterparts in the field of market research. This mission was

composed of two members: Mr. Fadel Al-Mishhidani, the Chief of the Marketing Department in the "G.O.C.F.A.", and Mr. Sami Al-Shammary from the "State Organization for Exports". While acknowledging their good efforts and assistance in the compilation of the required data and in the market investigation, I would like to point out that their mission could have been much more fruitful if the duration of their visits to the Arab countries was longer in order to enable them to cover all the points included in the programme of the mission. I wish also to acknowledge the valuable assistance extended by my counterpart, Mr. Manuel Mansour, Chief of the Marketing Department in the "G.C.V.O." while conducting my study in this company.

PART ONE

The Domestic Production, Consumption and  
Exports of the Vegetable Oil Products

Chapter I

Production and Consumption

(1) Background of the "General Company for Vegetable Oil"<sup>1/</sup>

The "G.C.V.O." is one of the biggest companies of the State Organization "The General Organization for Chemical and Food Industries".

This company has been established in May 1970 by amalgamating the two companies: "The Vegetable Oil Extracting Company (V.O.E.C.) and the "Cotton Seeds Products Company" (C.S.P.C.).

The present capital of the company is ID.3,334,887.

The first company, "V.O.E.C.", established in 1940 at a declared capital of ID.30,000/- and which was raised several times until it reached ID.2 million, was the first company established in Iraq for extracting locally vegetable oil from vegetable seeds. This company has been amalgamated with two other companies: "The Rafidain Detergent Co." with a capital of ID.500,000/-, and the "Industrial Printing Co." with a capital of ID.250,000/-. After this amalgamation its capital reached ID.2,138,000. At that stage the "V.O.E.C." was efficient enough to cover the Iraqi needs of oil, soap and detergents.

In the year 1945, the said company introduced for the first time in Iraq liquid vegetable oil, such as coconut oil, olive oil and edible oil. In 1950, it started to produce toilet soap and in 1954 it produced hydrogenated vegetable ghee.

In 1955, the company widened its production scope by including the manufacture of powder detergents. In 1964 the company produced high qualities of toilet luxury soap. In 1970 (just before the amalgamation) the company planned to introduce new brands of detergents.

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<sup>1/</sup> Source: Release published by the "General Company for Vegetable Oil".



The annual sales of the "V.O.E.C." have reached more than ID.9 million.

The second company, "C.S.P.C.", was established in 1952 at a declared capital of one million dinars. It used to produce five main products: vegetable oil, toilet soap, laundry soap, detergents and cosmetics. Its annual sales exceeded ID.6 million.

Now, after the incorporation of the two said companies, the "G.C.V.O." has taken up the line of production of the amalgamated companies, i.e. vegetable oil, soap, detergents and cosmetics, and is giving all efforts to improve production in quality and quantity.

In the field of exports, the company is exporting its products mainly to the Arab world.

The company has plans for increasing its production capacity as well as producing new products, especially in the field of cosmetics such as shampoo, lipsticks and cream pastes. (Cosmetics which the company produces at present are only shaving cream and tooth paste.)

The new company "G.C.V.O.", which is a public sector company, is now the only company in Iraq for producing all the four groups of products: liquid and hydrogenated oil, soap, detergents and cosmetics. There exist also in Iraq a few small factories in the private sector which produce some of these products. However, the share of their production related to the total production of these items is insignificant, as the volume of its production does not exceed 6% of the total production of Iraq of these items.

N.B. It is to be noted that the actual production of the "G.C.V.O." represents about 93.5% of the total production of Iraq of these products, and its exports amount to 97% of the total exports of Iraq of the said products. Therefore, illusion should not be made if in the course of this study the figures relating to the total exports of Iraq are taken as the actual exports of the "G.C.V.O." since distinction between the real exports of the company and the total exports of Iraq could not be drawn out from the available

Products covered by the Study

The products covered by this study are those items which are actually produced by the "G.C.V.O.", i.e.:-

<u>Vegetable Oil:</u>	<u>SITC No.</u>
(a) liquid	421
(b) hydrogenated	431
- <u>Soap:</u> (laundry and toilet soap)	554.1
- <u>Detergents</u>	554.2
- <u>Cosmetics</u>	553.0

(2) The Position of the Vegetable Oil Products Industry

Related to the General Processing Industries in Iraq

Table No. 1 gives certain indicators about the importance of the vegetable oil industry compared to the processing industries in Iraq as a whole.

**Table No. 1**  
**Position of the Vegetable Oil Products Industry related to the General Processing Industries in Iraq**  
**in 1968**

	1 Vegetable Oil Industries			Total of Processing Industries 2/	% 1 to 2/
	Vegetable Oil	Soap and Detergent	Cosmetics		
Number of big companies	3	6	5	1318	1.0
Number of Employees	2045	111	89	78253	2.9
Total of Wages (1000 I.D.)	931	37	26	22810	4.4
Value of Production "	13633	470	244	159131	9.0
Value of Sales "	14052	429	245	144346	10.2
			(B) Public Sector 2/		
Number of Companies	2/	-	-	179	1.1
Number of Employees	2046	111	89	39777	5.6
Total of Wages in 1000 I.D.	920	37	26	14185	6.9
Value of Production "	(12787	-	-	100372	12.7
Value of Sales "	(13817	-	-	36713	15.9

1/ Source "Results of the Industrial Survey for 1968" published by the "Central Statistical Organization, Iraq"

2/ The Public Sector includes now the "General Company for Vegetable Oil" (Company Under Study) only established by the amalgamation of the said two companies.

It appears from Table No. 1 that:-

- in the public sector, the "General Company for Vegetable Oil" is now the only big company producing vegetable oil products. The production of this company represents about 93.5% of the total production of Iraq of these products;
- The number of employees in this industry represents 2.9% of the total number employed in the processing industries as a whole and 5.6% of the employees in the public sector;
- the total wages paid in this industry represents 4.4% of the total wages of the public sector;
- the value of the production of this industry represents 9% of the total value of production of all the processing industries and 12.7% of the production of the public sector; and
- the value of the sales of the said industry represents 10.2% of the sales of the public sector.

(3) Raw Materials used in the Vegetable Oil Industries

This industry depends mainly on oil seeds and vegetable oil.

The raw materials used in the said industry are:

Oil Seeds (mainly cotton seeds, sesame, peanuts, coconuts, sunflower and flax seeds).

Vegetable Oil: mainly palm oil.

Fats and Fat Acids; chemicals and packing material.

According to the accounts of the year 1968/69, it has been found that:

- 90.3% of the raw materials, in terms of value, are imported from abroad;
- the oil seeds and oil represent 84.1% of the total value of raw materials used in the productions;
- vegetable oil and fats represent 70% of the value of the total raw materials and it is all imported.
- oil seeds represent 9% of the total raw materials, out of which 20% is imported;

- chemicals and perfumes represent 21% of the total raw materials, out of which 97% is imported, and
- the wrapping and packing materials represent 12.3% of the raw materials, out of which 90.5% is imported.
- the oil seeds and oil fats represent 66.4% of the total value of the materials required for production, out of which only 6.1% is covered from the local market. This small percentage represents a part of the requirements of oil seeds, i.e. cotton seeds, sesame, peanuts, sunflower, and flax seeds.

It is to be noted in this respect that the vegetable oil industry in Iraq does not cover a substantial part of its requirements of these seeds from the local market instead of depending on imports of these raw materials, in spite of the fact that the most economical oil seeds which are used in this industry in terms of price and suitability for production are the cotton and sunflower seeds which are produced locally in Iraq. Such dependence on foreign sources for the supply of raw materials is a risky method, as any fluctuations in the world market, especially with regard to import prices and regularity of supply might expose this industry to serious difficulties. It is always wiser to diversify the sources of supply of raw materials, especially when Iraq can offer good possibilities of supply for these seeds of its own local production. Such substitution could be introduced gradually through the development of agriculture by increasing the production of oil seeds. As a matter of fact, the prices of palm oil, which is the main item of imported oil, has sharply risen during the last two years from ID.55/- to ID.118/- per ton, i.e. by about 115%. The same situation applies to chemicals used in this industry which are imported. Among these chemicals the Soda ash and Sodium Silicate could be supplied from the local market.

(4) Development of Production

The Table No. 2 shows the development of production of the different vegetable oil products during the period 1960-1970.

Table No. 2  
Production of Vegetable Oil Products  
1960 to 1970  
 (Quantities in Tons)

Years Products	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	Average Annual Inc. %
Vegetable Oil (hydrogenated and liquid)	21975	25743	26488	26105	37129	47621	43657	50240	52869	57996	62113	10
Toilette Soap	3850	5509	5564	5085	5817	4631	4514	5904	7621	5492	5857	4
Laundry Soap	7053	6047	6761	6351	7367	7454	8842	7746	9761	7961	8743	1.8
Detergents	5413	7066	6791	8113	7802	9093	11196	9708	11255	12272	14728	9.75
Cosmetics	-	40	40	52	64	71	142	101	167	173	198	26 1/2

1/ Average is calculated for the years 1961 to 1970

It appears from Table No. 2 that:-

Vegetable oil: Production has been continuously increasing during the eleven years. The average annual increase amounted to about 10%. This increase, which is rather important, is due to the increase in consumption, since there has been a general trend to substitute animal fats with vegetable oils. This trend is to be felt in many countries in the world because of health reasons and cheaper prices.

Toilet soap: There has been a general increase in production over the same period, in spite of a decrease in certain years. The average annual increase reached about 4%, which is not very high. However, this increase is slightly higher than the average rate of growth of the population.<sup>1/</sup>

Laundry soap: The average annual increase amounted to 1.8%, which is too small compared to other products. This is due to a considerable decrease in the consumption because of the general trend to substitute laundry soap with detergents. The volume of production has been decreasing in some years.

Detergents: The average annual increase reached 9.75%, which is rather high; and the production has been considerably increasing almost during the whole period. This is due to the increase in consumption because of substituting the laundry soap with detergents.

Cosmetics: The average annual increase has been considerably increasing as it reached about 26%.

#### (5) Development of Consumption

The Table No. 3 shows the development of consumption of vegetable oil products during the period 1960-1970 and the average annual increase during the said period.

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<sup>1/</sup> The average annual growth of population in Iraq is about 2.8%.

Table No. 3  
Production and Consumption of Vegetable Oil Products in Iraq

1960/1970

Quantities in Tons

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	Average Annual Increase 1960/70
Vegetable Oil Production	21975	25743	26488	30105	37129	47621	43657	50240	52869	57986	62113	10%
Exports	-	-	-	-	-	-	-	-	165	440	49	
Imports	-	-	-	-	-	-	-	-	1417	994	1077	7.25
Consumption	21975	25743	26488	30105	37129	47261	43657	50240	51617	57182	61085	10%
Soap	3850	5509	5564	5085	5817	4631	4514	5904	7621	5192	5857	4%
Toilette products	47	713	592	234	172	1	17	10	16	52	29	
Others	-	-	-	-	-	5	19	20	206	187	156	5.5
Consumption	3897	6222	6156	5319	5989	4627	4512	5894	7431	5058	5730	3.6
Laundry Production	7053	6047	6761	6351	7367	7454	8842	7746	9761	7961	8743	1.8
Exports	-	-	-	-	-	-	-	-	-	-	-	
Imports	13	-	48	56	4	5	19	-	135	-	1	
Consumption	7040	6047	6713	6295	7363	7449	8823	7746	9626	7961	8742	2.75
Disinfectants Production	5413	7066	6791	8113	7802	9093	11196	9788	11255	12272	14728	9.75%
Exports	542	3759	2291	865	43	129	98	79	70	188	207	
Imports	-	-	7	691	451	165	408	682	314	725	676	6%
Consumption	5955	10825	9075	8287	7394	9057	10892	9185	11011	11735	14259	8.5%
Plastics Production	-	40	40	52	64	71	142	101	167	172	198	7%
Exports	102	185	172	129	154	157	208	145	35	85	xx	
Imports	-	-	-	-	-	-	-	-	23	11	10	
Consumption	102	225	212	181	218	228	350	246	180	247	xx	10%

not available



This table reveals the following conclusions:

Vegetable oil: Consumption is continuously increasing, and the average annual increase is about 10%.

Toilet soap: With the exception of certain years, the consumption has been slightly increasing and the average annual increase reached 3.6%.

Laundry soap: If the growth of population is taken into consideration, we realize that the consumption of laundry soap has been remaining almost at the same level. The average annual increase amounts to about 2.75%.

Detergents: With the exception of certain years, the consumption has been increasing in general and the average annual increase reached 8%.

Cosmetics: Also with the exception of certain years, consumption has been increasing in general, and the average annual increase reached 10%.

(6) The Share of Production for Covering the Local Consumption

The Table No. 4 shows the development of production and consumption during the last five years, i.e. 1966 to 1970, and the relation between the two variants, which reveals that, with the exception of cosmetics, production of all vegetable oil products now covers the local consumption:-

-	Production of vegetable oil covers	101.7%	of local consumption			
-	" " toilet soap	" 102.2%	" " "	"	"	"
-	" " laundry "	" 100%	" " "	"	"	"
-	" " detergents	" 104.5%	" " "	"	"	"
-	" " cosmetics	" 70%	" " "	"	"	"

Table No. 4  
Relation Between Production and Consumption of Vegetable Oil Products

Years	Production (in Tons)						Consumption (in tons)						Production to Consumption in %						Average		
	1966	1967	1968	1969	1970	1966	1967	1968	1969	1970	1966	1967	1968	1969	1970	1966	1967	1968		1969	1970
<u>Vegetable Oil</u>	43657	50240	52869	57986	62113	43657	50240	51617	57102	61085	100	100	102,4	101,6	101,7	100	100	102,4	101,6	101,7	101,1
<u>Toilette</u>	4514	5904	7621	5492	5857	4512	5894	7431	5058	5730	100	100,1	102,6	108,6	102,2	100	100,1	102,6	108,6	102,2	102,7
<u>Laundry</u>	8842	7746	9761	7961	8743	8823	7746	9626	7961	8742	100,2	100	100	100	100	100	100	100	100	100	100
<u>Total</u>	13356	13650	17382	13453	14600	13335	13640	17057	13018	14472	100,1	100	100,9	104,2	100,9	100	100	100,9	104,2	100,9	101,4
<u>Detergents</u>	11196	9788	11255	12272	14728	10892	9185	11011	11735	14259	102,8	106,5	102,2	104,5	103,3	100	100	102,2	104,5	103,3	103,9
<u>Cosmetics</u>	142	101	167	173	198	350	246	180	247	xx	0,41	0,41	0,93	0,7	xx	0,41	0,41	0,93	0,7	xx	0,61

x not available

It is planned that production of cosmetics will reach 500 tons by the end of 1971, i.e. it will exceed the total consumption.

(7) The Capacity of Production and the Planned Expansions

At present the full capacity of the works of the "G.C.V.O." exceeds the requirements of the domestic consumption. Therefore, the production is planned in a way so that it covers the local production and the orders received for exports. Regarding cosmetics, the production does not cover till now the local consumption. Nevertheless, cosmetics are being exported in limited quantities, and it is expected that the production of this item will reach 500 tons by the end of 1971 and thus it will exceed the local consumption.

Besides, and due to the expected increase in exports as it will be cleared up in detail, certain expansions in the works of the company are envisaged, as shown in the following Table (No. 5).

Table No. 5

Products	Production in 1970	Local Consumption 1970	Full Capacity in 1971	Capacity after the Planned Expansions
Vegetable oil	62113	61085	86000	105000 by the end 1972
Toilet soap	5857	5730	9900	15000 by the end 1972
Laundry soap	8743	8742	15300	15300 by the end 1972
Detergents	14728	14259	25200	30700 in middle 1973
Cosmetics	198	247	300	500 in middle 1972

(8) Estimated Consumption in the Years 1971 to 1975

Taking into consideration the real consumption during the last ten years and the average annual increase during this period, as shown in Table No. 3; and taking the consumption in the year 1970 as a basis for calculating the expected consumption in the following five years; and taking into account the estimated additional increase in consumption of 3%, which constitutes an increase of about 10% for the northern region of the country, representing about 30% of the total population after the establishment of the Peace Agreement in 1970 in this region<sup>1/</sup>; the consumption during the following years could be estimated as follows:

<sup>1/</sup>The northern region has been almost isolated from the country during

Table No. 6

Estimated Consumption of Vegetable Oil Products for  
the years 1971 to 1975

Quantities in tons

Products	Consumption in 1970	Average Annual Increase in 1960/70	+ 1/ Increase of 3%	Estimated Consumption (in tons)				
				1971	1972	1973	1974	1975
Vegetable Oil	Tons 61085	% 10	% 13	69026	77999	88139	99597	112545
Toilette Soap	5730	3.6	6.6	6108	6511	6911	7399	7887
Laundry Soap	8742	2.8	5.8	9249	9785	10253	10848	11477
Detergents	11259	8	11	15827	17568	19500	21645	24026
Cosmetics	252	10	13	285	322	364	411	464

1/ The 3% increase constitutes the estimated increase of about 10% for the Northern Region which represent about 30% of the total population. In the previous years this region has been almost isolated from the country and used to be supplied from other sources.

(9) Estimated Quantities Available for Export during the years 1971-1975 and the Future Possibilities

According to the above estimations, and taking into consideration the expected capacity of production after the planned expansions, as shown in Table No. 4, a plan of estimated quantities available for exports during the years 1971-1975 could be drawn as shown in Table No. 7, provided that the factories operate on full capacity.

It appears from Table No. 7 that in the coming five years the company could secure excess quantities for exports in all items except for vegetable oil in the year 1975 where consumption is supposed to exceed the estimated production. In order to secure quantities of vegetable oil for export, it would therefore be necessary to envisage further expansion in the production of this item. (This question will be discussed in detail when dealing with export possibilities.)

Table No. 7

Estimated Quantities Available for Export

during 1971-1975

(If Works operate on full capacity)

Quantities in Tons

Products	1971	1972	1973	1974	1975
<u>Vegetable Oil</u>					
Estimated Production <sup>1/</sup>	86000	86000	105000	105000	105000
Estimated Consumption <sup>2/</sup>	69026	77999	88139	99597	112545
Available for export	16974	8001	16861	5403	- 7545
<u>Toilette Soap</u>					
Estimated Production	9900	9900	15000	15000	15000
Estimated Consumption	6108	6511	6941	7399	7887
Available for export	3792	3389	8059	7601	7113
<u>Laundry Soap</u>					
Estimated Production	15300	15300	15300	15300	15300
Estimated Consumption	9249	9785	10253	10848	11477
Available for export	6051	5515	5047	4452	3823
<u>Detergents</u>					
Estimated Production	25200	25200	27950	30700	30700
Estimated Consumption	15827	17568	19500	22645	24026
Available for export	9373	7632	8450	8055	6674
<u>Cosmetics</u>					
Estimated Production	300	400	500	500	500
Estimated Consumption	285	322	364	411	464
Available for Export	15	78	136	89	36

<sup>1/</sup> As planned after the expansion of the present capacities

<sup>2/</sup> See Table No. 5.

(10) The Protection of Local Production

All vegetable oil products with the exception of cosmetics are now prohibited as they enjoy full protection against importation of competing products. Cosmetics (shaving cream and tooth paste) enjoy now 85% protection and it is expected to give full protection for these two items after the planned expansion in production is achieved.

(11) Fiscal Charges Affecting the Cost of Production

The cost of production of the vegetable oil products bear the following main fiscal charges:

(a) Customs duties

About 90% of the raw materials used in this industry are imported materials. The imported materials which are subject to customs duties and which represent 95.4% of the imported raw materials are the following items:

Imported Raw Materials	Customs Duties	Share of the Imported Raw <sup>1/</sup> Materials	
		% of the total value of the <u>used</u> raw materials	% of the total value of the <u>imported</u> raw materials
Palm Oil	<u>ID.16,000 per ton, i.e. about 14%. (Actual price is about ID.118 per ton)</u>	55.2	61.6
Coconut oil	<u>ID.16,500 per ton, i.e. 18.3% (Actual price is about ID.90 per ton)</u>	0.8	0.9
Fats	<u>ID.5,000 per ton, i.e. 6.6%. (Actual price is about ID.75 per ton)</u>	2.5	2.7
Fat Acids	<u>ID.4,000 per ton, i.e. 2.7%. (Actual price is about ID.147 per ton)</u>	0.9	1.0
Chemicals	between 10 and 15%	17.3	19.3
<u>Packing Material</u>			
a) Paper	15%	4.8	5.4
b) Metal)	6%	0.6	0.7
c) Tin )		3.4	3.8
Total		85.5	95.4

<sup>1/</sup> Calculated according to the accounts of the year 1968/1969.

It appears from the above table that 85.5% of the used raw materials - which represent 95% of the imported raw materials - are subject to import duties, which vary from 6.6% to 18.3%. The main item, i.e. the palm oil, is subject to a duty of 14%. These rates are relatively too high for raw materials which, normally, should be exempted from all import duties.

In terms of value, it has been found that the import duties paid by the company for its imports in the year 1970/71 amounted to ID.1,332,000, when the net profit of the company (before deducting the income tax) amounted to ID.2,128,272. This means that the customs duties represent about 63% of the net profit of the company. Evidently, such a heavy financial burden on the budget of the company affects seriously the cost of production and, consequently, its competing power on the international market.

(b) Excise levied on finished products

The following are the excise duties levied on the sold products:-

- Vegetable oil: 10 fils per kilo, i.e. about 5% of the selling price.
- Toilet soap: 5 fils per kilo, i.e. about 14% of the selling price.
- Detergents: 450 fils per 48 packets, i.e. about 20% of the selling price.
- Cosmetics: exempted.

(c) Income Tax

According to the Law No. 44 of 1968, the profits of the "joint stock - Industrial Companies" are subject to an income tax according to the following scale:-

- 15% on profits up to ID.1,000
- 20% on profits from ID.1,000 to ID.3,000
- 25% on profits from ID.3,000 to ID.4,000
- 30% on profits from ID.4,000 to ID.5,000
- 35% on profits from ID.5,000 to ID.6,000
- 40% on profits from ID.6,000 to ID.8,000
- 45% on profits from ID.8,000 to ID.10,000

The profits of the company under study fall always under the category of 50%, which is rather too high in a developing country that adopts - and should adopt - a policy of fostering industrial



(12) The Price Policy and Prices

(a) In the local market

The company follows the general government policy which aims at securing the supply of essential products for the people at the lowest possible level in order to raise the standard of living of the population. Therefore, the policy of the company in establishing the prices of its products is based on fixing prices as low as possible provided that it secures a reasonable rate of profit. The rate of profit varies from one product to another according to the competing power of each item. For example, the range of profit for the tooth paste is much higher than for soap. The cost of production of a tube of tooth paste amounts to 30 fils and the selling price is 50 fils, i.e. the rate of profit is about 66%. This selling price is justified, as the price of the imported similar quality is about 100 to 120 fils. For other products such as soap, the rate of profit is much less. Also, essential products such as vegetable oil, are sold at reduced prices. This item is even sold now at a loss because of the sudden and sharp rise in the prices of raw materials, mainly the palm oil, which constitutes about 55% of the utilized raw materials. (The prices of palm oil have risen from ID.55 to ID.118 per ton during the last two years.) In spite of this considerable rise, the company had to comply with the government policy to maintain the selling price of this item specially at the same level before this sharp rise.

(b) For exports

The policy of fixing the export prices is based on the comparison with the prices of similar competing products in the outside markets and keeping a small margin of profit for the company. It happens sometimes that the export prices are less than the cost prices, as happened this year in the case of the hydrogenated oils after the sharp increase in the prices of palm oil. The company has been obliged to maintain the same prices in order not to lose the foreign markets. The difference is covered by export subsidies.

(c) The Established Prices and the Rate of Profitability

The rate of the gross profit related to the cost of production in this industry varies from 24.5% to 31%, and if related to the invested capital the rate varies from 39.5% to 43.6%. Regarding the established prices, the Table No. 8 shows the latest prices established for each brand produced by the company (quotations as per 30 September 1970). The said table indicates the cost price, selling price for agents, wholesale and retail prices and the export prices.

From the price list in Table 8, it appears that the rate of profit, i.e. the difference between the cost prices and the selling prices to agents varies from one product to the other on an extremely wide range. The Table No. 8 (price list) reveals that the rate of profit on the selling prices to agents as at 30 September 1970 is as follows:-

	<u>Rate of Profit</u>
- <u>Hydrogenated Oil</u>	%
for the brands Raie and Zebaida	0.5
for the brands Nargis and Zenab .	14.9
- <u>Liquid Oils</u>	
El Bent Brand	41.9
Olive Oil	25.0
Corn Oil	94.8
- <u>Soaps</u>	
(a) Toilet soap	from 5.3 to 19.8
(b) Laundry soap	from 22.2 to 58.2
- <u>Detergents</u>	from 8.4 to 35.4
- <u>Cosmetics</u>	
(a) <u>Tooth paste</u>	
Ambar	104
Basma	43
(b) <u>Shaving Cream</u>	80.1
(c) <u>Shaving Soap</u>	43.2

This wide range in the rate of profit especially in one group of products such as soap seems to be an unusual feature in the pricing policy which is worth reconsidering.

Table No. 8  
Price List on 30 July 1970

Prices in I.D.

Products and Brands	Unit	List Price	Price for Agents	Wholesale Price	Retail Price	Export <sup>3/</sup> Price
<b>1) Hydrogenated Oil</b>						
	<u>Tins of one Kilo</u>					
EL RAIE Brand	"	0.187	0.190	0.195	0.200	0.160
ZOB.IDA	"	0.189	0.190	0.195	0.200	0.171
MERCIS	"	0.193	0.215	0.220	0.225	0.171
ZEN.B	"	0.187	0.215	0.220	0.225	0.160
<b>2) Liquid Oil</b>						
EL BENT	"	0.162	0.230	0.235	0.240	0.200
Olive oil	"	0.380	0.475	0.500	0.525	-
Corn oil	"	0.231	0.450	0.475	0.500	-
<b>3) Soap</b>						
<b>a) Toilette</b>						
EL GAMAL (100 gr)	144 pc	2.927	3.240	3.270	3.320	2.500
HANNA (150 gr)	72 "	2.810	2.960	3.010	3.060	2.500
SEHHA (113 gr)	72 "	2.212	2.650	2.670	2.700	2.440
EL TEFL (113 gr)	72 "	1.930	2.290	2.310	2.340	2.100
FATEN (100 gr)	144 "	3.360	3.870	3.940	3.970	3.000
CTOUR (100 gr)	144 "	3.845	4.600	4.630	4.680	4.450
NADIA (90 gr)	144 "	3.364	3.750	3.800	3.850	3.600
<b>b) Laundry</b>						
ABOU EL HEIL (200 gr)	50 "	2.020 <sup>2/</sup>	1.950	2.000	2.050	-
KOTT (210 gr)	50 "	0.790	1.250	1.300	1.350	0.930
MESR (210 gr)	50 "	0.777	0.950	1.000	1.050	0.920
<b>4) Detergents</b>						
	<u>packets</u>					
MAR (190 gr)	48	1.545	1.675	1.725	1.775	1.320
UR	"	1.587	2.150	2.200	2.250	1.490
SEIT	"	1.550	2.150	2.200	2.250	1.500
<b>5) Cosmetics</b>						
	<u>tubes</u>					
<b>a) Tooth Paste</b>						
ANBAR (50 gr)	72	2.603	4.500	4.600	4.700	3.000
BASMA (50 gr)	"	2.133	3.050	3.150	3.250	2.400
<b>b) Shaving Cream</b>						
SOULAF (70 gr)	24	1.110	2.000	2.050	2.100	1.300
<b>c) Shaving Soap</b>						
GAMAL (100 gr)	72 pc.	1.850	2.650	2.750	3.000	2.750

1/ Prices include excise

2/ Cost price is higher than selling price

3/ Ex-factory.

Investigations about the system of pricing in the company reveals that certain factors are taken into consideration when fixing the prices, mainly:

- that prices of each kind of product are fixed more or less on the basis of prices of imported similar goods maintaining certain margin to allow local products to be sold at a lower price than the imported ones. (This policy applies now to cosmetics only, as importation is still permitted while other products have enjoyed import protection since 1970.)
- Prices of those products which are considered as essentials, such as the hydrogenated oil, are fixed on a base so as to be sold at the lowest possible price for social reasons. Prices of such products which have been seriously affected during the last two years by the fluctuations in the prices of raw materials - mainly the palm oil - sometimes do not leave any profit or even are less than the cost price, which means that these products are sold at a loss.
- Following the present government policy, which aims at raising the standard of living and supplying the population with all its needs at reasonable prices, the company is not authorized to raise the prices of any product. That is the reason why the company in those cases where certain products can realize a high rate of profit (as in the case of cosmetics), the company fixes relatively high prices in order to keep certain margin of profit, which could compensate for the loss in other products or the increase in the prices of raw materials.

For these reasons, the present company is obliged to maintain the old prices of these products which used to be produced by the two old companies that have been amalgamated to form the present new company, as it is not allowed to raise the selling prices. It is to be noted that the net profits of the company have fallen from ID.3,181,592 in the year 1969/70 to ID.2,128,273 in 1970/71. This difference is, in part, due to the sudden and sharp increase in the prices of the palm oil, which is the main raw material, without increasing the selling prices of the vegetable oils.

(13) Productivity

The productivity in the vegetable oil industry, i.e. the added value/number of workers, is estimated by three times of the average of productivity in all the processing industries in Iraq (excluding oil refining).

(14) Import Duties on the Competing Foreign Products

Import duties on the imported vegetable oil products - similar to those produced in Iraq - are as follows:-

- Vegetable Oil	100 fils per kilo
- Toilet soap	18 to 150 fils per kilo
- Laundry soap	50% ad valorem
- Detergents	5% ad valorem
- Tooth paste	20 fils per kilo
- Shaving cream	200 fils per kilo

It is evident that the abovementioned import duties are rather theoretical, since all vegetable oil products now enjoy full protection, with the exception of cosmetics, which are partly protected against importation.

Chapter II

Development of Exports and the Export Policy

(15) Share of the Exports of Vegetable Oil in the Total Exports of Manufacturers in Iraq

The following Table (No. 9) shows the share of the exports of vegetable oil products in the total exports of manufactured products from Iraq during the five years 1965/1969:-

Table No. 9

	Value in Iraqi Dinars				
	1965	1966	1967	1968	1969
Export of Vegetable Oil Products <u>1</u>	28,472	32,988	93,392	314,088	426,672
Total exports of manufactures from Iraq <u>2</u>	3,240,000	2,710,000	4,050,000	4,230,000	3,680,000
<u>1</u> to <u>2</u> in %	0.9	1.2	2.3	7.4	11.6%

The above table reveals that:

- 1st: The exports of vegetable oil products have been continuously increasing during the last five years.
- 2nd: There has been a sharp increase in the share of the exports of these products related to the total exports of manufactured products from Iraq during the said period. This share rose from 0.9% in 1965 to 11.6% in 1969, which is a substantial increase.

(16) Development of Exports <sup>1/</sup>

The following Table (No. 10) shows the development of exports of the vegetable oil products during the period 1966/1970.

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<sup>1/</sup> Exports of the "General Company for Vegetable Oil" represent 97% of the total exports of Iraq of vegetable oil products.

Table No. 10

Exports of Vegetable Oil Products

Years 1966-1970

Value in I. Dinars

Products	Year	1966	1967	1968	1969	1970	% of Total Exports				
							1966	1967	1968	1969	1970
Vegetable Oil		-	-	176148	243897	162454	-	-	56.1	57.2	64.6
Soap		5437	4450	88395	109183	30203	16.5	4.8	28.1	25.6	12.0
Detergents		27551	88942	20781	57573	52219	83.5	95.2	6.6	13.5	20.8
Cosmetics		-	-	28764	16019	6647	-	-	9.2	3.8	2.6
Total		32988	93392	314088	426672	251503	100	100	100	100	100

Exports of Vegetable Oil Products

1966-1970.

Quantities in Tons

Products	Year	1966	1967	1968	1969	1970
Soap		19	17	485	487	157
Detergents		396	683	254	725	676
Cosmetics		-	-	23	10	10

Table No. 10 reveals the following conclusions:-

- The total volume of exports have been continuously increasing during the four years 1966/1969, but sharply decreased in 1970;
- exports of vegetable oil and cosmetics started only since 1968;
- the development of exports of the different kinds of this industry has been often fluctuating. This is mostly due to the lack of a healthy export policy.
- Exports of the vegetable oil (the hydrogenated) occupy the first place; its share in the total exports reached 64.4% in 1970.
- Exports of detergents occupy the second place (20%).
- Exports of soap occupy the third place (12%) (almost the total exports of soap are of toilet soap).
- Exports of cosmetics occupy the fourth place (2.6%).

(17) The Geographical Distribution of Exports

The following analysis for the geographical distribution of the exports of this industry is conducted on three base analyses:

- (a) distribution of the total exports of the industry as a whole to the different importing countries;
- (b) the geographical distribution of each individual product of this industry to the different importing countries (distribution by products);
- (c) the share of each importing country from each product (distribution by countries).

A. Distribution of the total exports of the industry by countries of destination

The following Table (No. 11) shows the geographical distribution of the vegetable oil products as a whole during the period 1966/1970.



Table No. 11

Exports of Vegetable Oil Products

(Geographical Distribution)

1966-1970

Value in I. Dinars

Products	Year	1966	1967	1968	1969	1970	% of Total Exports					
							66	67	68	69	70	average
Saudi Arabia	1945	1416	18000	1915	6499	6	2	6	0.3	3	3	
Kuwait	12110	76670	15093	4117	70039	37	82	5	1	28	31	
Syria	2306	1928	73018	13858	21842	7	2	23	3	9	9	
Jordan	16627	13378	30038	43005	32925	50	14	10	10	13	20	
U.A.R.	-	-	177939	359577	106872	-	-	57	84	42	37	
Southern Yemen	-	-	-	4200	-	-	-	-	1	-	-	
Bahrain	-	-	-	-	11394	-	-	-	-	4.5	*	
Arab Gulf States	-	-	-	-	429	-	-	-	-	0.2	x	
Pakistan	-	-	-	-	1447	-	-	-	-	0.6	x	
Lebanon	-	-	-	-	- 6	-	-	-	-	x	x	
Qatar	-	-	-	-	70	-	-	-	-	x	x	
Total	32438	93392	314688	426672	251523	100	100	100	100	100	100	

It appears from Table No. 11 that:

- the volume of the total exports of vegetable oil products to each individual country has been fluctuating and not following one trend. This striking feature is due to the lack of a planned export and marketing policy;
- the main importers are the A.R.E.,<sup>1/</sup> Kuwait, Jordan and Syria;
- on the average, the A.R.E. occupies the first place among the importing countries (36.7%);  
Kuwait occupies the second place (30.5%);  
Jordan the third place (19.5%) and Syria the fourth place (8.8%).  
(It is to be noted that the average imports of the A.R.E. (Egypt) in these years is supposed to be higher (about 61%), if it is calculated on the basis of the three years 1968/1970 only.)
- Bahrain is the only country among the Gulf States which is importing relatively important quantities.

B. The geographical distribution by products

The Table No. 12 shows the geographical distribution of each individual product of vegetable oil industry to the different importing countries.

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<sup>1/</sup> The A.R.E. = Egypt.

Table No. 12

The Geographical Distribution of the Exports of the Vegetable Oil Products  
(By Products)

(1) Vegetable Oil (Hydrogenated)

Value in I.D.

Exporting countries	Year					% of Total Exports					
	1966	1967	1968	1969	1970	66	67	68	69	70	Average
Kuwait	-	-	15093	547	52457	-	-	8	0.2	32	13
U.A.R.	-	-	156555	243350	97772	-	-	89	99.8	60	83
Syria	-	-	4500	-	4469	-	-	3	-	3	2
Bahrain	-	-	-	-	678	-	-	-	-	4	1.3
Arab Gulf States	-	-	-	-	223	-	-	-	-	0.1	x
Pakistan	-	-	-	-	752	-	-	-	-	0.5	x
Total	-	-	196148	243897	162454	-	-	100	100	100	100

✓ Average calculated for three years only (1968/1970)

(2) Soap

Saudi Arabia	51	22	18000	-	15	1	0.5	21	-	x	7
Kuwait	3030	-	-	-	10438	57	-	-	-	35	18
U.A.R.	-	-	21384	100208	9100	-	-	24	92	30	29
Syria	2306	1928	34611	8175	9318	42	43	39	7	31	32
Arab Gulf States	-	-	-	-	106	-	-	-	-	0.4	x
Pakistan	-	-	-	-	400	-	-	-	-	1.3	x
Jordan	-	2500	14400	-	750	-	56	16	-	2.5	15
Lebanon	-	-	-	-	6	-	-	-	-	x	x
Qatar	-	-	-	-	70	-	-	-	-	0.2	x
Southern Yemen	-	-	-	800	-	-	-	0.7	-	-	x
Total	6437	4450	88395	109183	30203	100	100	100	100	100	100

(3) Detergents

Kuwait	9030	76670	-	3570	6630	33	86	-	6	13	28
Syria	-	-	5143	5683	1996	-	-	25	10	4	9
Bahrain	-	-	-	-	4613	-	-	-	-	9	2
Arab Gulf States	-	-	-	-	100	-	-	-	-	0.2	x
Pakistan	-	-	-	-	295	-	-	-	-	0.6	x
Jordan	16627	10878	15638	43005	32175	60	12	75	75	62	57
Saudi Arabia	1894	1394	-	1915	6410	7	2	-	3	12	5
Southern Yemen	-	-	-	3400	-	-	-	-	6	-	1
Total	27551	88942	20781	57573	52219	100	100	100	100	100	100

(4) Cosmetics

Syria	-	-	28764	-	6059	-	-	100	-	91	64
Kuwait	-	-	-	-	514	-	-	-	-	8	3
Saudi Arabia	-	-	-	-	74	-	-	-	-	1	x
U.A.R.	-	-	-	16019	-	-	-	-	100	-	33
Total	-	-	28764	16019	6647	-	-	100	100	100	100

Table No. 12 (a)

The Geographical Distribution of the Exports of the Vegetable Oil Products  
(By Products)

(1) Vegetable Oil (hydrogenated) Quantities in Tons

Importing countries	Year	1966	1967	1968	1969	1970	% of Total Exports					
							66	67	68	69	70	Average
Kuwait	-	-	-	107	2	382	-	-	8	0.2	36	15
Egypt	-	-	-	1176	992	615	-	-	89	99.8	57	82
Syria	-	-	-	32	-	26	-	-	2	-	2	1.3
Bahrain	-	-	-	-	-	50	-	-	-	-	5	1.6
Gulf States	-	-	-	-	-	1,4	-	-	-	-	0.1	x
Pakistan	-	-	-	-	-	3	-	-	-	-	0.3	x
<b>Total</b>	-	-	-	1315	994	1077	-	-	100	100	100	100

Average calculated for three years only (1968/1970)

(2) Soap

Saudi Arabia	x	-	91	-	-	-	-	19	-	-	4
Kuwait	8	-	-	-	-	61	42	-	-	40	16
Egypt	-	-	118	452	45	-	-	24	93	29	29
Syria	11	7	141	34	45	58	41	29	7	29	19
Gulf States	-	-	-	-	0.5	-	-	-	-	x	x
Pakistan	-	-	-	-	2.8	-	-	-	-	2	x
Jordan	-	10	135	-	2.5	-	59	28	-	1.6	18
Lebanon	-	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-	-
S. Yemen	-	-	-	1	-	-	-	-	x	-	-
<b>Total</b>	19	17	485	487	157	100	100	100	100	100	100

(3) Detergents

Kuwait	31	441	-	23	46	8	65	-	3	7	17
Syria	-	-	22	26	13	-	-	9	3.6	2	3
Bahrain	-	-	-	-	33	-	-	-	-	5	1
Gulf States	-	-	-	-	0.6	-	-	-	-	x	x
Pakistan	-	-	-	-	0.4	-	-	-	-	x	x
Jordan	361	230	232	662	550	91	34	91	91	81	6
Saudi Arabia	4	11	-	11	33	1	1	-	1.5	5	3
S. Yemen	-	-	-	3	-	-	-	-	0.4	-	x
<b>Total</b>	396	683	254	725	676	100	100	100	100	100	100

(4) Cosmetics

Syria	-	-	23	-	8	-	-	100	-	80	60
Kuwait	-	-	-	-	0.5	-	-	-	-	5	2
Saudi Arabia	-	-	-	-	1	-	-	-	-	10	3.3
Egypt	-	-	-	10	-	-	-	100	-	-	33
<b>Total</b>	-	-	23	10	10	-	-	100	100	100	100

Average calculated for the years (1968/1970)

It appears from Table No. 12 that:

1. Regarding the vegetable oil

- exports started only since 1968;
- the main importing country is the A.R.E., which imported on the average 83% of the total exports. Kuwait occupies the second place (13%). Therefore, about 96% of the total exports of this item was destined for the A.R.E. and Kuwait. However, striking fluctuation in the imports of these two main importing countries is to be felt.

2. Soap

The main importing countries are: Syria, the A.R.E., Kuwait and Jordan. The imports of Syria amount in the average to 32%, the A.R.E. 29%, Kuwait 18% and Jordan 15%.

N.B. Almost all exports of soap are of toilet soap.

3. Detergents

- The main importing countries are Jordan and Kuwait.
- Imports of Jordan in the average represent 57% of the total exports of Iraq and for Kuwait it represents 28%; Syria occupies the third position (9%) and Saudi Arabia occupies the fourth position (5%).

4. Cosmetics

- The main importing countries are Syria and the A.R.E.
- Imports of Syria amount in the average to 64% of the total exports, and the A.R.E. (33%). It is to be noted that exports of cosmetics started only in 1968.

C. Distribution of exports by "Products" and by "Countries of Destination"

As a conclusion of the two tables No. 11 and 12, the Table No. 13 shows the share of each importing country of each item of the vegetable oil products during the same period:



Table 13 (a)  
 Distribution of Exports of the Vegetable Oil Products According to Items and "Countries of Destination"  
 (Shares in %)  
 (For quantities)

Year	Vegetable Oil					Soap					Detergeants					Cosmetics				
	66	67	68	69	70	66	67	68	69	70	66	67	68	69	70	66	67	68	69	70
Urwait	-	-	8	0.2	36	42	-	-	-	40	8	65	-	3	7	-	-	-	-	5
Egypt	-	-	89	99.8	57	-	-	24	93	29	-	-	-	-	-	-	-	-	100	-
Syria	-	-	2	-	2	58	41	29	7	29	-	-	-	9	2	-	-	100	-	80
Bahrain	-	-	-	-	5	-	-	-	-	-	-	-	-	-	5	-	-	-	-	-
Gulf States	-	-	-	-	0.1	-	-	-	-	x	-	-	-	-	x	-	-	-	-	-
Pakistan	-	-	-	-	0.3	-	-	-	-	2	1	-	-	-	x	-	-	-	-	10
Saudi Arabia	-	-	-	-	-	-	-	19	-	-	1	34	-	-	5	-	-	-	-	-
Jordan	-	-	-	-	-	-	59	28	-	1.6	91	2	91	91	81	-	-	-	-	-
Lebanon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
S. Yemen	-	-	-	-	-	-	-	-	x	-	-	-	x	-	-	-	-	-	-	-
Total	-	-	100	100	100	100	100	100	100	100	100	100	100	100	100	-	-	100	100	100

(18) The Export Policy and Measures for Fostering Exports

The regulations and measures applied by the Iraqi Government for encouraging the exports of manufactured goods in general and which apply to the vegetable oil products in particular are the following:-

A. In the Stage of Production

1. Certain items of raw materials are exempted from the import duties. However, in the case of vegetable oil, about 95.4% of the imported raw materials in terms of value are subject to import duties. Machines and spare parts are mostly exempted from import duties.
2. Newly established companies might be exempted from the income tax on its profits for a maximum period of the first three years. (This measure does not apply any longer to the "G.C.V.O".)
3. Protection of the local production by prohibiting the importation of similar goods. In the case of the company under study, full protection is granted to the vegetable oil, soaps and detergents. Cosmetics enjoy protection of 85%.

N.B. This protection does not apply to the imports from Arab countries which have commercial centres in Iraq and under certain conditions.

It is to be noted that the above three measures are not applied as a general rule; they are granted to specific industries after examination of each individual case by the competent authorities.

B. In the Stage of Exportation

1. The system of "Drawback" of the customs duties which have been paid on the imported raw materials is applied but not as a general rule. Each case has to be examined separately. The drawback system applies only in the case when the producing company



2. Export subsidies are also granted for certain products, but still each individual case has to be examined separately. In certain cases even subsidies are granted for the exports to certain countries and not to all the importing countries. For example, exports of vegetable oil to Bahrain only enjoy subsidies and not to the other importing countries. It is to be noted that this policy is not appropriate, since it is rejected by certain international agreements, mainly the GATT. Subsidies could be replaced by other more healthy measures, such as the exemption from import duties, excise, income tax, etc.

3. The Trade Agreements

Trade agreements are used as an instrument for promoting exports. Such agreements usually include lists of the Iraqi products to be exported, and in most of these agreements there are quotas for the products to be exported as a condition to be fulfilled. The vegetable oil products are included in the trade agreements concluded by Iraq in general.

4. The Barter System

As a measure for fostering exports, the Iraqi Government has established the so-called "Barter System". According to this system, exporters can dispose of the total or part of the foreign currency proceedings of their exports to import goods from abroad. Lists of products to be exported and imported according to this system, as well as the formalities to be fulfilled are stipulated by the Ministry of Economy. This system applies to the vegetable oil products.

(19) Quality Control

There has been recently established the so-called "Iraqi Organization for Standards", attached to the Ministry of Planning. One of the main tasks of this organization is to establish standards for the different products of Iraq and to control its implementation by the producers. As a matter of fact, standards for vegetable oils and the different kinds of soap have already been established. Theoretically, the said organization has the right to impose control on the exports of all products for which standards have been established. However, no forcing measures have been taken so far to impose such control on the exports. This is due to the absence of the required executing bodies which could undertake the control from the technical point of view and to issue legal certificate that the controlled products are in conformity with the established standards. Equipped centres or laboratories are required for this kind of quality control.

(20) Packing

The company has an efficient "Design and Production Development Section" and the system of design for packing is satisfactory. The company introduces from time to time new forms of packing especially in the branch of toilet soap and cosmetics with the aim of diversifying the packing and making it more attractive. However, it is noticed that there is no distinction between the packing for the local market and for export. It is also to be noticed that the requirements of the foreign markets are not always taken into account when designing the packing forms, especially with regard to the weight and size. This is due to the absence of appropriate market surveys for foreign markets.

(21) Publicity

(a) In the Domestic Market

Publicity for the products of the company is usually done through the classic media such as cinemas, radio, T.V., periodicals and newspapers. The most effective media for these products in Iraq seems to be the T.V.

Analysis of the publicity budgets of the company reveals that up till now the biggest part of the budget has been allocated for the domestic market and very limited efforts and allocations are paid for the foreign markets. This is not a wise policy, since the vegetable oil products enjoy almost full protection and, consequently, the company has the monopoly of the domestic market as the foreign competition is almost eliminated.

(b) In Foreign Markets

As it has been cleared up, an insignificant part of the publicity budget goes to the outside markets. It is to be felt that the company has no publicity policy for foreign markets and the activities of the company in this field are very limited. More attention should be paid for publicity in foreign markets, especially for this kind of product, i.e. the vegetable oil products.

(22) Channels of Distribution

a) For the Local Market

The present system of distribution of products of the company (and after the nationalisation in 1964) is based on the establishment of distribution offices all over the country. The aims of adopting this system are:

- 1st: to secure the continuous delivery of the products of the company to the consumers in the country at fixed and unified prices.
- 2nd: to reduce the distribution costs to the minimum. This system has led to an increase in the sales of the company. (Before the nationalisation the company used to follow two different channels. The first was the system of assigning agents, who received commission on their sales; the second channel was to establish distribution offices.)

b) For Exports

The company used to follow four channels of distribution for exporting its products:-

- 1st: through the Iraqi "Trade Centres" in those countries where the centres have been established<sup>1/</sup>. Such transactions are effected through the newly established "State Organization for Exports", to which belong the Trade Centres;
- 2nd: through agents to be appointed in the individual countries;
- 3rd: by direct exports to the importers abroad whenever it is possible; or
- 4th: through the private sector (this channel is now very limited).

Export transactions used to be effected partly by the Vegetable Oil Company itself, and partly through the newly established "State Organization for Exports". There have been certain differences between the two bodies regarding the concentration of all exports in the said organization, since this is the main aim of establishing this body. Recently this problem has been finally settled by the promulgation of the Decision No. 377 by the so-called "Board of the Organization of the Internal and Foreign Trade" on 27 July 1971, stipulating that all exports of the organizations belonging to the Ministry of Industry should be centralized in the "State Organization for Exports". Accordingly, the said organization became the only body authorized to export the vegetable oil products.

(The above-mentioned decision No. 377 has been followed by the promulgation of the Law No. 142 on 11 October 1971, according to which all exports of Iraq will be centralized in the said export organization.)

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<sup>1/</sup> Iraq has established Trade Centres in: Cairo, Beirut, Damascus, Amman, Kuwait, Bahrain, Qatar and Abu Dhabi. Two more centres, in Aden and Ceylon, are under establishment.

PART TWO

The Market Conditions and the Situation  
of the Iraqi Vegetable Oil Products  
in Selected Arab Countries

The Outcome of the Market Investigations

This part of the study is a recapitulation of the conclusions drawn from the market survey which has been conducted on a number of Arab countries to investigate the market conditions and the factors influencing the imports of vegetable oil products in these countries, on the one hand, and the situation of the Iraqi vegetable oil products and their export possibilities in these countries on the other hand.

Chapter 1

Market Conditions in the Arab Countries

(23) The Production of Similar Products in the Arab Countries

This is naturally one of the major factors influencing the exports to the Arab countries. The countries which produce vegetable oil products, or are planning to produce them, among the countries covered by this study, are as follows:-

Egypt: produces all the four items covered by this study.

Nevertheless, Egypt is actually a main importer of hydrogenated oil and cosmetics from Iraq.

Syria: produces vegetable oil and laundry soap.<sup>1/</sup>The local production of vegetable oil covers the local consumption. However, Syria imported big quantities of this item during this year because of the unusual shortage in production in Syria in the said year. Existing possibilities of exports to the Syrian market are mostly for toilet soap, detergents and cosmetics.

Saudi Arabia: does not produce any of the four items. It is now planning to establish a factory for producing vegetable oil, since the country's consumption is rather important. It is estimated to be 10,000 tons a year.

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<sup>1/</sup> Syria produces limited quantities of detergents and cosmetics

Kuwait and Abou Dhabi: both countries do not produce any of the vegetable oil products, nor are they planning to produce such products for the time being.

Bahrain: does not produce any of these products. It is planning to establish an industry for packaging of detergents.

Southern Yemen: produces only vegetable oil, but in limited quantities which cover about 10% of the local consumption only. It is planned to expand the existing capacity in the coming "Three Year Economic Development Plan".

N.B. Detailed information about the production capacity and total consumption in the producing countries could not be made available.

(24) Quality, Taste and Habits

(a) Vegetable oil: In the Arab area, consumers prefer the qualities of vegetable oil, which are similar in taste and colour to animal fats. For the hydrogenated oil, it is of major importance to produce it in the degrees of hardness which are appropriate to the weather conditions and variation of temperature.

(N.B. The Vegetable Oil Company in Iraq produces different degrees. However, the exported quantities are not always in conformity with the required degrees.)

(b) Toilet soap: Consumers prefer the perfumed brands.

For the "hardness of water": In the countries which suffer from water hardness, mainly the Gulf States and Saudi Arabia, the newly introduced brands of soap which reduce the hardness of water or render it soft, such as the new English brand called "DOVE", have proved to be a successful experiment to introduce new brands in these countries.

(c) Detergents: The "white colour" detergents is the preferred quality in the Arab area.

(d) Cosmetics: Perfumed brands are preferred. (No detailed information could be obtained about this item.)

(25) The Major Supplying Countries

In most of the Arab countries it is clearly noticed that consumers are used to the English products in general, as appears from the foreign trade statistics in this study. This is due to the historical background of this area. Therefore, competition with the traditional English products in the area, especially in the open market countries, is not easy as these products have enjoyed a good reputation for a long time. Regarding vegetable oil in particular, the Dutch brands are well introduced and the Iranian ones occupy second place.

(26) Packing and Packaging

(a) The Vegetable Oil (mainly the hydrogenated oil)

Consumers prefer the rectangular tins with round openings instead of the round tins without openings which are usually produced now. This type of packing is more economical and practical for packaging and shipping. Also, consumers - especially in the countries of relatively lower standard of living - prefer the type of tins which could be used for other purposes after being emptied. That is the reason why certain brands are produced with a plastic cover, in order to use the empty tins as containers.

For the big size tins (of 16 Kg. a tin) it is preferable for them to be packed in one carton box for each tin. For smaller sizes, it is desirable that boxes contain as few tins as possible to avoid damage during transportation.

Also, printing the name of the brand and other relative indications on the tins is much more preferable than the present system of sticky labels, which can be removed too easily.

(b) Soap: It is preferable that the packing be tight, since loose packing leads to damage to the pieces of soap during transportation.

(c) Cosmetics: Change in the appearance of packaging from time to time is desirable.

(This applies also to soap.)

N.B. It is advisable for all products to indicate the net weight of the contents on each tin or packet.

(27) Import Policies and Regulations

The Arab countries covered by this study are basically divided into two categories:

(a) Open Market Countries (mainly Kuwait, Saudi Arabia, Bahrain and Abou Dhabi)

In these countries importation is free and not subject to import restrictions in general. In this group of countries, where products are imported freely from all origins, the Iraqi products face severe competition. Therefore, more efforts should be devoted to introducing such products in these markets.

(b) Restricted Market Countries: (mainly Syria, Egypt and S. Yemen, i.e. the planned economies countries)

In this group of countries importation is subject to import restrictions, especially quotas, import licences and foreign exchange restrictions. In these countries the competition of similar products is much more limited than in the open market countries. It is to be noted, however, that the possibilities of introducing the Iraqi products into the restricted market countries depend to a large extent on its relations with these countries, where the political factor often plays an important role. On the other hand, the participation of Iraq in the Arab Common Market constitutes an asset to introduce its products freely to the above-mentioned countries, i.e. Syria, Egypt, S. Yemen (and also Jordan), since they are members of the Arab Common Market.

N.B. Kuwait adhered recently to the said common market.

However, this does not represent any special advantage as it



(28) Customs Duties

The following comparative table shows the customs duties on the vegetable oil products in the countries covered by this study:-

Countries	Customs Duties			
	Vegetable Oil	Soap	Detergents	Cosmetics
Kuwait	4%	4%	4%	4%
Saudi Arabia	5%	20%	20%	20%
Bahrain	5%	5%	5%	5%
Abou Dhabi	2.5%	2.5%	2.5%	2.5%
Syria	xx $\frac{1}{2}$	xx	xx	xx
S. Yemen	5% liquid oil 10% hydrogenated	15%	15%	25%
Egypt	xx $\frac{1}{2}$	xx	xx	xx

$\frac{1}{2}$  xx Imports of the Iraqi products in both Egypt and Syria are exempted from customs duties within the frame of the Arab Common Market, of which the three countries are members.

The customs duties are an important element in the selling price of a product and the exemption of the products of certain origins from the duties plays an important role in the competitiveness with similar products which are not exempted from duties. Obviously, the Iraqi products should enjoy the advantage of the exemption in the countries which are members of the Arab Common Market, i.e. Egypt, Syria, Jordan, Kuwait, Sudan and S. Yemen. This advantage is naturally more effective in the countries of the relatively high tariffs, such as S. Yemen.

(29) Trade and Payments Agreements

Trade and payments agreements are undoubtedly effective instruments for facilitating the flow of goods from one country to another, especially among the centrally planned economies countries where foreign trade is mostly regulated by this kind of agreement. Such agreements can facilitate the introduction of

the products of Iraq (which is a centrally planned economy country) to the neighbouring countries with which it concluded trade and payments agreements. The multilateral agreements, especially among the members of the Arab Common Market, play an important role in this respect. In addition, Iraq has concluded bilateral trade agreements with Kuwait and S. Yemen, as well as trade and payments agreements with Syria and Egypt.

(30) Payment Facilities

Payment facilities extended by the suppliers to their customers play an important role in promoting the sales of a product in foreign markets. It has been recognized by the mission which visited the Arab countries that the payment facilities which the exporters of vegetable oil products extend to their customers in the area are rather limited. As Iraq has a number of trade centres in Arab countries, which act practically as importers, they could promote further sales if they extend generous payment facilities to their customers, i.e. wholesalers, distributors and retailers.

(31) Prices

Price is the decisive factor for selling a product. However, in the open market countries in the Arab area the role that prices play is more important than in the restricted market countries, where other factors such as the import and foreign exchange restrictions play a certain role. This fact has to be taken into consideration when establishing the export prices to the different countries. This point of view is not in line with the free trade principles. However, it unavoidably applies to trade among certain countries of different trade policies. As a matter of fact, Iraq establishes different export prices for one product which - in certain cases - differ from one market to another.

It has been noticed that in certain countries such as S. Yemen, the majority of consumers look for cheap quality. Such a characteristic of a market should be taken into consideration when introducing new products.

(32) The Demand on the Vegetable Oil Products and the Size of Markets

The degree of flexibility of demand on the vegetable oil products differs from one product to another. The flexibility of demand on vegetable oil and detergents is considerably higher than demand on soap and cosmetics. This is due to the fact that vegetable oil and detergents are, to a certain extent, considered as a substitute to other products; the vegetable oil is a substitute for animal fats, and detergents are substitutes for laundry soap. Therefore, the promotion of sales as well as the increase in consumption of these two items depend to a large extent on the difference between their prices and the prices of substitute products. (For example, if the prices of vegetable oil are much less than the prices of animal fats, sales and consumption of vegetable oil will increase on the account of the consumption of butter and animal fats.) Naturally, there are other factors which might play a role in determining the volume of demand, yet the price factor plays its important role.

In contrast, toilet soap and cosmetics (tooth paste and shaving cream) the flexibility of demand is much lower. Therefore, the role that the selling prices of these items can play is to determine which brand is preferred according to price and quality. Otherwise, demand is determined by the volume of the total consumption of each individual country. In both cases, the size of an individual market determines the demand on each item. However, the increase in demand on products of flexible demand when the prices go down is relatively higher than in the case of products of less flexible demand.

(33) Transport Facilities and the Regularity of Supply

The accessibility to markets in the Arab area plays also an important role, especially with regard to the share of the transport costs in the c.i.f. prices and the regularity of supply. In the case of the vegetable oil products, it should be taken into

consideration that almost all of the similar products imported from European countries are shipped directly to the ports of the Arab countries which are connected with Europe with regular lines. To the contrary, Iraqi exports to the Arab area are mostly shipped by trucks, which is an irregular and relatively expensive means of transportation. For certain countries transport is effected by land and sea at the same time.

(34) The Channels of Distribution and the Selection of Agents

It is customary in the Arab area, especially in the Gulf States, that imports are channelled through sole agents who are mostly well introduced and influential personalities. These agents are often owners or shareholders in the distributing centres. Therefore, the selection of agents for introducing any products to these countries is of particular importance as import transactions effected through non-influential agents mostly face serious difficulties and severe competition. This type of business is a typical feature in this area.

(35) Publicity

Publicity is an effective instrument for promoting sales, especially for consumer goods. It should be borne in mind the importance of the right way for the selection of the appropriate media of publicity according to the available possibilities, standard of living, education and the mentality of the population. The most effective media of publicity in the Arab countries in general is the samples and gifts, posters and T.V. The newspapers and periodicals are not as effective as the previous media. Publicity in the cinema is good media in certain countries, such as Egypt and Syria, but not in the Gulf States, where the number of cinemas is very limited, nor in Saudi Arabia, where cinemas do not exist.

Chapter 2

The Situation of the Iraqi Vegetable Oil

Products in the Arab Countries

Market investigations reveal the following main relevant remarks about the Iraqi vegetable oil products:-

N.B. Details are indicated in Part IV, which covers the individual "Country Surveys".

(36) Quality of the Iraqi Products

- |                               |   |   |
|-------------------------------|---|---|
| (a) <u>The vegetable oil:</u> | } | The quality is satisfactory in general, no complaints have been raised. |
| (b) <u>Soap:</u>              |   |   |
| (c) <u>Detergents:</u>        |   |   |

However, for the hydrogenated vegetable oil, it is not always exported at the required degree of hardness, in spite of the fact that the company produces different degrees of hardness. This is due to a lack in the planning of production and exports and in the delivery schedules.

- (d) Cosmetics: are still not known on the markets visited by the mission.

(37) Packing

The following remarks and complaints have been raised:

(a) Vegetable oil:

1. Leakage of tins is a general complaint. This deficiency is due to the improper welding of the tins, to bad packing and to the inappropriate way of loading during transportation.
2. Consumers do not like the round form of tins; they prefer the rectangular form with a round opening.
3. Tins are found to be rusty sometimes.
4. The packing of two tins of the big size of 16 Kg. in one carton box proved to be very risky, as the tins are often damaged during transportation. It is safer to pack each tin of this size in one carton. Also, for the smaller sizes such as one kilo tins, it is advisable to

pack 16 tins in one box instead of 24 tins, as done at present.

5. The appearance of the tins is not attractive, as the system of labels stuck on the tins is not at all practical or attractive. It is preferred to print the label information directly onto the tins.

(b) Soap:

The packing of soap is mostly loose and not tight enough and often leads to damage in the soap pieces during transportation. Also, the packaging of 144 pieces in one carton is not convenient for the retailers. They prefer to receive the same number packed in small cartons, each carton containing 12 pieces and 12 small cartons in one big carton.

(c) Detergents:

1. The net weight is not indicated on each packet, as is the case in other similar brands. From the psychological point of view, the consumer always likes to see the net weight indicated on the packets for such products.
2. Solid pieces like small stones are often found in the packets of detergents, especially in the brand "SITE". This defect has been subject to complaints both in the domestic and foreign markets.

(d) Cosmetics:

These items are still not known in the foreign markets. The exported quantities of cosmetics up till now are rather insignificant.

It has been noted in general that the loading of shipments is not always done in the proper way and this causes damage to the shipped goods.

In certain markets - as in Syria - it has also been found that the market products were marked with the Iraqi domestic retail prices. It is understood that these goods were originally destined for the domestic market and were shipped abroad. Such mistakes cause confusion for customers abroad about the right prices.

(38) Export Prices and the Export Subsidies

In principle, the export prices of the Iraqi vegetable oil products are established according to the prevailing international prices as it has been previously cleared up. Detailed and precise information about the c.i.f. export prices of the different products of the company to the different markets could not be made available either from the company or from the export organization. Also, the mission which conducted the market survey on the Arab markets could not obtain detailed information about the import prices of the similar products from other origins in order to make a true comparison with the Iraqi c.i.f. export prices. Therefore, a clear picture of the situation of export prices of the Iraqi products compared with the import prices of the competing brands in foreign markets could not be figured out. Nevertheless, the few examples obtained about prices reveal that the export prices of the Iraqi vegetable oil products are competitive in general, and for certain items, especially the hydrogenated oil, the prices are much lower than the other competing brands.

For example, the export prices of the hydrogenated oil per ton, c.i.f. Kuwait, packed in one kilo tins, in US dollars, have been in February 1971 as follows:-

		<u>Retail Price per kilo</u>
		<u>in Kuwait Dinars</u>
- <u>Iraqi brand "EL RAIE"</u>	US\$ 490.00	0.188
- <u>Dutch brand "KLARA"</u>	US\$ 641.05	0.229
- <u>Iranian brand "JANAN"</u>	US\$ 525.00	0.200

It appears from this comparison with the main competing brands, i.e. Dutch and Iranian brands, that the prices of the Dutch brand is 30% higher than the Iraqi, and the Iranian one is 7% higher. Regarding the retail prices, the Dutch brands are sold at 22% higher than the Iraqi, while the Iranian is sold at 6% higher than the Iraqi brand.

Export Subsidies: In order to find new outlets in the Gulf area, Iraq is granting subsidies of 25% for the exports of vegetable oil products destined for Bahrain only<sup>1/</sup>. This means that the export prices of the vegetable oil to Bahrain are about 55% lower than the Dutch brands and 31% lower than the Iranian brands in the Bahraini market. This policy of subsidizing exports to only one specific country in the area is a risky method, as it leads to serious disturbance in the prices of Iraqi products since the import prices will differ considerably from one market to the other. On the other hand, this system might lead to the re-exportation of the Iraqi products from Bahrain to the neighbouring countries in this area since transit trade and transshipment are allowed and are not subject to any restrictions. Accordingly, the subsidies as a measure taken to promote exports to a specific market becomes ineffective.

It appears from these clarifications that the policy of export prices is vague and unclear, and not established on a healthy basis. As a matter of fact, the company has an established export price list (ex factory prices). However, these prices are often changed by the exporter, who is now the "State Organization for Exports". In the absence of comprehensive market surveys and adequate market investigations, it is hard to believe that such changes in the export price list are really introduced according to the prevailing market conditions in the importing countries.

(29) The Preferential Treatment for the Importation of the Iraqi Products

In addition to the preferential treatment which the Iraqi products enjoy through the exemption from customs duties in the Arab Common Market countries, as previously pointed out, the exemption of the Iraqi imports from other import restrictions

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<sup>1/</sup>Subsidies are granted for the exports of the hydrogenated oil and detergents only. Exports of soap and cosmetics do not enjoy



such as quota, import licences, and currency restrictions, constitute other advantages for the importation of vegetable oil products in the said countries. Also, the political factor might play an important role in introducing the Iraqi products to the countries of the area, especially the centrally planned economies countries.

(40) Regularity of Delivery

A number of complaints have been raised because of the irregularity of delivery of Iraqi products, mainly the hydrogenated oil. The irregularity in delivery is due to the following main factors:-

1st: The insufficiency of the production capacity according to which the factory cannot often cover the relatively big orders.

2nd: Regarding the hydrogenated oil, which is the main item, the highest season for consumption in Iraq as well as in the importing countries is the winter time. Therefore, the quantities available for export in winter are rather limited. Accordingly, the export season for Iraqi exporters is the summer time, which is not the suitable time for the importing countries.

3rd: The inadequacy and irregularity of transportation.

(41) Publicity

It is a striking feature that the publicity for Iraqi products in the importing countries is most insufficient and almost non-existent. This is due to the lack of financial resources, as the vegetable oil company allocates almost the total of its budget for publicity in the domestic market. Also, the agents of the company in the countries where Iraq has no trade centres cannot afford to share in the publicity costs without the contribution of the exporting company. Certain Iraqi Trade Centres abroad establish some kind of small show rooms for Iraqi products, which is a good media for publicity. However, it has often been noticed that some of the exposed goods are out of production and that these showrooms are not up-to-date nor provided with valid export prices.

PART THREE

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The outcome of the study conducted on the General Company for Vegetable Oil (Part One), and the findings of the market investigations undertaken in the Arab countries under study reveal the following conclusions:-

(42) The Position of the "General Company for Vegetable Oil"

The evaluation of the seven companies covered by the "General Organization for Chemical and Food Industries" reveals that the General Company for Vegetable Oil is most powerful among the industries covered by the organization in terms of production, exports, added value and invested capital. (See Report of 10 August 1971, Chapters One and Two). Moreover, the vegetable oil industry is one of the most important processing industries in Iraq in terms of production capacity, volume of sales and export potentials (Table 1).

(43) Development of Production

Production of the four items produced by the company has been continuously and considerably increasing during the last ten years (Table 2).

(44) Planning of Production and Sales

The company does not follow a healthy basis for planning its production and sales. This is due to the absence of real marketing policy and marketing studies and field surveys on a scientific basis, especially for foreign markets. Estimations of local consumption and demand in foreign markets are not undertaken according to the appropriate methods.

(45) The Cost of Production

It seems to be relatively high. This is mainly due to the heavy fiscal charges, the risky dependence on imported raw materials

and the uneconomical system of purchasing these materials, the unutilized excess capacity of the packing section and to the lack of government incentives for encouraging production and exports.

(46) The Supply of Raw Materials

The vegetable oil industry depends almost entirely on imported raw materials. About 91% of the raw materials used in production are imported, which is a very risky procedure. This industry could be more economical if the local production of oil seeds, which is the main raw material, could be developed so as to substitute the importation of these items.

Moreover, the system of purchasing raw materials through public tenders requires long formalities, which often results in higher prices. This system constitutes a handicap, which often leads to the missing of opportunities to stock raw materials at the time when the prices on the international market are favourable. These factors lead naturally to an increase in the cost of production.

(47) Fiscal Charges on Production

Fiscal charges for such an industry, which has to be export-oriented, are rather too high, so that they seriously affect the cost of production.

(48) Consumption

1. With the exception of cosmetics, the production of the vegetable oil products covers the actual local consumption in Iraq. The production of cosmetics covers 70% of the total consumption.
2. Consumption of all items is increasing generally, especially in the hydrogenated vegetable oil. It should not be forgotten that the total consumption of the country registered a sudden increase since 1970, after the settlement of the problem of the northern region of the country. (The consumption of this region represents about 10% of the total consumption of the country.)

3. Regarding the consumption of laundry soap and detergents, there is a general shrinkage in the consumption of laundry soap, while the consumption of detergents is increasing. This is due to the general tendency of substituting laundry soap with detergents.

(49) The Price Policy

1. The Domestic Market: Prices are fixed and controlled under the supervision of the State through "The Council for the Organization of Internal and Foreign Trade" in order to secure the lowest possible prices for the population, especially for essential products. The establishment of prices for the domestic market does not always take into account the increase in the cost of production.
2. Export Prices: They are generally established according to international prices. Export subsidies are granted for certain countries. Each case is considered separately according to its own merits. It is to be noted that the export prices are often much lower than the prices of the competing brands in order to gain foreign markets.

(50) The Rate of Profitability

According to the pricing policy drawn up by the State, the rate of profitability is also fixed. This rate is low for the essential products, such as the vegetable oil, and high for other products, mainly the cosmetics.

(51) Development of Exports

1. During the period 1965-69, the total exports of vegetable oil products have been continuously increasing. However, in 1970 exports dropped sharply. This decline seems to be a result of the rise in the domestic consumption due to the incorporation of the Northern Region in the local market.
2. The share of exports of vegetable oil products related to the total exports of manufactured products of Iraq has been sharply increasing during the same period.

3. In spite of the increase in the exports of vegetable oil products, its development has now been following a fixed trend and has always been fluctuating from year to year.
4. The main importing countries are:-
  - Vegetable oil: Egypt and Kuwait
  - Soap: Syria, Egypt, Kuwait and Jordan
  - Detergents: Jordan and Kuwait
  - Cosmetics: Syria and Egypt

(52) Planning of Exports and the Quantities Available for Export

The lack in the planning of exports is to be felt clearly from the fluctuations and irregularity in the volume of exports generally, and particularly to each individual market.

According to the estimations figured out on the basis of the envisaged expansions, the quantities available for export during the period 1971/75 are supposed to increase in all items with the exception of the vegetable oil. Such an estimation should draw the attention to the urgent need for further expansion in the line of production of vegetable oil, which is the main item.

(53) The Government Policy for Fostering Production and Exports

The measures applied for fostering exports are very limited and insufficient. These measures are:-

First: In the Stage of Production

1. Exemption from import duties for a few items of raw materials.
2. The newly established companies might be exempted from the income tax on their profits for a maximum period of the first three years. (This measure does not apply any more to the company.)
3. Protection through the prohibition of importation. At present, the importation of all vegetable oil products, with the exception of cosmetics, is prohibited. Imports of cosmetics is permitted within the limit of 15% of the

Second: In the Stage of Exportation

The measures applied are:-

1. The system of "drawback".
2. Export subsidies.
3. The trade agreements (to secure quotas).
4. The barter system.
5. The exemption of exported products from municipal and local taxes.

(54) The Export System and Channels of Distribution

Until now, exports used to be effected through three channels:-

1. By the Vegetable Oil Company directly to its customers in the importing companies.
2. Through the export organization to its customers, agents, or through the Iraqi Trade Centres wherever they exist.
3. Through the private sector in Iraq.

This system is supposed to be changed now after the promulgation of the Law No. 142 on 11 October 1971, according to which all exports of Iraq will be centralized in the newly established "State Organization for Exports". Unfortunately, the said law has been promulgated without previously paving the grounds to introduce this change. Therefore, immediate measures of co-ordination between the producing company and the export organization have to be taken as soon as possible. It is not expected that the said law could come into force in the near future, especially because of the serious deficiency in qualified staff of the export organization.

(55) The Role of Iraqi Trade Centres Abroad

The Iraqi Trade Centres established in a number of Arab countries are supposed to be the main bodies responsible for promoting Iraqi exports, especially after the promulgation of the aforementioned Law No. 142, centralizing all exports in the State Organization for Exports on which depend the Trade Centres. However, the role of these Centres seems to be ineffective. For example, it is unusual

that a Trade Centre entrusts an agent for the promotion of sales of a product as this is the main role of the Trade Centre itself. Moreover, these centres are not empowered to undertake certain marketing activities, such as the publicity and the extension of payment facilities to their customers except in very narrow limits. It is to be noted that generally the Trade Centres are not sufficiently connected and directed by their headquarters. On the one hand, these centres do not receive from their headquarters sufficient regular instructions and directives to guide them in their work, and on the other hand they do not furnish the headquarters with regular reports about the market conditions in the country where they are represented. Such an isolation of these centres leads to certain paralysis in the activities of these bodies and renders their mission ineffective.

(56) Quality of Exported Products

The quality of the exported products is satisfactory in general. However, certain complaints have been raised. Details have already been specified in paragraph 36.

(57) Packing

A number of complaints have already been raised regarding packing and packaging (paragraph 37).

(58) The Excess Capacity of the Packing Section

The capacity of the packing section in the company exceeds its requirements. This excess leads to an increase in the cost of packing<sup>1/</sup>.

(59) Quality Control

Exports of vegetable oil products until now are not subject to any quality control. New measures for quality control are being envisaged.

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<sup>1/</sup> This excess will increase further after the inauguration of the new tin factory on 6 January 1972.

(60) Publicity

The company until now used to allocate almost the total publicity budget to the domestic market, leaving an insignificant portion for foreign markets, while the normal procedure should be the contrary, since the vegetable oil products enjoy almost full protection and therefore have a monopoly in the domestic market. As a result, publicity for the Iraqi products in the foreign markets is very limited.

(61) The Organization and Management and Role of the Marketing Department in the Company

Till the first of April 1971 there has been no marketing department in the company. Marketing activities used to be entrusted to the so-called Sales Department. Since 1 April 1971, a marketing department has been established as a new department. It has been divided into two main sections:

- The Sales Section, and
- The Export and Publicity Section. This section is divided into four sub-divisions for:
  - publicity and production development
  - statistics and market research
  - design
  - exports

The idea of establishing a marketing department has been a wise step. The organisation of this department is, in principle, in line with the modern and scientific methods of marketing. However, this organization has been rather theoretical than practical. The following observations are to be pointed out:

1. The grouping of the main fields of activities, i.e. exports, publicity and market research, in one section as sub-division is inappropriate, as this may lead to certain confusion and overlapping of their functions.
2. There is no clear cut in the functions and duties of the marketing department itself as well as in its sub-divisions.



3. The duties of the Statistics and Market Research Section are almost a routine statistical job for the registration and classification of the daily sales. This section does not even undertake any statistical analysis which could serve for conducting any kind of market research.
4. The Market Research Section does not practically exist in the company. It lacks all kind of sources of information.
5. The functions and duties of the director of the Marketing Department are not clearly defined. Moreover, his authority and powers are very limited, in spite of the various responsibilities he assumes, especially with regard to problems relating to exports, market studies, direct and personal contacts with customers and agents abroad, price policy, and the publicity policy. All these limitations constitute a serious handicap which undoubtedly restrict the marketing activities.
6. A serious lack of information and sources of information is to be clearly felt.
7. The bookkeeping system does not enable the market research section to use the accounts as a source of information for market research purposes.
8. The company has not up till now undertaken any comprehensive market studies.
9. As a result of the lack of information and sources of information, and in the absence of any kind of market studies or surveys, the company cannot practically follow marketing or export policy based on a scientific basis.

### RECOMMENDATIONS

In the light of the study conducted on the "General Company for Vegetable Oil" and the evaluation of its production capacity and export potential, and on the basis of the outcome of the Market Survey undertaken on a number of Arab countries to assess the export possibilities of the Iraqi vegetable oil products to these countries, I am submitting the following recommendations:

#### A. In the Stage of Production

##### (1) Increasing Production Capacity

Production should be increased at a higher rate so as to cover the local consumption and the estimated demand for exports. At present, the demand exceeds the available quantities for exports, especially for the hydrogenated oil.

The incorporation of the Northern Region into the domestic market since 1970 has to be taken into consideration when estimating the local consumption.

##### (2) Planning of Production

At the same time, the volume of production and the production capacity - especially when expansion is envisaged - should be planned according to well-established estimates for the local consumption and the requirements for exports. Such estimates should be undertaken on the basis of comprehensive studies which should take into account the trend over a sufficient number of years. Planning should also take into consideration the seasonal fluctuations. Accordingly, production of vegetable oil should be increased in winter time rather than in summer, since the demand, both in the domestic market and in foreign markets, is higher in winter than in summer. (It is estimated that consumption of vegetable oil in Iraq in winter time is 15 to 20% higher than in summer time.)

##### (3) The Supply of Raw Materials

1. All possible efforts should be devoted to increase the local production of oil seeds - which is the main raw

material for the vegetable oil industry - in order to substitute gradually the imports of oil and oil seeds and to reduce as much as possible the very risky dependence of this industry on imported raw materials, especially with regard to the fluctuations of prices on the international market. This requires certain measures to be taken in the frame of a general policy of planning and economic development in the agricultural sector.

2. Also, it is advisable to change the present system of public tenders for purchasing raw materials by giving more free hand to the company to import its requirements of raw materials at the suitable time when the prices are more favourable. The present system might lead to the purchase of raw materials at high prices.

(4) Selection of Raw Materials

As the vegetable oil company utilizes a number of oil seeds in this industry, it will be appropriate to undertake a technical study on the rentability of these seeds to find out which kind is the most economical for this industry. (For example, preliminary studies revealed that the sunflower seeds are the richest in oil.) The selection of the most economical seeds will naturally lead to a reduction in the cost of production.

(5) The Fiscal Changes

It is strongly recommended to arrange for the reduction of the present high fiscal charges through the following measures:-

1. To abolish all import duties on all raw materials, machines and spare parts and packing material imported for the production process. (The import duties levied on raw materials required for the production of one ton of vegetable oil represents about 20% of the total cost. One ton of oil costs actually about ID.130.)
2. To exempt all exports from all production excise.

3. To reduce the rate of the applicable income tax (which is actually 50%) to a reasonable rate, which should not exceed 25%. If such a measure is too radical, certain arrangements could be agreed upon to exclude the profits realized from exports from this tax or part of it, in order to reduce the export prices.

These measures for reducing the fiscal charges are, as a matter of fact, indirect incentives for promoting exports.

(6) Revision of the "Drawback" and "Subsidies" System

Once the aforementioned fiscal charges are removed, there will be no need for granting export subsidies or to apply the "Drawback" system. Therefore, these two systems have to be suspended. The removal of these charges is a healthy measure to foster exports, whereas subsidy is not an appropriate measure, especially that - in principle - this type of incentive is not internationally admitted. It might be admitted on a very small scale and only during the infant stage and not for a well-established industry like the vegetable oil. Moreover, the drawback system usually applies to certain non-essential products, such as alcoholic, cigarettes, etc., where the number of the imported raw materials used in production is limited and not on vegetable oil products, where the number of imported raw materials is high. Moreover, the procedures of drawback for such products are too long and complicated. The excise on production also applies normally to non-essential products.

(7) Selling Policy and Planning of Sales

Planning of production and planning of sales (including exports) are interrelated procedures. Therefore, planning of sales should be done according to certain targets which have to take into consideration the following main factors:

1. The development of actual sales related to the estimated sales for each year to be sure that the estimates were really achievable.

2. Market investigations which should determine the demand and targets both in the domestic market and for exports.
3. The relation between the produced quantities and the real sales in the different regions and areas inside the country and for the foreign markets. On this basis, the future estimates for production could be planned.

(8) Quality of Products

The requirements of foreign markets covered by the Market Survey should be taken into consideration during the production stage, mainly:-

(a) The Vegetable Oil:

1. To be similar to the animal fats in tests and colour.
2. The hardness degree should be in conformity with the appropriate temperature in the importing countries.
3. It is advisable to take into consideration the requirements of certain countries where consumers prefer cheap qualities which are usually produced from special cheap qualities of oil.

(b) Soap

1. To be perfumed according to the appropriate taste in the importing countries.
2. To produce special brands suitable for the hardness of water for those countries which suffer from water hardness (similar to the new English brand called "DOVE").

(c) Detergents

1. To take into consideration the complaint that, at present, the qualities produced often contain rocky pieces.
2. To concentrate on the production of white colour detergents.

For soap, detergents and cosmetics, it is advisable to produce certain internationally known brands under licence. In this type of product, the name and reputation plays an important role.

(9) Packing

Technical measures should be taken to remove the reasons for complaint which have previously been mentioned, mainly:-

(a) For Vegetable Oil:

1. The leakage of tins;
2. Rust in the tins.
3. To change the forms of the tins from round shape to rectangular shape with a round opening. If the producing company still intends to continue producing the round tins, it is advisable to produce the tins with plastic covers in order to enable the consumers to use the empty tins as containers (see para. 26(a)).
4. To print the label contents on the tins instead of the sticky paper labels.
5. To produce the sizes required by the customers.

(b) Soap

1. Packing of the pieces tightly.
2. To change the packing from time to time (for the toilet soap).
3. To concentrate on the production of large size pieces as required by the consumers.
4. To pack each twelve pieces in one small box, and each twelve of these boxes in one big box of 144 pieces.

(c) Detergents

To print the net weight on the packets. In general, the requirements of foreign markets and consumers should be thoroughly taken into consideration when designing the packing, especially with regard to the weight or size. Such requirements could be determined according to the investigations undertaken in foreign markets.

Regarding the tooth paste, which is produced actually in small size only (of about 50 grs. a tube), it is advisable to produce also bigger sizes, at least a medium and large size (the so-called "family size" is also desirable).

(10) The Utilization of the Excess Capacity of the Packing Section

So long as it has been recognized that the capacity of the packing section exceeds the actual requirements of the company, it is strongly advisable to make any possible arrangements with other establishments to utilize this excess capacity in order to reduce the costs of packing to the minimum. (This system is applied in many big establishments.)

(11) The Cost Accounting System

It should be adopted in a way so as to separate the different components of the cost price so that the items of expenses connected with the local sales could be deducted from the cost of the exported quantities. In this way the minimum export prices could be reduced to the lowest possible level without deviation from the final cost of production, and consequently the company can have a wider margin to fix its export prices according to the foreign market conditions.

(A preliminary scheme for the proposed cost accounting system has been elaborated for the "General Organization for Chemical and Food Industries" on its request only as an example. However, it will be advisable to assign an accounting expert to elaborate a final scheme to be applied by all the companies covered by this organization as a uniform method.)

(12) Quality Control

To establish a system for the obligatory control on the exported vegetable oil products within the framework of the newly established "Organization for Standards" in order to secure the supply of good quality products. Control should be carried through according to specifications which have to be in conformity with international standards.

B. In the Export Stage

(13) Planning of Exports

A long term policy for exports has to be drawn up according to the plan of production proposed in paragraph (2) and the estimations figured out in this study. These

estimations reveal that the envisaged expansions in the factory for the period 1971/1975 cannot cover the expected increase in the demand for certain items. Therefore, the expansions have to take into account the expected demand for exports especially the hydrogenated vegetable oil. It is to be recalled that the orders received by the company for the supply of hydrogenated oil for the year 1971 exceeds the export capacity of the company.

(14) Export Promotion Incentives

N.B. It has to be borne in mind first that exports of vegetable oil products are effected through state enterprises. Therefore, any measures or incentives to be proposed will be as a matter of fact concessions to be given by the Government to a state body. Such a case is different from the usual procedures when incentives are granted to the group of private individual exporters. The implementation of the proposed measures in a country like Iraq is supposed to be simpler and of different character than in a free economy country.

1. The Reimbursement of Import Duties, Excise and Income Tax

It has already been recommended to abolish import duties on imported raw materials and excise on production and to reduce the income tax. If, however, for any administrative or budgetary factors, the implementation of these recommendations is not feasible, it will be strongly recommended to reimburse the total amounts paid by the company for:

- 1st: The import duties already paid for raw materials used in the production of the exported quantities;
- 2nd: the excise on production for the exported quantities.

In all cases, it is most important that the formalities of reimbursement or exemption from taxes be simplified as far as possible. It is to be recalled in this respect that the "Drawback" procedures are too complicated, since the



the number of raw materials used in the production is rather high. This is the reason why it has been recommended to revise the drawback system.

2. The Subsidies System

This type of incentive also has to be revised. This system should not be applied except in very narrow limits. The proposed measures of exemptions from import duties and income taxes are healthier and more effective measures. It is to be recalled that in a planned economy policy where exports are centralized in a state organization, it is only the budget of the state which is affected when applying any type of fiscal incentives.

3. The Barter System

It is advisable to abolish this system as it often leads to serious fluctuations in export prices and to undesirable re-export transactions. It might also affect the rate of exchange of the country's currency. This is not a healthy measure, especially after the centralization of exports in a state organization.

(15) Banking Facilities

1. Commercial banks should be authorized to finance and extend banking facilities for export transactions at a reduced rate of interest, especially those banks which have branches in the countries where Iraqi goods are exported.
2. It is also advisable that such banks having branches abroad should be authorized to extend all possible facilities and support to the agents or importers of Iraqi products in the countries of destination. (The role that the Iranian banks play in the Gulf States area is a good example to follow.)

(16) Payment Facilities

The Iraqi Trade Centres abroad should also be authorized to increase the limit of payment facilities which they extend to their customers. The limit of such facilities should be determined according to the volume of sales and the reputation of customers and not to a fixed amount per customer as is the case now.

(At present the Trade Centres are authorized to extend payment facilities to their customers within ID.500 per customer. This amount is too small.)

(17) Transport Facilities

1. Arrangements should be made to secure regular transportation services for the neighbouring countries by land and sea. Transportation by air could be envisaged for those items which could afford the air freight, such as cosmetics.
2. Rates of transportation should be fixed and uniform. The implementation of the aforementioned recommendations in 1 and 2 might be easier after the recent establishment of a State Transport Company.
3. It will also be advisable that the company arranges transportation by its own trucks for those countries to which transportation is done by trucks.

(18) Regularity of Delivery

The company should establish a "Delivery Schedule" indicating the available quantities for export and the time of delivery for each item so that no orders are accepted unless the balance of the required item - according to the proposed schedule - permits the delivery of the required quantity. In this way the regularity of delivery could be secured.

(19) Publicity

1. It is of major importance now to allocate the biggest part of the publicity budget to the foreign market and not to the domestic one, as it is the case at present.

2. Also, a general policy for publicity in the foreign markets should be drawn up according to the importance and conditions of each individual market. Publicity campaigns should be conducted under the direct control and supervision of the company.<sup>1/</sup>
3. The most effective media of publicity on which efforts should concentrate in the Arab countries is: samples and gifts. Posters and T.V. are measures to be recommended in the second place.
4. It is strongly recommended that wherever Trade Centres exist permanent exhibitions for the Iraqi products be established as part of the Centre to display an up-to-date collection of products with all the relative data, catalogues and export prices.

(20) Export Prices

1. Minimum export prices should be established on the basis of the previously proposed "Cost Accounting System" after the deduction of all the overcharges connected with the local sales. Such prices constitute the real prices representing the cost of production and a reasonable percentage of profit. Once the previous recommendations for reducing the cost of production (such as the removal of fiscal charges, etc.) are implemented, the minimum export prices will be sufficiently low to leave the company a flexible margin to fix its export prices for each individual market according to the prevailing conditions.
2. So long as the company's policy is to fix its export prices according to the prevailing prices in each market, the company should be regularly provided with the current import prices in each country. (This information could be provided by the Iraqi Trade Centres and the Commercial Attaches abroad.)

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<sup>1/</sup> Some examples of advertising costs in some Arab countries are shown in an Annex to "Part Four" of this study.

(21) The Retail Prices in Foreign Markets

As it has been noticed, the retail prices of Iraqi products compared to its import prices in foreign markets are too high, which means that the profit shared between the importer and wholesaler and retailer is relatively too high; the company should control regularly and constantly the retail prices in the different markets and adjust the retail prices according to the import prices in each market with a view to realizing a reasonable and competitive profit.

(22) Orientation of Exports

1. In the Short Term

Due to the fact that the export capacity of the company is still limited, it is advisable to concentrate its efforts and activities on the main markets which absorb relatively substantial quantities of vegetable oil products rather than to scatter its efforts and activities on a large number of markets when the company cannot cover these extra demands. (The main customers of Iraq have been indicated in para. 51.)

2. For the Long Term

Regarding those countries where the vegetable oil products have been exported in limited quantities, the company should continue to maintain close contact with these countries to pave the way for developing its exports whenever there will be good opportunities and according to its export capacity within the envisaged expansions.

Seeking new outlets

It is also advisable that the company should extend its explorations and market surveys to other countries where Iraqi vegetable oil products are unknown and could possibly find outlets in the future. (The following countries are worthy of investigation: Southern and Northern Yemen, Sudan, Libya, Algeria.)

In all cases, the company has to follow very closely the development of production and the possible establishment of new industries for vegetable oil products abroad with a view to seeking new outlets for its products as substitutes to those markets which might become producers of these products, or those markets which might become self-sufficient one day. (The case of Saudi Arabia, which is planning to produce vegetable oil is an example.)

(23) The Export Marketing System, Channels of Distribution and the Role of the Iraqi Trade Centres

1. The export marketing activities in the countries where Iraqi Trade Centres exist should be the full responsibility of these Centres, which should cover all marketing activities, mainly:
  - all market research and field surveys and provide headquarters with periodical reports and studies;
  - receive orders and sign contracts on behalf of the exporter;
  - all formalities and procedures of opening credits for the contracted goods;
  - formalities of customs clearance and delivery of goods;
  - problems of transportation and shipment;
  - contacts with customers and distributors;
  - preparation and execution of publicity campaigns;
  - settlement of any claims which might arise, etc.

In general, appropriate measures should be taken to establish close co-operation and co-ordination between the Trade Centres and the export organization, on the one hand, and the company on the other hand.
2. In these countries where there are no Trade Centres, the selection of active and influential agents or representatives is of major importance. It is also advisable for such countries that the nearest Trade Centre covers one or more of these markets if the distance and means of communication are reasonable.

3. Special attention should be paid to direct sales to the establishments, organizations and Government supplies in the importing countries, such as: hospitals, hotels, restaurants, schools, Government supplies such as for the army and police, etc. These bodies are important consumers for vegetable oil products, mainly vegetable oil, soap and detergents. Therefore, it will be of great interest and benefit for the company to concentrate its efforts on direct supplier to these establishments and bodies. These supplies can realize more profit for the company since the commission of wholesalers, distributors and retailers will be eliminated.

(24) The Reorganization of the Marketing Department and the Establishment of a Market Research Section in the Company

A plan for the Reorganization of the Marketing Department and for the Establishment of a Market Research Section in the company under study has been submitted to the organization and to the company in June 1971 (see my report of 10 August 1971). It is highly recommended to implement the said plan, especially with regard to the establishment of the Market Research Section, and to provide it with the sources of information required to fulfil its duties as specified in the plan. In the absence of an appropriate market research body, no valid market studies and market research could be undertaken.

(25) The New System of Exports in Iraq

After the promulgation of Law No. 142 on 11 October 1971, centralizing all exports in Iraq in the "State Organization for Exports"<sup>1/</sup> it is of major importance to establish as soon as possible a clear policy of co-ordination between the export organization and the vegetable oil company for the marketing of

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<sup>1/</sup> This law has been preceded by the decision No. 377 issued on 27 July 1971.

its products, especially with regard to the planning and orientation of exports; the pricing policy; the market research and field surveys and publicity. Therefore, a clear system for the organization of export transactions should be agreed upon as soon as possible and without any delay. The full application of the new export system will require certainly a number of years as a transitional period until the new export organization shall be equipped with the qualified personnel to take over full responsibility of marketing activities. Recommendations regarding the new system were submitted to the "General Organization for Chemical and Food Industries" in August 1971.

(26) The Follow-up of this Study and the Recommendations

Having undertaken this study and conducted the field market survey on a number of countries to which the vegetable oil products are or could be exported, and in order to achieve the targets of undertaking such a study, it will be of major importance not only to implement the submitted recommendations, but also to follow up the study and the market surveys and closely watch the developments in the foreign markets with the aim of promoting exports of the products covered by the study and to explore new markets. To this end, the conclusions drawn from this study should be always kept up to date. It is therefore advisable that salesmen from the company should visit the foreign markets and customers at least twice a year to investigate about any changes which might have occurred, especially with regard to prices, the introduction of new competing brands and the conditions of offer and demand.

**PART FOUR**

**Country Surveys**



PART FOUR

THE COUNTRY SURVEYS

This part of the study covers the outcome of the field survey conducted by the mission which visited a number of the arab countries in July/August 1971.

My aim of proposing to appoint this mission has been to undertake a field survey on the markets of interest for Iraq as outlets for its vegetable oil products on one hand; and to give practical experience and training for my Counterparts responsible for marketing activities on the other hand.

A detailed programme of work has been elaborated for the mission to follow during its visits.

The programme of the mission included eleven Countries:

Kuwait - Bahrain - Dubai - Qatar - Abu Dhabi - Saudi Arabia -  
S. Yemen - Sudan - Syria - Egypt and Jordan.

However, four of these eleven countries have been eliminated:

Qatar and Dubai: because of the difficulty of obtaining entry visas for these two Countries;

Sudan and Jordan: because of the prevailing political situation.

It is to be pointed out that it has been most unfortunate that the mission could not fulfil all its programme nor compile all the required data as indicated therein. This has been partly due to the short duration of visits to each individual country; and to the fact that the scheduled date for the mission to start its visits has been delayed for about three months due to formality reasons. As a result of this delay, the mission had to conduct its survey during the full summer time which is most unsuitable and inconvenient time.

Therefore, it is requested to overlook the missing points or the unavailable data. At the same time it is strongly advisable that this study should be followed-up and to be brought up-to-date and completed to cover the countries which have not been visited at a later stage.

N.B.: All statistics and data given in this part of the study "Part Four" have been provided by the above-mentioned mission.

1. KUWAIT

Basic Data and General Information

<u>Population</u>	:	715,000 inhabitants (1969)
<u>Rate of Growth</u>	:	3.5% (1961-1967)
<u>Area</u>	:	24272 km <sup>2</sup>
<u>Per Capita GNP</u>	:	US \$ 3490
<u>GNP Rate of Growth</u>	:	3.5% (1961-1967)
<u>Currency</u>	:	Kuwaiti Dinar (K.D.) = 1000 fils
<u>Rate of Exchange</u>	:	K.D. = US \$ 2.8 = Ltg. 1.66

Foreign Trade and the Balance of Trade:

A) Including Exports of Oil

	1964	1965	1966	1967	1968
Exports FOB	1380	1313	1304	1243	1218
Imports CIF	606	593	463	377	322
Balance	+ 674	+ 720	+ 841	+ 866	+ 896

B) Excluding Oil Exports

	1966	1969	1970
Exports FOB	38	65	74
Imports CIF	463	645	625
Balance	- 425	- 580	- 551

Foreign Trade Policy and Import Regulations:

Kuwait follows a liberal trade policy. Imports are not subject to any import nor foreign exchange restrictions in general. Restrictions are imposed only on the imports of certain products which are prohibited such as alcoholic beverages.

Foreign Trade Structure:

Exports: The main exports of Kuwait of national origin are crude oil and chemical fertilizers. Kuwait is also re-exporting a number of manufactured products to the neighbouring countries (transit trade).

Imports: Kuwait is importing all kinds of manufactured products and food stuffs from all origins.

Domestic Production of Vegetable Oil Products:

None of the vegetable oil products is produced in the country. No projects for the establishment of such industries is planned at present.

Imports of Vegetable Oil Products and Consumption:

The following tables (Nos. 14, 15, 16, and 17) show the development of imports of vegetable oil products in Kuwait and the supplying countries as well as the total consumption during the period 1966/1970.

a) Vegetable Oil (Hydrogenated):

It appears from table No. 14 that:

- Consumption: The average of consumption during the last five years has been about 5536 tons per year.
- There has been a sharp decrease in the imports of Kuwait in the year 1970 of about 22% compared to imports in 1968. Taking the re-exports into consideration it appears that also the consumption registered a decrease in 1970 of about 24% compared to 1968 and 21.4% compared to the consumption in 1966.
- The major supplying countries are:

Holland: Average imports during the said period amount to 78% of the total imports of vegetable oil. Imports from Holland have also sharply decreased in 1970.

Iran: Average imports in the same period amount to 16%. Imports from Iran started to occupy an important position only since 1968.

In general, imports have been increasing during this period.

It is to be noted that the sharp increase in the imports from Iran in 1970 coincides with the sharp decrease in the imports from Holland.

Iraq: Imports from Iraq rose from 0,8 tons in 1966 to 168 tons in 1968, then dropped to one ton in 1969. In 1970 imports from Iraq registered a sudden increase as it reached 300 tons which represent 6.2% of the total imports of Kuwait of this item. Thus, Iraq occupied the third position of the supplying countries in 1970. Again in 1971

TABLE 14  
Imports of Kuwait of Vegetable Oil and Consumption

Value "V" in K. Dinars  
Quantities "Q" in Tons

Exporting Countries ↓	Years →		1970		1969		1968		1966		Share of Each Supplying Country %							
											Value							
	V	Q	V	Q	V	Q	V	Q	V	Q	70	69	68	66	70	69	68	66
Total	831327	4817	862550	5789	1037380	6202	980768	6131			100	100	100	100	100	100	100	100
Iraq	48548	300	235	1	26534	168	205	0.8			x	x	2	x	6	x	3	x
Syria	7043	49	5668	32	-	-	-	-			x	x	-	-	x	1	-	-
Bahrain	65	0.3	-	-	-	-	-	-			x	x	-	-	x	-	-	-
India	431	1.5	1998	8	5242	25	9197	61			x	x	x	x	x	x	x	x
Iran	200380	1337	140553	989	207962	1328	6505	35			24	16	20	x	x	17	21	x
United Kingdom	5502	21	16973	83	18394	88	14475	62			x	2	2	x	x	x	1	x
Holland	552103	3033	668498	4551	744511	4482	925329	5398			67	77	77	94	63	79	71	96
Denmark	925	5	-	-	2757	17	94	0.6			x	-	x	x	x	-	-	-
Bulgaria	4831	27	-	-	-	-	-	-			x	x	-	-	x	x	-	-
U.S.A.	11491	42	19946	76	13553	35	5987	25			2	2	1	-	x	x	x	-
Egypt	-	-	1430	9	3395	195	-	-			-	x	x	-	-	x	x	3
France	-	-	177	0.7	-	-	-	-			-	x	-	-	-	x	-	-
Austria	-	-	5352	33	-	-	-	-			-	x	-	-	-	x	-	-
New Zealand	-	-	1229	5	-	-	-	-			-	x	-	-	-	x	-	-
Japan	-	-	-	-	3388	11	-	-			-	x	-	-	-	x	-	-
China	-	-	544	-	544	5	-	-			-	x	x	-	-	x	x	-
Singapore	-	-	1659	-	1659	12	-	-			-	-	x	-	-	x	x	-
West Germany	-	-	-	-	8936	61	483	2			-	-	x	x	-	x	x	-
Australia	-	-	-	-	-	-	12333	28			-	-	-	x	-	-	-	x
Re-exports in Tons		108		19		15		137										
Consumption in Tons		4709		5770		6187		5994										

- = no imports    x = percentage is insignificant

**TABLE 15**  
**Imports of Kuwait of Soap and Consumption**

Value "V" in K. Dinars  
Quantities "Q" in Tons

Exporting Countries	1970		1969		1968		1966		Share of Each Supplying Country %							
	V		Q		V		Q		Value		Quantities					
	V	Q	V	Q	V	Q	V	Q	70	69	68	66	70	69	68	66
<b>Total</b>	<b>435954</b>	<b>1073</b>	<b>444341</b>	<b>1986</b>	<b>441732</b>	<b>2024</b>	<b>260009</b>	<b>1189</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Iraq	10102	67	33	0.2	2648	21	6582	21	2	x	1	2	3	x	1	2
Syria	3678	25	3391	56.4	8614	52	4511	20	x	2	2	1	1	3	3	2
Lebanon	412	13	1894	15.9	8	x	236	1.6	x	x	x	x	x	x	-	x
Jordan	26094	124.6	22652	102	22082	97.7	13245	59.7	6	5	5	5	6	5	5	5
India	1069	9	655	2.6	1665	0.8	787	2.2	x	x	x	x	x	x	x	x
Japan	482	2.5	-	-	8	x	-	-	x	-	x	-	x	-	x	-
China	945	64	-	-	1377	5.7	4447	37	x	-	x	2	3	-	x	3
Hong Kong	900	8	272	1.8	1636	13	-	-	x	x	x	-	x	x	x	-
Singapore	1549	21	2571	35.5	6197	65.5	2431	30.5	x	x	1	x	1	2	3	2
United Kingdom	349331	1296	379991	1367	325880	1396	196375	781	80	77	74	75	69	68	68	66
West Germany	3246	11	3923	44	32238	147	17061	108	1	2	7	7	x	2	7	9
France	1073	6	627	1.4	374	1.6	721	1.4	x	x	x	x	x	x	x	x
Belgium	5347	207	2399	2.7	1894	2	1240	1.3	1	x	x	x	1	x	x	x
Sweden	643	1.2	-	-	-	-	-	-	x	-	-	-	x	-	-	-
Italy	22108	153	36010	245	402	5	519	2.9	5	9	x	x	8	12	x	x
East Germany	317	4	-	-	49	2.9	-	-	x	-	x	-	x	-	x	-
Romania	1064	8	100	0.2	-	-	-	-	x	x	-	-	x	x	-	-
Hungary	1038	6	-	-	1451	9.3	732	5	x	-	x	x	x	-	x	x
Poland	2977	23	1822	14.3	2438	16.6	291	2.3	x	x	x	x	1	x	x	x

cont.

TABLE 15 (Continued)  
Imports of Kuwait of Soap and Consumption

Value "V" in K. Dinars  
Quantities "Q" in Tons

Exporting Countries	1970			1969			1968			1966			Share of Each Supplying Country %						
	V		Q	V		C	V		C	V		Q	Value		Quantities				
	V	Q	V	C	V	C	V	C	V	Q	70	69	68	66	70	69	68	66	
U. S. A.	2635	6.7	1654	2.8	8311	22.3	2239	7.8	x	x	2	x	x	x	x	x	x	1	x
Egypt	-	-	1008	6.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pakistan	-	-	743	3.4	5036	45	2077	15.2	-	-	1	x	-	-	-	-	-	2	1
Iran	-	-	7252	42	7206	35.5	166	0.8	-	-	2	x	-	-	-	-	-	2	x
Holland	-	-	5368	39.5	9572	76.5	6356	89	-	-	1	2	3	-	-	-	-	2	7
Re-exports in Tons		33.6		47		18.3		29.3											
Consumption in Tons		1834.4		1939		2005.7		1159.7											

- = no imports    x = percentage is insignificant

**TABLE 16**  
**Imports of Kuwait of Detergents and Washing Prep rations and Consumption**  
 Value "V" in K. Dinars  
 Quantities "Q" in Tons

Exporting Countries ↓	1970			1969			1968			1966			Share of Each Supplying Country %																	
	V			Q			V			Q			V			Q			Quantities											
	V	Q		V	Q		V	Q		V	Q		70	69	68	67	66	65	64	63	62	61	60	59	58	57	56			
<b>Total</b>	785931	4722		706301	4513		543440	3094		432543	2291		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100		
Iraq	5350	34		3700	20		-	-		17499	81.3		-	-	4															
Syria	4638	46		2407	16		246	1.2		52	0.4				x															
Lebanon	14113	104		3765	21.7		12619	83		14221	99				2															
Jordan	3490	31		4570	40.2		5316	52		2302	16				x															
Egypt	1061	3.7		2607	12		412	2.2		-	-				x															
India	233	4.2		3596	104		-	-		112	0.7				x															
Iran	52431	347		23192	189		21310	127.7		-	-				7															
Japan	879	1.4		8962	81		357	0.8		-	-				x															
China	4281	34		8403	63		-	-		467	5.7				x															
Hong Kong	646	5		-	-		-	-		705	7.4				x															
Singapore	1757	22.9		940	12.5		-	-		2927	39				x															
Kenya	1253	15.6		-	-		-	-		-	-				x															
England	510534	2363		473226	2691		339334	2138		-	-				66															
West Germany	83434	413		62943	404		99148	527		312773	1521				11															
Holland	5031	32		11897	96.2		7906	54		4078	38				x															
Belgium	337	3.4		1040	43.4		-	-		412	4.2				x															
Denmark	225	0.7		-	-		90	1.3		124	1				x															
Switzerland	8617	31		1178	5		-	-		-	-				1															

cont.

TABLE 16 (Continued)  
Imports of Kuwait of Detergents and Fishing Preparations and Consumption

Exporting Countries ↓	1970		1969		1968		1966		Share of Each Supplying Country %							
	Value		Value		Value		Value		Value							
	V	Q	V	Q	V	Q	V	Q	70	69	68	66	70	69	63	66
Italy	797	7	12581	92	3127	20.6	544	5.7	x	2	x	x	x	2	x	x
East Germany	912	29	-	-	-	-	-	-	x	-	-	-	-	-	-	-
Romania	266	5	-	-	-	-	-	-	x	-	-	-	-	-	-	-
U.S.A.	85401	633	67872	562	663	3.5	10397	74	11	10	x	2	14	12	x	3
Pakistan	-	-	559	5	1500	10	146	1.4	-	x	x	x	-	x	x	x
France	-	-	441	2.6	-	-	519	2.7	-	x	-	-	-	x	-	-
Spain	-	-	3873	24.7	-	-	-	-	-	x	-	-	-	x	-	-
Malta	-	-	2490	21	5843	57.3	-	-	-	x	1	-	-	x	-	2
Re-exports in Tons	49		58		77		33									
Consumption in Tons	4673		460		3017		2253									

- = no imports    x = percentage is insignificant

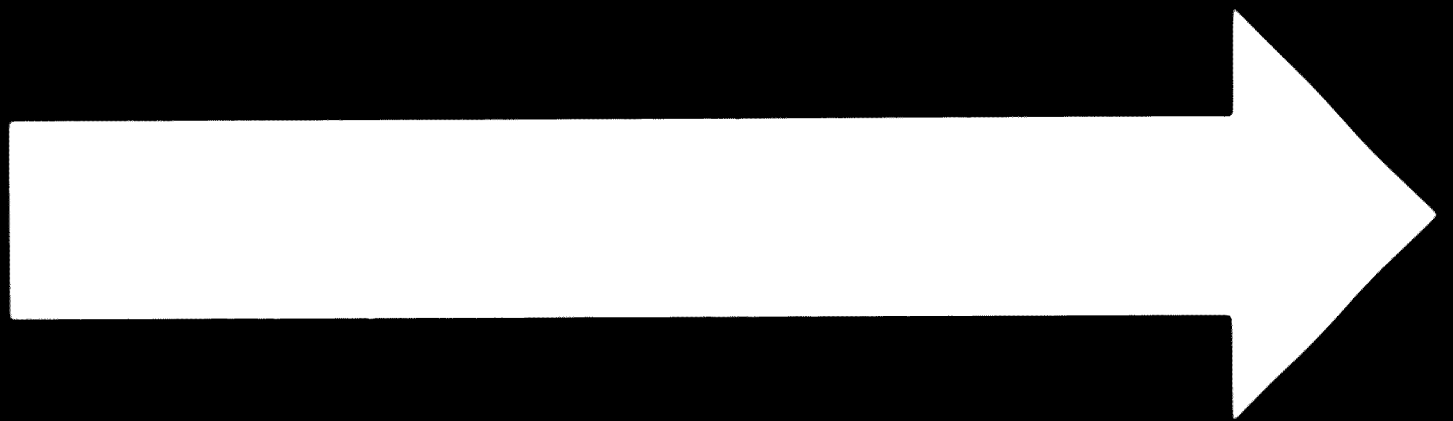


**TABLE 17**  
**Imports of Kuwait of Tooth Paste and Consumption**

Exporting Countries	1970			1969			1968			1966			Share of Each Supplying Country %					
	V	C	Q	V	C	Q	V	C	Q	V	C	Q	Value			Quantities		
													70	69	68	66	70	69
<b>Total</b>	129422	136		122003	178		109263	142		79305	117.5		100	100	100	100	100	100
India	144	0.1		255	0.6		314	0.5		132	0.3		x	x	x	x	x	x
Japan	445	0.7		656	1		252	0.4		-	-		x	x	x	x	x	x
Hong Kong	1174	3.3		2086	6		355	0.9		5877	22		x	x	x	x	x	x
United Kingdom	108082	115		95847	133		79709	104		63542	78.6		83	73	76	80	84	77
West Germany	1458	1.3		2131	3		4477	6.5		1297	1.5		1	x	4	2	x	2
France	5217	4		7273	6		4379	4		2365	2		2	6	4	3	x	4
Holland	923	1.2		736	1.4		1672	2		358	0.4		x	x	1	x	x	x
Switzerland	1266	1.1		1479	0.9		1605	1		840	0.6		x	1	1	x	x	x
Italy	3099	2.6		4401	3.5		3584	3.5		2108	7.8		1	4	3	3	2	x
U.S.A.	7614	6.8		6333	6		11859	12.9		2630	4		5	5	11	3	5	3
Egypt	-	-		248	0.2		-	-		-	-		-	x	-	-	-	x
Belgium	-	-		305	9.5		-	-		-	-		-	x	-	-	-	6
Pakistan	-	-		-	-		393	1.0		30	0.1		-	-	-	-	-	-
China	-	-		-	-		664	6		-	-		-	-	-	-	-	-
<b>Re-exports in Tons</b>		3			5.3			14			18.9							
<b>Consumption in Tons</b>		136			172.7			130			99.1							

- = no imports    x = percentage is insignificant

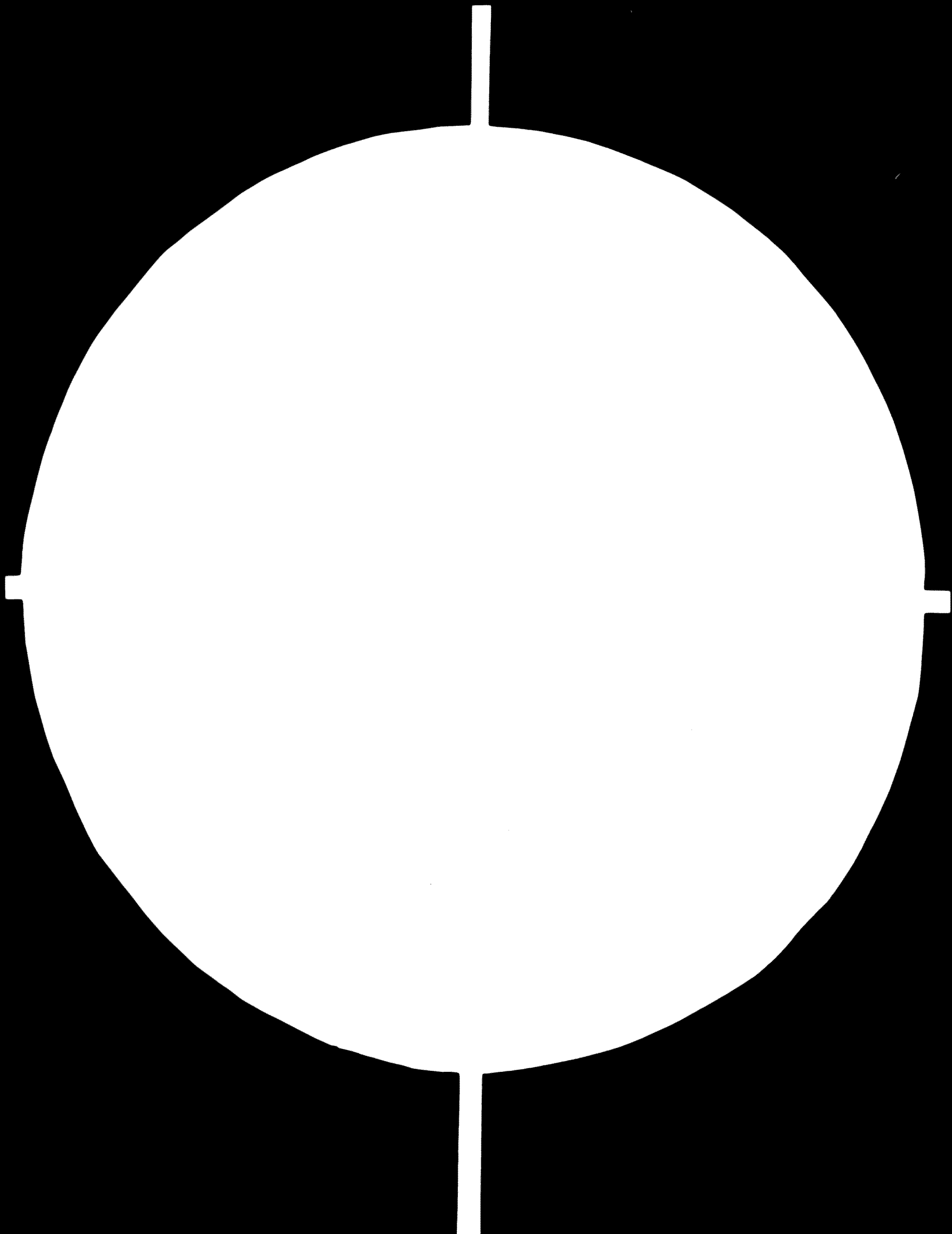
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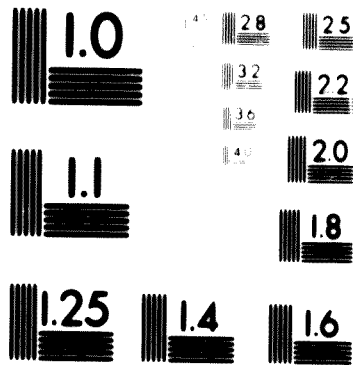
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2 OF 2



MICROCOPY RESOLUTION TEST CHART  
NATIONAL BUREAU OF STANDARDS  
STANDARD REFERENCE MATERIAL 1010a  
(ANSI and ISO TEST CHART No. 2)

24x  
F

(ten months) imports from Iraq registered a sharp increase as it reached 734 tons, i.e., more than the double of 1970.

Japan : Few quantities have been imported from Japan in 1968 (10.7%). However, no further supplies were imported in the years 1969 and 1970.

- The Re-Exports of Kuwait of this item has been relatively too low.

B) Soap:

It appears from Table 15 that:

- Consumption: The average consumption amounts to 1735 tons a year. Since 1968, consumption has been continuously decreasing. This is mostly due to the increase in the consumption of detergents as a substitute.

- Imports: Imports have been also decreasing since 1969. Compared to 1968, imports dropped<sup>down</sup> about 1.8% in 1969 and 7.4% in 1970.

- The Major Suppliers are:

U.K.: average imports from U.K. amounts to 68% of the total imports. The remaining part of imports is shared among a big number of supplying countries since the variety of the imported soap is rather vast.

Imports from Iraq: Kuwait has been importing soap from Iraq during the period 1966/1970 but in insignificant quantities (average of 1.5% of the total imports of Kuwait). In 1971 (10 months) imports from Iraq dropped sharply to 3 tons against 67 tons in 1970.

C) Detergents:

P.S.: The available statistics cover both detergents and washing preparations.

It appears from Table 16 that:

- Consumption:

The average consumption amounts to 3800 tons a year.

Consumption has been considerably increasing and it has been more than doubled during the period 1966/1970. This increase is due to the diversion of consumers to the substitution of soap by detergents.

- Imports:

The total imports of Kuwait of this item have been also considerably increasing and it is more than doubled during the period 1966/1970.

- The major Supplies are:

U.K.: Average imports amount to 63% of the total imports.

West/Germany: " " " " 19% " " " "

U.S.A.: " " " " 13.7% " " " "

Iran: " " " " 7.2% " " " "

Imports from Iraq: It started only in 1969 but in very limited quantities which represent 0,4% of the total imports in 1969 and 0.7% in 1970. Imports from Iraq rose from 34 tons in 1970 to 71 tons in 1971 (ten months), i.e., about the double. This is a promising trend.

D) Cosmetics:

P.S.: The available statistics cover only tooth paste. Shaving cream which is the second exportable item of cosmetics from Iraq does not appear separately in the Kuwaiti statistics. It appears from Table 17 that:

- Consumption:

The average consumption amounts to about 104 tons a year. Consumption is increasing in general. However, it dropped sharply in 1970.

- Imports:

Have been also increasing till 1969 and dropped sharply in 1970.

- The major Supplying countries are:

U.K.: Average imports amount to 80% of the total imports the remaining part is shared among a number of countries mainly, U.S.A., West Germany, Italy and France.

Iraqi Cosmetics are not known in Kuwait till now.

- Re-Exports constitute about 9% of the total imports in general and mainly to Iran.

Import Duties

The custom duties on vegetable oil is 3% ad valorem or soap - detergents and cosmetics is 4% " "

The Preferential Treatment for the Iraqi Products

All imports from Iraq enjoy since 1971 the exemption from customs duties in Kuwait.

Prices a) Vegetable Oil

The following comparative table shows the import and average retail prices for the main brands of the imported hydrogenated vegetable oil, i.e., from Holland, Iran, and Iraq.

Table 18

Prices of Vegetable Oil in Kuwait

Country of Origin and Brands	Import Prices in US \$		Selling Prices in k.D.	
	Type of packing	Prices per Ton	per one Kg tins	per 16 Kg tins
<u>Holland</u>				
Klara	2 lbs. tins	641.05 C&F	0,229	3.800
	5 lbs. tins	598.00 C&F		
Makames			0,217	5.500
El Malika			0,213	3.200
<u>Iran</u>				
J.NAN	900 gr. tins	525.00 CIF	0,200	
	1800 gr. tins	515.00 CIF		
	15,9 kg. tins	455.00 CIF		
Shah Bent				
<u>Iraq</u>				
El Raie	1 Kg. tins	489.02 CIF	0,188	2.550
	16 Kg. tins	416.36 CIF		
Narges	1 kg. tins	490.00 CIF	xx	xx
	16 kg. tins	420.56 CIF		
Zenab	1 Kg. tins	458.36 CIF	0,188	2.550
	16 Kg. tins	379.96 CIF		

1/ The Iraqi CIF prices have been calculated on the basis of the FOB prices as established by the Company and the transport and insurance costs as indicated by the Export Organization.

It appears from this comparative table that:-

Import Prices

The import prices of the Iraqi brands are in the average about 34% less than the dutch prices, and about 10% less than the Irani prices.

The Retail Selling Prices

It appears from the very limited data collected by the mission - as shown in the previous comparative table - that the retail selling prices of the Iraqi brands are about 18% less than the retail prices of the dutch brands prices and 6% less than the Irani ones.

b) Soap

Prices of the competing brands have not been provided by the mission neither for the import nor for the selling prices.

It is to be noted that the demand on the Iraqi soap in Kuwait is very limited and consequently it is not well known there.

The Selling Prices:

The mission provided few examples for the retail prices of only the Iraqi soap in Kuwait. According to these few examples and other retail prices obtained from other sources<sup>1/</sup> the following comparison could be made as a preliminary indication:-

Table 19

Prices of Soap in Kuwait

Country of Origin and Brands	Average Retail Selling Prices in k.D. (Fils) per piece	
<u>Iraq</u>	<u>Fils</u>	
Leila Brand	18	(Small size)
Gamal Brand	19	" "
Nadia Brand	20	" "
<u>U.K.<sup>2/</sup></u>	<u>Big size</u>	<u>Small size</u>
Camy	50	35
Lux	50	35
Palmolive	60	30
Life Boy	60	35

<sup>1/</sup> Information collected from a report of an Iraqi mission which visited the Gulf States in December 1970.

<sup>2/</sup> English soap has been taken as example since this kind is the most well known in Kuwait.

c) Detergents

The Import Prices:

Not available.

The Selling Prices:

The following are some examples for the retail selling prices of the competing brands in the Kuwaiti market.



Table 20

Prices of Detergeants in Kuwait

Country of Origin	Brand	Average Retail Selling Prices per Packet <sup>1/</sup> in K.D. (File)
<u>Iraq</u>		<u>File</u>
	SITE	36
	UJR	30
	NAMIR	34
<u>U.K.</u>	TIDE	55
<u>W/Germany</u>	DEKON	56
<u>Iran</u>	DRI	45
	BLOUF	44
	TAK	44

<sup>1/</sup> The weight of packets of the Iraqi Brands is 190 gr. while the standard weight for the other competing brands is mostly 200 gr.

The above comparative list shows that the retail selling prices for the Iraqi brands are about 35% less than the English and German brands and 20% less than the Iranian brands.

d) Cosmetics

No prices have been made available. However, and as gathered from the report of the Iraqi mission which visited a number of Arab Countries in December 1970, the retail prices of the well known brands in Kuwait are as follows:-

Table 21  
Prices of Cosmetics in Kuwait

Country of Origin	Brands	Average Retail Selling Price per tube in K.D. (Fils)
	(a) <u>Tooth Paste</u>	
<u>U.K.</u>	Kolinos (ordinary)	80
	" (onlorofil)	90
	Segnal	80
	Colgate	75
<u>U.S.A.</u>		
	Macleans	75
	(b) <u>Shaving Cream</u>	
<u>U.K.</u>		
	Palmolive	160
	Yardly (big size)	250
	Nivea	100
<u>W/Germany</u>		
	Prodex	125

P.S. Certain suppliers as the Americans, offer sometimes a tooth-brush as a gift. This is done within the framework of propaganda campaigns which is a good system of publicity.

Channels of Distribution and Selling Conditions

Importers of Vegetable oil products in Kuwait are usually the wholesalers at the same time.

They are mostly sole agents.

Distribution to retailers is done through distributors who receive salaries and/or commission on sales. Sales to Government bodies are effected by public tenders to which participate the importers and wholesalers.

Supply of other establishments such as hotels and restaurants are done directly through the importers or agents.

Sanitary Certificates

Sanitary certificates are required for the vegetable oil since it is an edible product.

#### Payment Facilities

For vegetable oil products, suppliers usually do not extend payment facilities. Importers might extend certain facilities to retailers according to their financial situation and reputation.

#### Publicity

The most common media of publicity are:

Samples and gifts . Posters - T.V. . News papers and Magazines are also used but on a narrow scale.

Suppliers of the competing brands usually contribute in the costs of publicity especially the Iranian exporters.

#### Transport Facilities

Shipments from Europe (mainly Holland) and from Iran are effected by sea, while from Iraq transport is done by trucks, i.e., by road transportation. Goods could be also shipped from Iraq to Kuwait by sea through Basra port. However, this may is not always practical because of the irregular sea transportation service between Basra and Kuwait.

#### Situation of the Iraqi Products and Market Investigation

##### Quality and Taste

###### a) The Vegetable Oil

The quality is satisfactory in general. It is always desirable that the taste and colour be similar to animal fats.

###### b) Soap

No precise information could be obtained regarding the Iraqi Soap since it is not sufficiently known in the Kuwait market.

###### c) Detergents

The quality is satisfactory from the point of view of technical specifications. However, there has been complaints about the existence of solid pieces like stones in the packets.

###### d) Cosmetics

The Iraqi brands are not known in Kuwait.

## Packing

### a) The Vegetable Oil

The following observations and claims are raised:

- The leakage of tins,
- The packing of the 16 kilo tins in two or four tins in a carton box is very risky. This leads often to damage during transportation. It is required that this type of tins be packed each tin in one box,
- The packing of one kilo tins in boxes of 24 tins is also not safe. It is required to change the packing into 12 tin boxes,
- It is preferable to change the round form tins into the rectangular form with a round opening and removable cover,
- The appearance of the tins seems to be not attractive. It is preferable to change the system of paper labels stuck to the tins into printing the indications of the labels directly on the tins.

### b) Soap

The few trial shipments sent to Kuwait proved that the packing is not satisfactory because the packets are loose and not enough tight.

### c) Detergents

Packing of the Iraqi soap is acceptable. However, the weight of packets has to follow the international standards. Also, the weight of the contents has to be indicated on the packets.

### d) Cosmetics

Not known in Kuwait.

## Prices

As it has been already cleared up in this part, the prices of the Iraqi products are in general much lower than the prices of the competing brands both of the import and the selling prices in the market. The difference between the import prices is higher than the difference between the retail prices. This system of cutting down the prices to that extent as already indicated in detail while the quality is satisfactory is not the appropriate policy to promote exports. The application of this method is mostly due to the lack of well studied price policy based on comprehen-

The Major Competing Countries

- a) Vegetable Oil: Holland and Iran.
- b) Soap: U. k.
- c) Detergents: U. k. - W/Germany and Iran.
- d) Cosmetics: U. k.

(Names of the main competing brands are shown in the previous price table).

Importing System and Channels of Distribution

The Iraqi products are actually imported through the Iraqi Trade Centre which acts as importer and wholesaler according to orders received from distributors and retailers.

The centre appoints distributors who receive a salary and additional commission on sales. The centre also participates in the tenders for Government supplies.

Payment Facilities

The Iraqi Trade Centre is authorized to extend payment facilities within the limit of 500 K. Dinars for each customer. The system of fixing a certain limit without distinction between customers is not practical. This limit should be flexible and the centre should be authorized to fix the limit of these facilities according to the reputation of the customers and to his selling activities.

Publicity

Publicity for the Iraqi products is almost not existing due to the lack of financial allocations in the publicity budget of the exporting company. Marketing of the vegetable oil products in an open market like Kuwait where the severe competition has to be faced requires heavy concentration on all possible means of publicity.

### Transport Facilities

Shipments of Iraqi products to Kuwait are done by trucks. Transport services are regular especially that the two countries have common borders.

### Regularity of Delivery

It is claimed that deliveries of the Iraqi products especially vegetable oil are often irregular. This is due to the lack of accurate planning in production and export policy.

### Forecasts

#### a) Vegetable Oil (Hydrogenated)

Demand is increasing in general. However, it has been fluctuating during the previous years. This is due to the lack of an appropriate and well planned marketing policy.

There are good possibilities to promote the exports of this item to Kuwait provided that sufficient quantities could be made available for exports especially in winter time and that most publicity campaigns and selling promotion measures be taken.

#### b) Soap

Demand on the Iraqi soap is very limited due to the severe competition of the vast variety of the internationally well known brands to which the Kuwaiti population is used especially the English brands.

Possibilities to introduce the Iraqi soap are therefore very limited at present. However, and due to its very low prices compared to the other competing brands, the Iraqi soap might find certain grounds in Kuwait but <sup>in</sup> limited quantities.

c) Detergents

The imported quantities are limited but the demand is increasing especially since 1971 due to the relatively low prices of the Iraqi detergents compared to the other competing brands.

Vast publicity campaigns are required to promote sales of this item.

d) Cosmetics

At present there is almost no demand on this item in Kuwait. The possibilities to introduce the Iraqi cosmetics in Kuwait are extremely limited due to the severe competition of the world well-known brands.

## 2. BAHRAIN

### Basic Data and General Information

<u>Population</u>	:	193,000 inhabitants (1967) out of which 38416 are foreigners .
<u>Rate of Growth</u>	:	3.7% (1961 - 1967)
<u>Area</u>	:	552.000 Km <sup>2</sup>
<u>Per Capita GNP</u>	:	US\$ 350 (1967)
<u>GNP Rate of Growth</u>	:	2.5% (1961 - 1967)
<u>Currency</u>	:	Bahraini Dinar "B.D." = 1000 fils
<u>Rate of Exchange</u>	:	B.D. = US\$ 2.10 = £ Stg. 0.875
<u>Temperature</u> <sup>1/</sup>	:	<u>Summer:</u> 37 to 42° <u>Winter:</u> 15 to 26°
<u>Humidity</u> <sup>1/</sup>	:	Average 68% (Sometimes it reaches 100%)

### Economic Conditions and Foreign Trade

Bahrain, although a small state, enjoys a high standard of living, and enjoys particularly advantageous position in the heart of the Arabian Gulf. For centuries, Bahrain islands have been the leading centre for trade with other Gulf States. Today, with its new deep water port and free transit zone, Bahrain continues to act as the main entreport for Gulf trade. The main natural resources of Bahrain is oil. Fishing also occupies an important position in Bahrain inspite of the fact that this resource is not well developed.

### Foreign Trade

The following table shows the development of Bahrain's foreign trade for the period 1959/1970 (oil exports are excluded):-

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<sup>1/</sup> These data are required for the exports of hydrogenated oil.



Value in 1000 B. Dinars

Years	Imports CIF	Exports and Re-exports	Exports to Imports%	
			Excluding oil exports	Including oil exports
			%	%
1959	26.085	10.848	xx	201
1962	31.180	10.960	xx	169
1965	38.747	10.740	27.7	135
1966	42.040	14.136	33.6	129
1967	45.453	14.690	32.2	124
1968	52.021	18.494	35.6	xx
1969	57.939	19.874	34.3	xx
1970	80.127	25.156	31.4	xx

P.S.- Average oil revenues is about 42 million B. Dinars a year.

Exports of Bahrain

The only and the main domestic product consist primarily of petroleum, the exports of which amount approximately to 42 million B. Dinars. Otherwise, almost all exports of Bahrain consist of re-export transactions to the neighbouring countries. The following table shows the main importing countries from Bahrain during the last three years.

Re-Exports of Bahrain Value in 1000 B.D.

Importing Countries	1968	1969	1970
Saudi Arabia	10625	9924	12544
Qatar	1554	2309	1320
Kuwait	727	1733	2993
Dubai	906	1257	1510
Abu Dhabi	1112	977	466
Iran	1052	658	902
Total of Re-exports	15976	16858	19735
Total exports	18491	19874	25156
Re-exports to Total exports%	86,4%	84,8%	78,4%

This table shows the important share of transit trade in the foreign trade of Bahrain.

Special Customs Provisions for Transit Trade:

Bahrain, being a country of transit as it appears from the above table, special facilities are extended for the entry of re-export transactions.

Foreign Trade Policy and Import Regulations

Bahrain follows a liberal foreign trade policy. Imports are not subject to any import or foreign exchange restrictions except for certain products such as alcoholic beverages which require import licences.

Domestic Production of Vegetable Oil Products

At present, Bahrain does not produce any kind of vegetable oil products.

Planned Projects: It is planned to establish an industry in Bahrain for the packing of detergents only. No details could be obtained about this project. It is advisable to investigate this matter in order to obtain the maximum possible details about this project. This is of certain importance for Iraq so as to forecast the export possibilities of detergents to Bahrain as well as to the neighbouring countries which might be an outlet for this item in case it is produced under licence for one of the internationally well known brands.

Imports of Vegetable Oil Products:

(a) Vegetable Oil

The following table (No. 22) shows the development of imports of vegetable oil in Bahrain and the supplying countries and the total consumption during the period 1967/1970:

P.S.- Quantities for the years 1967/1969 are not available.

It appears from the table 22 that:

- Consumption in the year 1970 amounted to 2488 tons.
- With the exception of the year 1969, imports have been continuously increasing.
- The major supplying countries are:
  - Holland: (average of 81% of the total imports)
  - Iran : (average of 6% " " " " )
  - Japan : (average of 4% " " " " )
- Imports from Iran has sharply increased especially in 1970
- The Japanese vegetable oil has been introduced in Bahrain only since 1968. Imports are gradually increasing, i.e. the Japanese brands are starting to find its way to this market.
- Imports from Iraq started only in 1970. The imported quantities amounted in this year to 33 tons; i.e., 1.2% of the total imports. Imports in the first 10 months of 1971 amounted to 34 tons. This

development is mostly due to the export subsidies system which Iraq started to apply on vegetable oil and detergents since 1970.

- About 10% of the imports of Bahrain are re-exported to the neighbouring countries.

**Table No. 22**  
**Imports of Bahrain of Vegetable Oil**

Exporting Countries	Value in B. Dinars					Quantities in Tons				
	1970		1969	1968	1967	Share of Each Supplying Country %				
	V	C	V	V	V					
						V	C	V	C	V
						70	69	68	67	70
<b>Total</b>	<b>451016</b>	<b>2782</b>	<b>307500</b>	<b>406400</b>	<b>371500</b>	100	100	100	100	100
India	3732	.12	1000	6300	4800	x	x	2	1	x
Holland	323268	1896	247700	336400	337600	71	80	82	90	68
Iran	71102	601	26100	22700	4800	16	2	5	1	21
Japan	27415	167	21300	17600	—	6	7	4	—	6
Italy	—	—	—	8600	—	—	—	2	—	—
Malaysia	—	—	—	200	—	—	—	—	—	—
U.K.	7435	22	7000	—	—	1	2	—	—	x
U.S.A.	756	3,8	1200	—	—	x	x	—	—	x
Australia	910	2,4	1900	—	—	x	x	—	—	x
Denmark	654	1,3	5000	—	—	x	—	—	—	x
Kenya	1740	3,6	—	—	—	x	—	—	—	x
Iraq	5812	33	—	—	—	1	—	—	—	1
Singapore	4715	28	—	—	—	1	—	—	—	1
Other Countries	—	—	9000	14600	24300	—	3	4	7	—
Re-exports	54041	294	34800	32200	43400					
Consumption in Tons		2488								

(b) Soap and

(c) Detergents

P.S.- The available statistics are only for the year 1970 and for both items: soap and detergents together. Therefore, these figures cannot give clear indication for each item.

The following table No 23 shows the imports of Bahrain of the said two items in the year 1970.

**Table 23**  
**Imports of Soap and Detergents in Bahrain**  
**in 1970**

Exporting Countries	1970		Share of each Exporting Country %	
	V	Q	V	Q
	<b>Total</b>	<b>348351</b>	<b>1589</b>	<b>100</b>
U.S.A.	25690	96	8	6
Iran	38963	232	11	14
Holland	10340	48	3	3
U.K.	240266	974	68	61
Iraq	5119	31	2	2
Other Countries	17971	—	5	—
Re-exports	10087	41		
Consumption	338273	1548		
Re-exports to Total Imports	2.6%	2.6%		

It appears from the table 23 that:-

- The consumption in the year 1970 amounts to 1548 tons
- The major supplying countries are:-
  - U.K.: 68% in terms of value and 61% in terms of quantity
  - Iran: 11% " " " " 14% " " " "
  - U.S.A.: 8% " " " " 6% " " " "
- Re-exports to the neighbouring countries amount to 2.6%
- Imports from Iraq: In 1970, imports from Iraq amounted to 31 tons of soap and detergents while in the first ten months of 1971, Bahrain has imported from Iraq 232 tons of detergents only which is a relatively considerable amount.

This sudden rise in a small size market like Bahrain should draw the attention. This is due to the export subsidies of 25% granted for the Iraqi exports of detergents to Bahrain.

(d) Cosmetics:

The available statistics which are only for the year 1970 — and without indication to the supplying countries — shows the following:

Table 24

Imports of Cosmetics in Bahrain

Value in B.D.  
Quantities in Tons

	Imports in 1970	
	V	Q
<u>Total Imports</u>	<u>722868</u>	<u>1512</u>
<u>Re-exports</u>	<u>271108</u>	<u>771</u>
<u>Consumption</u>	<u>451760</u>	<u>741</u>
<u>Re-exports to total Imports%</u>	<u>38%</u>	<u>51%</u>

It appears from the above figures that:

- About 50% of the imported cosmetics in Bahrain is re-exported. Again, this high percentage shows the importance of the transit trade in Bahrain.
- In spite of the fact that the supplying countries for cosmetics are not indicated, yet it is known that the major supplying countries are: U.K., U.S.A., West Germany and France.
- Regarding imports from Iraq; there has been no imports from Iraq (see table 12). Also the Iraqi statistics for 1971 do not show any exports of this item to Bahrain.

Import Duties

For vegetable oil and soap                      5% ad valorem

For detergents and cosmetics                      10% " "

The Iraqi products do not enjoy any preferential treatment.

Prices

(a) Vegetable Oil

The following comparative table shows the import and selling prices which could be obtained for the main imported brands in Bahrain.

It is to be noticed that no import prices for foreign brands are available.

The Iraqi import prices indicated in this table have been calculated according to the available FOB prices in Iraq.

Therefore, they are approximative prices

Table 25  
Prices of Vegetable Oil (Hydrogenated)

Country of Origin and Brands	Import Prices in US\$		Average Selling Prices	
	Type of Packing	Price per ton	Per one Kg tin (or 2lbs)	Per 16 Kg tin (or 40 lbs)
<u>HOLLAND</u>		2/		
Klara	2 lbs tins	(641.05 C&F)	0,258	
	5 lbs tins	(598.00 " " )		
	40 lbs tins			3.900
<u>IRAN</u>				
Atlas	2 lbs tins		0,258	
	40 lbs tins			3.600
Shah ont	40 lbs tins			3.400
<u>U.K.</u>				
Spray	2 lbs tins		0,245	
<u>IRAQ</u>				
El-Raic	1 Kg tins	414.99 C&F <sup>1/</sup>		
	16 Kg tins	332.50 " " "		3.400

1/ These prices are reduced by the equivalent of 25% "Export subsidies which is granted to the exports to Bahrain only. The established normal prices without counting the subsidy are supposed to be :

- for the packing of 1 Kilo tins 526.40 US\$ C&F
- " " " " 16 " " 459.20 " " C&F

2/ These are the prices for Kuwait. It has been indicated only as indicatif prices since the prices CIF Bahrain are not available.

It appears from the above comparative table that:-

The Import Prices: No data is available. (The import prices to Kuwait for the Dutch and Iranian brands could be taken as indicatif prices). Regarding the Iraqi prices; the export prices are supposed to be about 25% less than the established prices since the exports to Bahrain only enjoy export subsidies of 25%. Accordingly the import prices of the Iraqi vegetable oil are supposed to be about 55% less than the Dutch prices, and 37% less than the Iranian prices.

At the same time it is noticed from the above table that the difference in the selling prices of the Iraqi brands compared to the Dutch and Iranian brands does not exceed 15% which is a rather strange situation. This is due to the lack of a well established price policy and marketing plan.

(b) Soap

The available data which could be obtained are the following:-

Import Prices of the Iraqi brands CIF Bahrain are:-

OTOUR	brand	4.800	B.D.	per 144 pieces
NADIA	"	2.910	"	" " "
SONIA	"	2.740	"	" 72 "
LEILA	"	2.710	"	" 144 "
EL-TEFL	"	2.350	"	" 72 "
JAMAL	"	2.800	"	" 144 "
HANAA	"	2.800	"	" 72 "
FATIN	"	3.360	"	" 144 "

However, there have been no imports of soap from Iraq to Bahrain.

P.S.- Exports of Iraqi soap to Bahrain do not benefit of the "Export Subsidies".

Selling Prices:

The only few examples available are the following retail prices of the most important brands sold in the Bahraini market:

From U.K.:

For the brands LUX - CAMY - SWEET HEART  
and LIFEBUY 50 fils per piece.

(c) Detergents

The following comparative table shows the import and selling prices which have been obtained for the main imported brands. No import prices for foreign brands are available.

It is to be recalled that the Iraqi brands have been introduced only in 1971.

P.S.- Exports of Iraqi detergents to Bahrain only enjoy an "Export Subsidy" of 25%.

The following list shows that the retail prices of the Iraqi brands are about 50% less than the English and American brands and 20% less than the Iranian brands.

Table 26

Prices of Detergents in Bahrain 1/

Country of Origin and Brands	Import Prices per 48 Packets	Average Selling Prices		
		Wholesale per 48 Packets	Retail	Retail Price per one Packet
		<u>B.D.</u>	<u>B.D.</u>	<u>Fils</u>
<u>U.K.</u>				
3 Roses		2.000	3.600	75
Dona		2.200	3.600	75
Sirf		3.400	3.600	75
<u>IRAN</u>				
Kimya		2.500	2.880	60
Dria		2.500	2.880	60
Tek		2.100	2.400	50
<u>U.S.A.</u>				
Tide		3.300	3.600	75
<u>IRAC</u>				
Uur	1.640	2.200	2.400	50
Namir	1.460	2.100	2.400	50
Site	1.650	2.200	2.400	50

(d) Cosmetics

Import Prices: not available

Selling Prices: The following are examples for the retail selling prices of tooth paste and shaving cream (the two items which are actually produced by the company under study) <sup>1/</sup>

These prices are mentioned only as indicatif examples. No imports of these two items from Iraq to Bahrain.

P.S. - Exports of Iraqi cosmetics do not enjoy the "Export Subsidies".

<sup>1/</sup> Source of these prices is the report of a mission which visited Bahrain in December 1970.



Table 27

Prices of Cosmetics in Bahrain

Countries of Origin and Brands	Size	Average Retail Prices in B.D. (fils)
		<u>FILS</u>
	<u>(A) Tooth Paste</u>	
<u>U.K.</u>		
Colgate	family size 122 cm <sup>3</sup>	350
"	big "	200
"	normal "	140
Signal	family size 130 Gr.	250
	big " 76 Gr.	175
	normal " 46 Gr.	125
Colgate (Chlorofil)	50 Cm <sup>3</sup>	175
<u>U.S.A.</u>		
Kolinos	big size	175
	normal size	125
	<u>(B) Shaving Cream</u>	
<u>U.K.</u>		
Palmolive	60 Gr.	150
Erasmik	70 Gr.	150
Old Spice	110 Gr.	350
<u>U.S.A.</u>		
Mennen (Menthall)	big size	350
<u>West Germany</u>		
Nivea	73 Cm <sup>3</sup>	150

Channels of Distribution and Selling Conditions

Imports are effected through agents who act at the same time as whole-salers.

Regarding imports from Iraq, it goes through the Iraqi Trade Centre which acts as importer and whole-saler and distributor.

Government supplies are effected by public tenders.

(Same system as in Kuwait).

Payment Facilities

Exporters of these items do not usually extend payment facilities to the importers. However, importers who are whole-salers sometimes extend certain credit facilities to their customers and retailers.

Regarding imports from Iraq; the Iraqi Trade Centre is authorized to extend credit facilities within the limit of 500 Dinars for each customer. As for imports from Iran which is a main supplier; the established Iranian banks in Bahrain play an important role in financing imports from Iran in general.

Publicity

(Same as in Kuwait)

The most successful media of publicity are:

- the samples and gifts. Also, posters and T.V. are often used for publicity.

Transport Facilities

All imports to Bahrain are effected by sea.

Imports from Iraq are effected by one of two ways. First, by sea directly from Basra port to Bahrain which is the normal means but this way faces the handicap of the irregularity of service. The second way is to ship goods by trucks through Kuwait and then by small ships from Kuwait to Bahrain, but this means of transportation is rather costly.

The Situation of the Iraqi Products and Market Investigation

<u>Quality and Taste:</u>	}	Same conclusions as in Kuwait
<u>Packing:</u>		
<u>Prices:</u>		

The Import Prices : As it has been already cleared up, exports of the Iraqi vegetable oil and detergents to Bahrain only enjoy "Export Subsidies" of 25% (soap and cosmetics do not benefit of these subsidies). Consequently the Import prices in Bahrain are much lower than the import prices of the same products to the neighbouring countries. It is understood that this policy is adopted to find outlets for these products in Bahrain.

The Selling Prices: While the import prices are exceptionally cut-down by the equivalent of the export subsidies, the selling prices remain at the same level as if there were no export subsidies. This is an unusual situation as the reduction in the import prices must normally result in similar reduction in the selling prices.

Such a policy of subsidizing the exports of certain items to a specific country without applying the same system to the neighbouring countries is a very risky policy especially that it does not seem to be based really on valid economic factors. Moreover, when applying such system, re-export transactions of the subsidised items to the neighbouring countries cannot be excluded especially that all the Gulf States are open markets and follow free trade policy.

The Major Competing Countries

- (a) Vegetable Oil - Holland and Iran
- (b) Soap and )
- (c) Detergents ) - U.K., Iran and U.S.A.
- (d) Cosmetics - U.K., U.S.A. and West Germany

The main competing brands are shown in the previous price lists.

Importing System and Channels of Distribution

Payment Facilities

Publicity

} Some as in  
Kuwait

Transport Facilities and the Irregularity of Delivery

Claims are raised because of the irregularity of deliveries to Bahrain. This is partly due to the inadequate and irregular means of transportation, especially by sea as it has been already cleared up. Transportation through Kuwait by trucks is not a substitute since the cost of transportation are higher.

Forecasts:

- (a) Vegetable Oil: (hydrogenated)
- (b) Detergents:

Possibilities to increase the exports of these two products are promising due to the "Export Subsidies" granted for the exports of the two items and demand is expected to increase.

For the vegetable oil, concentration has to be made on the "El-Raie" brand on which demand is the highest. The most required size is the one, two and 10 Kg. tins packing.

- (c) Soap, and
- (d) Cosmetics

Possibilities to introduce these two items are very limited due to the severe competition of the big variety of the other well established and internationally known brands.

Regarding Soap: If the Vegetable Oil Company could produce a special kind of soap which resist to the hardness of water - specially for the Gulf area - (like the new English brand "Dove"), this might help to introduce soap exports to Bahrain as well as to the neighbouring countries which suffer of water hardness.

Recommendations

- 1- The "Export Subsidies" system applied actually to Bahrain only have to be reconsidered. If the exporting company still maintains this system, it has to be revised in a way so as to adjust the prices according to the prices of the competing brands, and the prevailing market conditions. In this case also, the system of export subsidies should apply to all the Gulf States. (This recommendation has been dealt with in detail in the general recommendation's section).
- 2- After the adhesion of Bahrain to the Arab League recently, it will be of interest for Iraq to take the necessary arrangements with Bahrain in order to benefit of the tariff preferences or exemptions exchanged within the frame work of the system of preferences among the countries of the Arab Community, especially that the customs duties on vegetable oil products in Bahrain compared to the duties in the neighbouring countries are relatively high. (5% on oil and soap and 10% on detergents and cosmetics) (see para. 28)
- 3- Due to the special position of Bahrain as an important transit trade centre in the area and the special facilities extended by Bahrain for trans-shipment transactions as it has been already cleared up; it will be strongly advisable for the Iraqi exporting company to establish a special entreport centre for vegetable oil products in Bahrain for supplying the whole Gulf States area. In such case, it will be necessary to establish a show room, and to give the Iraqi trade centre in Bahrain full powers to exercise all the required selling promotion measures and facilities.
- 4- It is advisable that Iraqi vegetable oil company produces for the Gulf States special kind of soap which removes the hardness of water (like the English new brand "Dove").

### 3. ABU DHABI

#### Basic Data and General Information

<u>Population</u>	: Between 30,000 and 50,000 inhabitants. No exact estimation has been published.
<u>Area</u>	: 64,000 Km <sup>2</sup>
<u>Per Capita GNP</u>	: Not available
<u>Currency</u>	: Bahraini Dinar "B.D." = 1000 fils
<u>Rate of Exchange</u>	: <u>B.D.</u> = Istg. 0.875 = US Dollars 2.10

#### Foreign Trade

I.S. The statistics department has been established in Abu Dhabi only since 1968. The first and only foreign trade statistics published until now are only for the year 1969.

#### Imports

The total imports in 1969 amounted to B. Dinars 57,277,212. Abu Dhabi imports all kinds of products. The main supplying countries are:

U.A.E.: 26.4% - U.S.A.: 11.5% - France: 6.6% - W/Germany: 6.3%

Imports from China (Mainland), Hong Kong, Iran and Australia start to gain grounds in Abu Dhabi as well as in all the Gulf Area in general while imports from U.K. are relatively shrinking. Products from U.S.A., France and W/Germany are slowly gaining grounds.

#### Exports

Foreign trade statistics do not show the amount of exports.

The only domestic product exported from Abu Dhabi is crude oil.

#### Foreign Trade Policy and Import Regulations

Abu Dhabi - as it is the case in all Gulf States - follows a liberal foreign trade policy. Imports are not subject to any restrictions.

#### Economic Development

Economic growth is very fast. Foreign investments are encouraged. Regarding the agricultural development, the country is planning to be self sufficient in fruits and vegetables.

The main natural resource is the crude oil. Its production is increasing

Domestic Production of Vegetable Oil Products

Abau Dhabi does not produce any kind of these products, nor planning to establish such industry at the time being.

Imports of Vegetable Oil Products

The following table No. 28 shows the development of imports of vegetable oil products in Abau Dhabi and the supplying countries during the year 1969:

Table 28

Imports of Vegetable Oil Products  
in Abau Dhabi in 1969 (Value in B. Dinars)

Countries of Origin	Value in B. D.	% of the Total imports
<u>(1) Hydrogenated Oil</u>		
<u>Total</u>	<u>116202</u>	<u>100</u>
Holland	104243	90
Norway	2254	2
Newzcaland	523	x
Australia	6082	5
Japan	3100	3
<u>(2) Toilette Soap</u>		
<u>Total</u>	<u>30580</u>	<u>100</u>
U.K.	30200	98
West Germany	125	x
Belgium	34	x
Doubai	241	1
<u>(3) Detergeants</u>		
<u>Total</u>	<u>51334</u>	<u>100</u>
U.K.	36074	70
West Germany	15186	29
India	74	xx
<u>(4) Cosmetics</u>		
<u>(a) Tooth Paste</u>		
<u>Total</u>	<u>8840</u>	<u>100</u>
U.K.	8212	93
U.S.A.	579	6
West Germany	10	xx
Pakistan	39	xx
<u>(b) Shaving Cream</u>		
<u>Total</u>	<u>1336</u>	<u>100</u>
U.K.	1117	84
U.S.A.	29	2
West Germany	57	4
Pakistan	133	10

It appears from the table 28 that:

(a) Vegetable Oil

- The major supplying country is Holland (90% of the total imports of this item).
- Imports from Iraq:  
It started only in 1971 but in insignificant quantities..
- The hydrogenated oil imported from Australia, Japan and Norway started to find its way to Abu Dhabi markets recently.

(b) Soap

The major supplying country is the U.K. Imports from U.K. represent 98% of the total imports. This is due to the historical back ground.

(c) Detergents

The major supplying countries are:  
U.K.: 70% and W/Germany: 29%

(d) Cosmetics

Tooth Paste

The major supplying country is the U.K. (93% of the total imports).

Shaving Cream

The major supplying country is also the U.K. (84% of the total imports).

Imports from Pakistan

The limited quantities of these two items especially the shaving cream are now imported from Pakistan.

.. E.S.

Imports from Iran

It is to be noted from the table 23 that Abu Dhabi do not import any of the vegetable oil products from Iran which is an important supplier for Kuwait and Bahrain especially for hydrogenated vegetable oil. This might be due to political reasons.

Import Duties

Import duties on all the vegetable oil products is 2.5%.  
No preferential treatment is applied to the imports from any origin.

Sanitary Regulations

All kinds of imported food stuffs should be accompanied with sanitary certificate.

Prices

Import Prices

No data about the import prices are available.

Selling Prices

The available information about the selling prices are as follows;

a) Vegetable Oil

Table 29

Average Retail Prices of Vegetable Oil in Abu Dhabi  
Prices in B. D. (Fils)

Countries of Origin and Brands	Type of Packing and Prices in Fils per tin					
	1 lb	3 lb	4 lb	5 lb or 2 kg	6 lb	10 lb or 4 kg
<u>U.K.</u> Sprey	250	650				
<u>Holland</u> Caw				500		1000
<u>Iran</u> Shah Bent Atlas			600	750 750		
<u>Lebanon</u> Menito				800		
<u>U.S.A.</u> Swift Neck		600				
<u>India</u> Dalda						1850
<u>Singapore</u> Pigeon					1000	
<u>Australia</u> Keo B.B.				500		



b) Soap

Table 30

Average Retail Prices of Soap In Abu Dhabi  
Prices in B. D. (Fils)

Countries of Origin and Brands	Size of Pieces		
	Small	Medium	Big
	<u>Prices per piece in Fils</u>		
<u>U.K.</u>			
Lifeboy	50		100
Lux	50		75
Gany	50		75
Palmolive		100	
Pears			150
<u>Iraq**</u>			
Hanaa			100
Faten	40		
Jamal	35		

\*\* There has been no imports of Iraqi soap in Abu Dhabi. The indicated prices and which have been furnished by the mission are most probably the prices offered by the Iraqi Trade Centre in Abu Dhabi.

c) Detergents

Table 31

Average Retail Prices of Detergents in Abu Dhabi

Countries of Origin and Brands	Type of Packing		
	Small	Medium	Big
	<u>Prices per packet in Fils</u>		
<u>U.K.</u>			
Tide	75	150	275
Sirf	75	150	500 (1,393 kg)
Omo		150	500 ( " " )
<u>W/Germany</u>			
Persil	100	150	200
<u>Iran</u>			
Tak	75		
<u>Iraq</u>			
Site	55		

d) Cosmetics

Table 32

Average Retail Prices of Cosmetics in Abu Dhabi<sup>1/</sup>

Countries of Origin and Brands		Selling Price per tube in fils
(a) <u>Tooth Paste</u>		
<u>U.K.</u>		
<u>Signal</u>	Family Size	350
"	Big "	250
"	Medium "	200
"	Small " 46 gr.	175
<u>Colgate</u>		
	Family Size	350
	Big "	250
	Medium "	200
<u>U.S.A.</u>		
<u>Kolinor</u>	Big Size	300
"	Medium "	150
"	With Chlorofil 52 gr.	200
(b) <u>Shaving Cream</u>		
<u>U.K.</u>		
<u>Erasmik</u>	128 gr.	225
<u>Palmolivello</u>	110 gr.	300

<sup>1/</sup> (The source of these information is the report of an Iraqi mission which visited Abu Dhabi in Dec. 1970.)

It is to be noted that in Abu Dhabi, although a very small size market, a big variety of brands is to be found in the market. However, it is difficult to judge according to the limited available data the degree of acceptance of new brands especially that no data about the prices of the Iraqi brands is available.

Channels of Distribution and Selling Conditions and Transport Facilities

Same as in Bahrain and Kuwait.

It is to be noted however, that the "Super Markets" spread all over the Country play an important role in the selling activities of vegetable oil products since the owners of these "Super Markets" are mostly the agents of the various vegetable oil products. Therefore the introduction of the Iraqi products through this strong barrier is rather difficult. Imports of such products take actually a form of monopoly in the market.

Payment Facilities

Certain exporters extend to their customers payment facilities by accepting payment within 3 to 6 months after the arrival of the goods to Abu Dhabi.

Regarding the Iraqi imports, no facilities are extended.

Publicity

The most effective media is samples and gifts. There are no appropriate or regular programmes for publicity by T.V. or Radio or Cinema as these means are newly introduced in the country. Also, publicity by news papers and magazines is not common.

Publicity agents or advertisements are still not known in the country.

Suppliers participate sometimes in the publicity costs through samples and gifts.

Situation of the Iraqi Products and Market Investigations

Quality and Taste

: Same as in Kuwait and Bahrain

Packing

a) Vegetable Oil

: Small size packing is preferred

b) Soap

: Big size pieces are preferred

Prices

a) Vegetable Oil

: Not available. However, the retail prices according to the level in Kuwait are supposed to be much lower than the competing brands.

b) Soap

: According to the previous two price

c) Detergents

lists, the Iraqi prices are lower than the competing brands - the difference for soap is about 25%; and for the detergents about 27%.

d) Cosmetics

: Prices are not available.

The Major Competing Countries

a) Vegetable Oil

: Holland 90%

b) Soap

: U.K. 98%

c) Detergents

: U.K. 70%

W/Germany 29%

d) Cosmetics

: U.K. 94% for tooth paste

84% " shaving cream

(Names of the competing brands are shown in the previous price list).

Importing System and Channels of Distribution

As in Bahrain.

Payment Facilities

The Iraqi Trade Centre in Abu Dhabi is not authorized to extend any payment facilities.

Publicity

Publicity for the Iraqi products is almost not existing.

Transport Facilities and Regularity of Delivery

Same as in Bahrain. Deliveries are not regular because of the handicap of transport facilities. Transport services between Iraq and Abu Dhabi seem to be irregular and very slow.

Forecasts

It is difficult to assess the demand situation as the Iraqi vegetable oil products have been introduced to the market of Abu Dhabi only very recently and in insignificant quantities.

It might be expected that the demand on the vegetable oil and detergents increases if sufficient selling and publicity activities are exercised. The role of the Iraqi Trade Centre in this respect is of major importance.

Possibilities to introduce the Iraqi soap and cosmetics are very limited. The situation is similar to that in Bahrain.

Recommendations

In addition to the general recommendation indicated in "Part Three"; and with the view to the role of the "Super Markets" in Abu Dhabi and its monopolistic position, it is recommended that the Iraqi Trade Centre acts as a retailer for selling the Iraqi vegetable oil products and not as importer and whole-seller only.

4. PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

(Southern Yemen)

Basic Data and General Information

<u>Population</u>	: 1.170.000 (1967)
<u>Rate of Growth</u>	: 2.3% (1961 - 1967)
<u>Area</u>	: 302.913 Km <sup>2</sup>
<u>Per Capita GNP</u>	: U.S. \$ 130
<u>GNP Rate of Growth</u>	: 1.1% (1961 - 1967)
<u>Currency</u>	: Y. Dinars = 1000 fils
<u>Rate of Exchange</u>	: T. D. = US Dollars 2.40 = Lstg. 1/-/-

Foreign Trade and the Balance of Trade

Value in Y. Dinars

	1964	1965	1966	1968	1969
Exports	74294	66749	67917	45781	59792
Imports	106089	107526	101927	84449	90921
Balance	-31795	-40777	-34010	-38668	-31129

Foreign Trade Structure

Exports

The main domestic exports are: Coffee, fish, hides and skins.

Imports

S. Yemen imports all kinds of goods.

Foreign Trade Policy and Import Regulations

Southern Yemen is a country which follows a policy of centrally planned economy, and therefore, the foreign trade is directed by the state.

Importation of all kinds of products is subject to import licenses and foreign exchange allocations according to the planned policy and mostly to trade agreements concluded with foreign countries. It seems that there are no quota restrictions, but the general policy at present is to direct importation according to the degree of cooperation with the foreign countries.

Foreign trade is mostly held by state organizations among which the different sectors or groups of products are distributed (specialization in the public sector). There exist a private sector; but its share in the foreign

Domestic Production of Vegetable Oil Products

There exist in S. Yemen a limited number of small factories for the production of vegetable oil. Its production covers about 10% of the total consumption which amounts in the average to about 3000 tons a year. It is envisaged in the "Three Year Economic Development Plan" to expand the biggest ones of these plants.

(No detailed information available about the number or the production capacities of these factories nor the possibilities of its expansion).

Imports of Vegetable Oil Products and Consumption

The following tables (Nos. 33, 34, 35 and 36) show the development of imports of vegetable oil products in S. Yemen as well as the total consumption during the years 1966/1970:

I.S. Imports from each individual country, i.e., the geographical distribution, are not available.

a) Vegetable Oil

The following table No. 33 shows the development of imports and consumption of vegetable oil in S. Yemen.

I.S. It is to be noted that the available data makes distinction between hydrogenated oil and liquid oil. Therefore, development in both qualities are shown in the said table separately. This might be of use in case that consumption of liquid oil is of certain interest to S. Yemen.

Table 33

Imports of Vegetable Oil in Southern Y.M.A. and Consumption

Value in Y. Dinars.

Quantities in 1000 gallons (one gallon = 4.545 kg.)

Years	Imports				Re-Exports				Consumption					
	Hydrogenated		Liquid Oil		Hydrogenated		Liquid Oil		Hydrogenated		Liquid Oil		Share in the Total Consumption	
	V	Q	V	Q	V	Q	V	Q	in 1000 Gallons	in 1000 Gallons	in 1000 Gallons	in 1000 Gallons	1	2
1966	264102	581	154075	333	28256	54	120762	165	527	2348	168	713	76	24
1967	411216	944	239994	367	16359	31	45652	79	913	4067	283	1283	76	24
1968	335813	637	177065	307	4569	9	45855	92	626	2789	215	953	71	26
1969	441655	1409	176520	291	120656	254	11662	20	1155	5146	271	1207	81	19
1970	224793	371	113387	183	34667	52	18622	34	319	1421	149	664	68	32
Average consumption per year in Tons . . . . .									3154			972	76	24

This is the apparent consumption. It is to be taken into consideration that the local production covers about 10% of the total consumption.

The supplying Countries are:

For the hydrogenated oil: Denmark - Singapore - Malaysia - Holland -  
 /Germany - Sudan - Malta - India and Sweden.

For the liquid oil: USSR - India - Italy - U.K. - Sudan - Malaysia -  
 Denmark - /Germany - Singapore - Malta.

No conclusion could be drawn out about the major supplying countries since the geographical distribution of imports is not available. However, according to the data collected about the selling prices of the different brands available on the market's, Holland and Singapore are supposed to be the main supplying countries.

The table 33 shows that.

- The average consumption per year is:

Hydrogenated oil: 3145 tons (76%)  
Liquid oil: 972 " (24%)

- According to the obtained figures both imports and consumption do not follow a fix trend. It is increasing in certain years while decreasing in the others. However, both imports and consumption are decreasing in general. The only interpretation for such a particular trend is that people might divert to the consumption of animal fats.

- No imports from Iraq.

b) Soap

Table 34

Imports of Soap in S. Yemen and Consumption

Value in Y. Dinars  
 Quantities in Tons

Years	Imports		Re-Exports		Consumption in Tons
	V	Q	V	Q	
- 1966	179279	6476	8552	302	6174
- 1967	163208	7766	7775	454	7312
- 1968	461254	20916	45320	2290	18626
- 1969	81509	2262	15922	xx	xx
- 1970	165039	4152	36175	997	3155

- The supplying Countries are: U.K. - USSR - East Germany - France -  
 Italy and India.



- The average consumption is 8814 Tons per year.

- According to the available data both imports and consumption have been fluctuating and do not follow a fix trend. In general both imports and consumption are decreasing.

c) Detergents

Table 35

Imports of Detergents in S. Yemen and Consumption

Value in Y. Dinars

Quantities in Tons

Years	Imports		Re-Exports		Consumption in Tons
	V	Q	V	Q	
1966	339604	12492	34853	1986	10506
1967	298039	10144	28651	1437	8707
1968	476847	16801	17678	655	16176
1969	399777	12258	39056	1623	10635
1970	313535	12263	19874	498	11765

- The supplying Countries are: U.K. - Germany - Malta - (Saudi Arabia) - China (Main Land) - and India.

- Both imports and consumption also do not follow a fix trend. It has been fluctuating.

- The average consumption is 11558 Tons per year.

d) Cosmetics

Table 36

Imports of Cosmetics in S. Yemen and Consumption

Value in Y. Dinars

Quantities in Tons

Years	Imports		Re-Exports		Consumption in Tons
	V	Q	V	Q	
1966	407456	5403	12556	290	5113
1967	277439	3616	9649	319	3297
1968	369486	6621	22062	780	5841
1969	248186	3446	12185	326	3120
1970	296272	3629	18456	274	3355

- The supplying Countries are: U.K. - Japan - W/Germany - India - France - Pakistan - China (Main land) and Hungary.
- The average consumption is 4145 tons per year.
- Consumption and imports have been fluctuating and in general decreasing.

Import Duties

<u>Vegetable Oil</u> (Hydrogenated)	10%
" " (Liquid)	5%
<u>Soap and Detergents</u>	15%
<u>Cosmetics</u> (Tooth Paste and Shaving Cream)	25%

The Preferential Treatment for the Iraqi Products

Iraqi exports do not enjoy any preferential treatment in S. Yemen.

Prices

The Available data about prices are as follows:

a) Vegetable Oil

Table 37  
Prices of Vegetable Oil in S. Yemen

Countries of Origin and Brands	Import Prices in U.S. \$ per Ton	Average Retail Selling Prices in Y. D.				
		2 kilo Tins	4 kilo Tins	14 kilo Tins	16 kilo Tins	400 gr.
<u>Singapore</u>	<u>367.20</u>			3.350	3.700	
"Telephone" Brand Blue Blend Liquid oil						0.140 0.105
<u>Local Brands</u> (S. Yemen)		0.540	0.985		3.430	
<u>Holland</u>	Offered at \$ <u>468.00</u>	Not available on the market.				

Due to the insufficiency of the available data, no precise conclusions about the price situation could be drawn.

It does not seem that there are certain traditional supplying countries for vegetable oil.

b) S.A.B

The only available data are the following few examples:

The average retail prices of the English brands are as follows:

Lax and Lifboy brands is 40 fils per piece.

c) Detergents

The following comparative table No. 38 shows the import and the average retail prices of the imported brands of detergents in S. Yemen.

Table 38  
Prices of Imported Detergents in S. Yemen  
Prices in Y. Dinars

Countries of Origin and Brands	Import Prices in Y. Dinars			Average Selling Prices	
	Nos. of Packets per Carton	Weight per Packet	Price per Carton	Wholesale per Carton	Retail per Packet
		<u>Grams</u>			<u>Fils</u>
<u>U.K.</u>					
Tide	48	225	2.800	3.440	85
Sono	40	225	2.180	2.850	74
Dona	48	225	2.030	2.650	57
<u>Malta</u>					
Spat	48	285	1.550	2.000	44
	72	112	1.400	1.800	26
	144	56	1.400	1.800	13
<u>India</u>					
Out	48	225	1.140	1.675	37
	72	112	1.100	1.600	24
	144	56	1.140	1.675	12
<u>China</u>					
Fan	60	225	2.600	3.500	60
<u>Iraq/(offer)</u>					
Site	48	190	2.850	(not available on the market)	
Nemir	48	190	1.950	(Only offer)	

It appears from the table 38 that:

- The highest prices are those of the English brands.
- Brands from Malta, India and China are of lower prices.
- The Iraqi offer is higher than all of the other brands.
- Regarding the packing of the Iraqi brands, the weight per packet is not in line with the usual international brands.

- It is to be noted that with the exception of the English brands - the other brands are not known in the other countries visited by the mission. This is an indication to certain diversion from the traditional known brands in the area towards new brands.

d) Cosmetics

No data available about prices.

Channel of Distribution and Selling Conditions

The importation of Vegetable oil products in S. Yemen is centralized in the public sector only. According to the system which is actually applied, two state organizations are entrusted by the importation of these products:

- Vegetable oil and Cosmetics: Are to be imported by the "State Organisation for Foreign Trade";
- Soap and Detergents: Are to be imported by the "State Organisation for Home Trade".

These two organizations are in charge of the distribution and selling activities. Private whole salers do not deal with these items since the State Organisations act as whole salers. It also takes care of the distribution through distributing centres all over the country. These distributors receive salaries. They also receive commission if their sales exceed a certain fix quantities.

Government supplies are effected through the importing organizations.

Sanitary Certificates

Are required for the vegetable oil.

Payment Facilities

Exporters of these items usually extend payment facilities by accepting payment within 90 days after the shipment of goods to Aden. Exportation on consignment basis is not applied.

Publicity

The importing organizations are in charge of the publicity activities. Suppliers do not contribute in the publicity costs.

The most common media for publicity are:

The T.V. - Cinemas - News papers - Posters and the Radio.

The situation of the Iraqi Products

There has been no exports of the Iraqi vegetable oil products to S. Yemen so far. Therefore, no precise comments could be given in this respect. However, certain relevant points have to be taken into consideration in order to pave the way for introducing these products:-

### Transport Facilities

To introduce the Iraqi products to S. Yemen market, the problem of transport facilities has to be taken into serious consideration. As a matter of fact, there exist no roads for transport by land between the two countries. The only means is the transportation by sea. However, there are no regular maritime service between Iraq and S. Yemen especially after the closure of the Sues Canal.

Moreover, and due to the irregularity of maritime services, the sea freight is relatively high. Therefore, arrangements should be taken to solve the problem of transportation.

The possibilities of transportation by Air might be envisaged for those items which could afford the air freight like the cosmetics.

### Prices

There has been certain offers from the Iraqi exporting company for detergents. However, the calculated CIF prices to Aden seem to be high compared to the prices of all of the competing brands mainly the English brands for which Yemen used to be a traditional market. This is due to the high cost of transportation.

### The Major Competing Countries

Due to the fact that imports of vegetable oil products are planned by the State; There are practically no traditional suppliers for these items. Certain factors are taken into consideration when selecting suppliers mainly; prices; payment conditions; the currency of payment and trade balance with the exporting country. (The typical and classic factors dominating in the centrally planned economies countries).

### Forecasts

Due to the fact that S. Yemen is not an open market where the severe competition of the vast variety of competing brands have to be faced, the Iraqi vegetable oil products should have - in principle - good opportunities to find its way to this market provided that the prices are competitive. The prevailing friendly relation between the two countries might play an important role.

It is to be noted in this respect, that cheap products are mostly required in S. Yemen. Therefore, it is of major importance for the Iraqi exporting company to reconsider its prices so as to offer the competitive prices.

Recommendations

- 1- Arrangements should be taken to secure regular transport facilities at reasonable costs.
- 2- Prices have to be established on a competitive level with the competing brands. "Export Subsidies" might be envisaged in this particular case at least in the beginning.
- 3- It will be of great interest to take - as soon as possible - the necessary measures to conclude a trade agreement between the two countries which envisages the exchange of preferential treatment with regard to the customs duties especially that the import duties on the vegetable oil products in S. Yemen are relatively high. This will be a good asset to introduce the Iraqi products to this market since the export prices will be lower.
- 4- Vast publicity campaigns will certainly be required to induce the consumers in Yemen to get used to these new brands.

5. SAUDI ARABIA

Basic Data and General Information

<u>Population</u>	: 6,990,000 inhabitants (1967)
<u>Rate of Growth</u>	: 1.7% (1961 - 1967)
<u>Area</u>	: 2,400,000 Km <sup>2</sup>
<u>Per Capita GNP</u>	: US \$ 350 (1967)
<u>GNP Rate of Growth</u>	: 8.4% (1961 - 1967)
<u>Currency</u>	: Saudi Riyal (S.R.) = 100 halala
<u>Rate of Exchange</u>	: S.R. = US \$ 0.222 = Istg 0.093

Foreign Trade and the Trade Balance

Value in Billion S. R.

	1964	1965	1966	1967	1968
<u>Exports FOB</u>	5984	6838	7655	7853	8953
out of which					
Petroleum & Products	5207	6008	7079	7619	8659
<u>Imports CIF</u>	1693	2058	2288	2212	2804
<u>Balance</u>	+ 4291	+ 4780	+ 5367	+ 5641	+ 6149

Foreign Trade Policy and Import Regulations

Saudi Arabia follows a liberal import policy. Imports are not subject to import nor foreign exchange restrictions with the exception of certain products which are prohibited such as alcoholic beverages.

Domestic Production of Vegetable Oil Products

Saudi Arabia does not produce any of the vegetable oil products. However, it is planning since 1966 to set up an industry for the production of vegetable oil since the country's consumption is worthy to establish such an industry. The actual consumption is estimated by about 10,000 tons a year. The planned project is based on the processing of imported raw materials in the first stage; and later on, to utilise local raw materials in the second stage.

Imports of Vegetable Oil Products

a) Vegetable Oil

The following table No. 39 shows the development of imports of vegetable oil products in Saudi Arabia during the years 1966/1968.

Table 39  
Imports of Vegetable Oil in Saudi Arabia

Value : in Million S. Riyals  
Quantities: in Tons

Exporting Countries	Years						Share of each Supplying Country %					
	1966		1967		1968		V			Q		
	V	Q	V	Q	V	Q	66	67	68	66	67	68
<b>(a) Hydrogenated Oil</b>												
<b>Total</b>	25	14413	30	19643	30	19144	100	100	100	100	100	100
Holland	23,7	13815	27,9	18313	27,8	17856	95	93	91	96	93	94
Germany	0,2	186	0,4	382	0,9	615	0,8	1	3	2	2	3
U.S.A.	0,2	57	0,5	221	0,3	158	0,8	2	1	x	1	0,8
Australia	0,3	47	0,4	71	0,4	100	0,8	1	1	x	x	0,5
Belgium	-	-	0,5	372	0,1	94	-	2	x	-	2	x
U.k.	0,2	92	0,2	136	0,2	137	0,8	0,6	0,6	x	x	x
Norway	0,1	152	0,02	20	-	-	0,4	x	-	1	x	x
<b>(b) Liquid Oil</b>												
<b>Total</b>	7,9	3678	9,5	6008	9,6	4376	100	100	100	100	100	100
Sudan	1,8	1054	1,8	1078	0,9	547	23	19	9	29	18	13
Holland	0,6	323	4,3	1522	1,7	993	10	45	18	9	25	23

It appears from the table no. 39 that:

- The average imports during the three years has been:

For the hydrogenated oil : 17733 tons per year

For liquid oil : 4687 " " "

- Imports of hydrogenated oil: Have been increasing in general especially in 1967/1968;

about liquid oil: Imports increased sharply in 1967 and then dropped sharply in 1968.

- The fact that the imports of hydrogenated oil has been increasing while the imports of liquid oil were decreasing is most probably due to a tendency of substituting the latter by hydrogenated oil.



- The main supplying countries are:

For the hydrogenated oil : Holland - average of 94% of the total imported quantities.

For the liquid oil : Sudan - average of 20% of total imports.  
Holland - average of 19% of total imports.

There have been no imports from Iraq during these three years. However, during the first ten months of 1971, Saudi Arabia imported 12 tons of vegetable oil.

b) Soap

The following table No. 40 shows the imports of soap during the same period.

Table 40  
Imports of Soap in Saudi Arabia

Value : in Million S. Riyals

Quantities : in Tons

Exporting Countries ↓	Years →						Share of each supplying Country %					
	1966		1967		1968		V			Q		
	V	Q	V	Q	V	Q	66	67	68	66	67	68
<u>Total</u>	5,5	2514	5,2	2100	5,4	2374	100	100	100	100	100	100
<u>U.K.</u>	2,2	841	1,7	712	1,8	773	40	33	33	33	34	33
<u>U.S.A.</u>	1,4	468	1,7	557	2,0	620	25	33	37	19	27	26

The table 40 shows that:

- The average imports during the three years is 2329 tons per year.

- Imports are slightly decreasing.

- The main supplying countries are:

U.K. : average of 33% of total imports.

U.S.A. : " " 24% " " "

- Imports from Iraq

There has been no imports of soap from Iraq. However, and according to the Iraqi statistics, Saudi Arabia imported 91 tons of toilet soap in 1968 and insignificant quantities in the years 1966, 1967, 1970. (See tables 12 and 12a).

e) Detergents

Table 41  
Imports of Detergents in Saudi Arabia

Value : in Million S. Riyals  
Quantities: in Tons

Exporting Countries ↓	Years →		1966		1967		1968		Share of each supplying Country %					
									V			Q		
	V	Q	V	Q	V	Q	V	Q	66	67	68	66	67	68
<u>Total</u>	2,1	1442	2,2	1095	3,9	1493	100	100	100	100	100	100	100	100
U.S.A.	1,5	1216	1,2	824	1,6	977	71	55	41	84	75	65	65	65
U.K.	0,1	31	0,6	87	1,4	204	5	27	36	2	8	14	14	14
France	-	-	-	-	0,2	19	-	-	5	-	-	1	1	1
Belgium	0,07	51	0,04	27	0,2	99	3	2	5	3	2	7	7	7
Italy	0,2	63	0,2	59	0,2	58	21	9	5	4	5	4	4	4

The table 41 shows that:

- The average imports during the three years is 1343 tons per year.
- Imports slightly decreased in 1967 and then sharply increased in 1968.
- The main supplying countries are:  
U.S.A.: average of 75% of total imports.  
U.K. : " " 8% " " " "
- Imports from Iraq  
 Amounted to 11 tons in 1969, 33 tons in 1970 and sharply rose to 239 tons in the first 10 months of 1971. (See tables 12 and 12a).

d) Cosmetics

**Table 42**  
**Imports of Cosmetics in Saudi Arabia**

Value : in Million S. Riyals  
Quantities: in Tons

Exporting Countries	Years						Share of each Supplying Country %					
	1966		1967		1968		V			Q		
	V	Q	V	Q	V	Q	66	67	68	66	67	68
							66	67	68	66	67	68
<b>(a) <u>Tooth Paste</u></b>												
<b>Total</b>	<b>78</b>	<b>14530</b>	<b>83</b>	<b>11986</b>	<b>103</b>	<b>20572</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
U.K.	36,5	4120	39,8	6024	48,8	11242	47	48	47	28	50	55
U.S.A.	9,4	4108	-	-	11,2	2465	12	-	11	28	-	12
Hong kong	5,7	2754	-	-	-	-	7	-	-	19	-	-
France	8,0	979	25	1212	15,3	1772	1	30	15	7	10	9
<b>(b) <u>Shaving Cream</u></b>												
<b>Total</b>	<b>563</b>	<b>84893</b>	<b>625</b>	<b>125563</b>	<b>605</b>	<b>125776</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
U.K.	388	50926	459	60227	402	60542	69	73	66	60	64	64
U.S.A.	64	11626	79	7612	76	10456	11	13	13	14	6	8
Lebanon	3	205	19	22908	75	27815	0,5	3	12	0,2	18	22
Holland	14	3636	16	1590	14	1048	2	3	2	4	1	0,8

The table no. 42 shows that:

- The average imports during the three years is:

For tooth paste : 15696 Kgs.  
For shaving cream : 112084 Kgs.

- The main supplying countries are:

Tooth Paste : U.K. average of 44% of total imports.  
U.S.A. " " 13% " " "  
Shaving Cream : U.K. " " 63% " " "  
U.S.A. " " 9% " " "

There has been no imports from Iraq.

According to the Iraqi statistics, Saudi Arabia imported a small quantity in 1971 (74 I. Dinars).

P.S.

The available statistics in general do not show the re-exports. Therefore, it has not been possible to figure out the consumption estimations.

Import Duties

On Vegetable Oil 5%

On Soap, Detergents and Cosmetics 20%

Imports from Iraq do not enjoy any preferential treatment.

Prices

1- Import Prices: No information could be obtained.

2- Selling Prices: The available data shows the following:

a) Vegetable Oil

The following are few examples for the average retail prices of the hydrogenated oil in Saudi Arabia.

From Holland

<u>Deleco Brand</u>	:	1 lb tins	1.50 S. Riyal per tin
" "	:	5 " "	5.10 " " "
" "	:	283 grams	1.00 " " "
<u>Roway</u>	:	4.5 kgs. tins	14.00 " " "
<u>Australia</u>			
<u>Ghee</u>	:	2 lbs tins	5.00 " " "
<u>U.S.A.</u>			
<u>Crisco</u>	:	3 lbs tins	6.00 " " "
<u>Lebanon</u>			
<u>"Pigeon"</u>	:	5 kgs. tins	14.00 " " "

b) Soap

The following are few examples for the retail prices of soap in Saudi Arabia.

U.k. Origin

<u>Carv</u>	:	60 pieces carton (big size)	45.00 S.Riyals, i.e., 0.75 per piece.
	:	72 " " (small size)	38.00 S.Riyals, i.e., 0.53 per piece.

c) Detergents

U.k. Origin

<u>Tide</u>	:	60 packets carton	40.00 S. Riyals, i.e., 0.67 S.R. per packet.
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d) Cosmetics

No information available.

### Channels of Distribution and Selling Conditions

General and sole agents in the country are selected by the suppliers of the different brands. These agents are the importers and at the same time they act as whole-salers. They appoint distributors all over the country against commission which ranges from 3 to 5%.

These agents are mostly of influential personalities in the country.

### Sanitary Certificates

Are required for the imports of vegetable oil.

### Payment Facilities

Suppliers of vegetable oil products often extend payment facilities to the Importers in Saudi Arabia. Exporters apply a system of credit facilities similar to the consignment basis.

### Publicity

The samples and gifts is the media which is applied more in Saudi Arabia. Publicity is also done by posters, periodicals and news papers. The T. V. is not a common media. In this country there are almost no cinemas.

The exporters to Saudi Arabia often contribute with their agents in the cost of publicity.

### Transport Facilities

Goods are shipped to Saudi Arabia by sea and transportation inside the extensive area of the country is effected by trucks.

### The Situation of the Iraqi Products

The Iraqi vegetable oil products are not known in Saudi Arabia with the exception of the detergeants which have been introduced in this country very recently. Exports of Iraqi detergeants have been effected mostly on barter basis and in rather small shipments.

As a matter of fact the exporting company has no agent in Saudi Arabia. Also Iraq has no Trade Centre in this country.

Therefore, there is no precise information or data according to which a clear assessment for the situation of the Iraqi vegetable oil products can be drawn.

Certain indirect restrictions for the importation of Iraqi products in Saudi Arabia are to be felt. It seems that these restrictions are due to certain non-commercial factors. It is said that they are related to political factor.

### Transport Facilities

Shipment from Iraq, to Saudi Arabia are effected by trucks which is an irregular means.

### Forecasts

Saudi Arabia is a relatively wide market and its absorbing capacity for vegetable oil products is rather high.

The Iraqi vegetable oil - mainly the hydrogenated - and detergents should have good opportunities in this market.

Regarding detergents, the development of imports in the three years 1969, 1970 and 1971 proved to be promising. (Imports of this item from Iraq rose from 11 tons in 1969 to 33 tons in 1970 and sharply increased to 239 tons in the first 10 months of 1971).

This gradual increase during these three years, and the sudden and considerable rise in 1971 is a clear indication that the Iraqi detergents have good outlets in Saudi Arabia.

As to soap and cosmetics, the severe competition of the well established and internationally known brands does not leave promising opportunities for the Iraqi products. Therefore, the possibilities to introduce these two items are very limited.

### Recommendations

- 1- In the absence of an Iraqi Trade Centre in Saudi Arabia nor an agent for the Iraqi exporting company, it is necessary to select a powerful and influential agent for the marketing of these products mainly the vegetable oil and detergents.
- 2- At the same time, it will be of interest to concentrate on the government supplies especially at the time being and until a well established body for the marketing of these items is set up.
- 3- As the only means of transportation from Iraq to Saudi Arabia is now by road, (Trucks), it is necessary to organise regular service to this market at reasonable rates.

6. SYRIA

Basic Data and General Information

<u>Population</u>	: 5.783.000 inhabitants (1968)
<u>Rate of Growth</u>	: 2.9% (1961-1967)
<u>Area</u>	: 184.920 km <sup>2</sup>
<u>Per Capita G.P.</u>	: US \$ 180
<u>G.P. Rate of Growth</u>	: 3.9% (1961-1967)
<u>Currency</u>	: Syrian Pound (S.P.) = 100 piastres
<u>Rate of Exchange</u>	: S.P. = US \$ 0.238 = Istg 0.099

Foreign Trade and the Balance of Trade

Value in million of S. Pounds

	1964	1965	1966	1967	1968	1969
- Imports	841	755	1044	958	1133	1337
- Exports	673	664	661	591	643	707
Balance	- 168	- 91	- 383	- 367	- 490	- 630

Commodity Structure of Exports

According to 1969 statistics; 20.7% of the total exports of Syria are agricultural products; 43.8% industrial raw materials (mainly cotton); 10.5% processed mineral fuels and 24.9% manufactured products.

Foreign Trade Policy and Import Regulations

Syria is a centrally planned economy country. Foreign trade is directed by the state and is partly nationalised. About 80% of imports and the major part of exports are in the hands of the public sector. Imports in Syria are subject to import licences and foreign exchange allocations according to the so-called "Plan of Foreign Trade" and the "Foreign Exchange" budget which allocates the required foreign currency for each sector. Imports of luxury and non-essential products are in principle prohibited. Imports from the arab countries and mainly those which are members in the Arab Common Market are encouraged and enjoy a special preferential treatment in general.

### Domestic Production

Syria produces the following items:

Vegetable oil (Liquid and Hydrogenated) - Soap - Detergeants and Tooth Paste. (Production of detergents and cosmetics is very limited).

#### a) The Vegetable Oil

There exist a number of factories beside small private producers of vegetable oil including olive oil. Among these factories, the most important are five factories which actually belong to the public sector. The other small producers belong to the private sector and even a part of them represent home producers in villages (farmers), who produce mainly olive oil.

The average total production of the five companies belonging to the public sector amounts to 27000 tons a year, while the average real consumption is estimated by 31000 tons. The consumption is covered by the production of the public sector and the difference is covered from the private producers mainly of olive oil (The official statistics and estimations do not show the production of the private sector as it originates from a big number of scattered private producers and farmers).

Normally, the domestic production of vegetable oil in Syria covers the local consumption, and therefore, the importation of vegetable oil is not admitted in Syria. However, it is to be noted that the production of vegetable oil in Syria depends almost entirely on local cotton seeds the production of which depends on the cotton crop.

In the years where the weather conditions are not favourable and consequently the production of cotton seeds does not cover the requirements of the vegetable oil industry, importation of vegetable oil is admitted in order to cover the difference. Importation is effected mainly from Iraq.

#### A.E.

While the imports of vegetable oil in Syria might be admitted in certain years, the imports of oil seeds is not permitted in Syria. However, the Syrian Government - after the severe shortage in the production in the year 1971 - is planning to admit the importation of raw materials in such cases. Further more, it is to be noted that the full production capacity of the vegetable oil in Syria is about 39000 tons while the actual production does not exceed 27000 tons a year as it has been already cleared up. The non-utilisation of the full capacity in production is due to two main factors:



First: That the production of vegetable oil in Syria depends on the production of cotton seeds which is mostly not sufficient to cover the full production capacity of the existing factories.

Second: The consumers in Syria usually prefer the animal fats and olive oil. Therefore, they concentrate on these two items whenever its production is sufficient. Therefore; they divert to the consumption of vegetable oil as a substitute to animal fats and olive oil. The consumption of vegetable oil in Syria does not exceed 40% of the total consumption of both vegetable oil and animal fats.

b) Soap

The volume of production during the four years 1966 to 1970 has been: 1000 - 1400 - 1400 - 1650 and 2000 tons consequently.

Imports of Vegetable Oil Products

a) Vegetable Oil

The following table No. 43 shows the development of imports of vegetable oil in Syria and the total consumption during the years 1966/1970.

It appears from the table No. 43 that:

- Consumption

The apparent consumption, in the average is about 27000 tons per year.

- Imports

The imported quantities during the years 1966/1970 are rather insignificant compared to the total consumption of the country (about 0,06% of the total consumption).

However, it is to be noted that; due to the exceptionally bad weather conditions and bad crop in the year 1971, Syria had to import from Iraq relatively big quantities of vegetable oil that year. Exports of Iraqi vegetable oil to Syria in the first 10 months of 1971 amounted to 2292 tons. This exceptional year cannot therefore be taken as a basis.



- The Major Supplying Countries are:

Holland: The average of the imported quantities in 66/69 has been 67,5% of the total imports. Imports from Holland in 1970 were insignificant.

Iraq: Only in the year 1970 imports from Iraq represented 94% of the total imports. In 1971 (ten months) almost all imports came from Iraq.

Denmark: In the two years 1968 and 1969 imports from Denmark represented 45% and 40% of the total imports. In the other years there have been no imports.

4.2.B.

Importation of vegetable oil in Syria is actually limited to the Arab Countries mainly the members in the Arab Common Market. That is the reason why all imports in 1971 came from Iraq which is almost the only exporting country.

b) Soap

The table No. 44 shows the development of imports of soap and consumption in Syria during the same period.

It appears from the table No. 44 that:

- Consumption

The average consumption amounts to 1466 tons a year. Consumption has been continuously increasing.

- Imports

The average imports amount to 79 tons a year which is also insignificant compared to the total consumption (5% of the total consumption).

- The Major Supplying Countries are:

U. S. A.: The average imports during the years 1966 and 1967 has been 40% while from the year 1968 imports have sharply dropped down.

Iraq: The average during the five years has been 44,5% of the total imports.

Imports from Iraq, with the exception of 1970 have been continuously increasing.

Imports from Iraq also rose from 20 tons in 1970 to 70,2 tons in the first 10 months of 1971 (most of the imported quantities are of Toilet soap).

France: The average has been about 6% of the total imports.

Table 14  
Imports of Soap in Syria

Value in: 1000 S. P.  
Quantities in: Tons

Exporting Countries	Years →					Share of each exporting Country %									
	1966		1967		1968		1969		1970		Q				
	V	V	V	V	V	V	V	V	V	66	67	68	69	70	
<b>Total:</b>	132	96	28	186	27	262	83	133	42	100	100	100	100	100	
U.S.S.R.	-	-	-	-	-	-	-	8	6	-	-	-	-	14	
Spain	-	-	-	-	2	-	4	4	1	-	-	-	-	2	
China	-	-	3	4	-	7	3	-	-	-	-	4	5	-	
New Zealand	-	6	xx	-	-	2	xx	-	-	-	-	-	3	-	
Lebanon	22	x	1	-	-	x	-	1	8	-	-	-	-	19	
Italy	10	6	1	42	12	15	4	8	3	6	6	21	5	7	
Jordan	3	6	-	-	-	-	-	26	7	2	23	6	4	16	
Holland	3	-	-	-	-	-	-	-	-	8	6	5	5	-	
U.S.A.	20	21	6	100	29	207	70	52	20	15	22	78	14	46	
U.A.R.	46	47	14	15	6	5	1	16	3	35	49	2	27	7	
France	17	15	3	20	6	9	1	16	3	13	16	4	2	7	
<b>Exports</b>	29	214	92	192	118	112	108	56	52						
<b>Local Production in Tons</b>	1000	1400	1400	1400	1400		1650		2000						
<b>Consumption in Tons</b>	1036	1336	1336	1339	1339		1630		1991						

It is clear that there has been certain diversion in the supplying countries especially since 1966. Certain countries as the U.A. which used to be a traditional supplier for Syria has been almost eliminated from the market while other new brands started to find its way to this market such as the Iraqi brands.

c) Detergents

The following table No. 45 shows the development of imports of detergents in Syria in the years 1966/1970.

It appears from the table No. 45 that:

- Imports

The average imports amount to 54 tons a year.

Imports has been fluctuating during the five year and do not follow a certain trend. This might depend on the local production. (Data about the local production is not available).

- The Major Supplying Countries

As it is the case for soap, there has been a certain diversion in the supplying countries. Some countries used to be a main supplier in certain years and in the other years importation has been directed to other suppliers especially since 1966. The major supplying countries in general has been as follows:

U.A.: In the years 1966 to 1968 (average of 29%).

Holland: In 1966 and 1969 (27% and 21%).

Iraq: In 1966 (13%) - 1969 (39%) - 1970 (23%).

In 1971 (first 10 months) Syria imported 116 tons from Iraq which is a relatively big amount.

- Consumption

Cannot be figured out since the production data is not available.

d) Cosmetics

The following table No. 46 shows the development of imports of Cosmetics (tooth paste and shaving cream) in Syria.

Table 45  
Imports of Detergents in Syria

Value in: 1000 S.P.  
Quantities in: Tons

Exporting Countries	1966		1967		1968		1969		1970		Share of Each in Origin, Country %					
	V		Q		V		Q		V		V					
	V	Q	V	Q	V	Q	V	Q	V	Q	66	67	68	69	70	
<b>Total:</b>	154	62	72	35	51	33	196	97	52	42	100	100	100	100	100	100
Iraq	30	8	-	8	x 7	xx 3	102	37	21	10	13	x 9	x 9	39	23	5
Germany	12	6	16	4	x 4	3	33	14	4	2	10	14	3	14	-	-
Switzerland	76	15	16	2	4	1	9	3	-	-	24	8	3	3	-	-
France	5	3	3	3	3	2	6	4	-	-	5	6	5	4	-	-
U.S.A.	2	1	20	8	15	17	-	-	8	12	2	9	5	-	28	7
U.A.	8	8	7	10	-	-	5	5	3	3	x 13	23	-	5	-	-
Germany	x 3	xx 3	15	-	-	-	-	-	-	-	x 2	19	-	-	-	-
Italy	x 3	xx 3	-	-	-	-	6	5	9	6	x 9	-	-	-	-	-
Austria	x 14	xx 17	-	-	-	-	21	20	9	xx 6	x 2	-	-	-	-	-
Holland	-	-	x	-	-	-	-	-	xx	xx	x 9	-	-	-	-	-
Jordan	-	-	10	-	10	x 4	-	-	xx	xx	x 27	-	-	-	-	-
Spain	-	-	4	-	4	1	-	-	-	-	-	-	-	-	-	-
Sweden	-	-	9	-	9	5	-	-	-	-	-	-	-	-	-	-
Lebanon	-	-	1	-	1	xx	-	-	12	9	-	-	-	-	-	-
Iran	-	-	-	-	-	-	3	2	-	-	-	-	-	x 2	2	1
Cyprus	-	-	-	-	-	-	2	2	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	2	1	-	-	-	-	-	-	-	-
<b>Imports:</b>	-	-	15	7	1	xx	36	21	55	45	-	-	-	-	-	-

Table 46  
Imports of Cosmetics in Syria

Value in: 1000 S.P.  
Quantities in: Tons

Exporting Countries	1966		1967		1968		1969		1970		Share of each exporting Country %										
	V		Q		V		Q		V		V										
	V	Q	V	Q	V	Q	V	Q	V	Q	66	67	68	69	70	66	67	68	69	70	
<b>Total:</b>	22	7	81	14	93	17	108	19	89	10	100	100	100	100	100	100	100	100	100	100	100
Turkey	-	-	2	-	-	-	-	-	16	3	-	-	-	-	14	-	-	-	-	-	30
Jordan	-	-	-	xx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Romania	-	-	-	-	-	3	5	2	-	-	-	-	-	-	-	-	-	-	-	-	-
China	8	3	-	-	8	-	2	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Cyprus	7	2	14	8	5	4	9	5	-	-	-	-	-	-	5	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	11	1	-	-	-	-	-	-	8	-	-	-	-	-	-
Iran	7	1	16	4	10	2	13	3	-	-	-	-	-	10	-	-	-	-	-	-	-
Holland	-	-	20	xx	29	1	20	1	29	1	-	-	-	12	-	-	-	-	-	-	-
Switzerland	-	-	-	-	30	3	2	2	38	4	-	-	-	18	-	-	-	-	-	-	-
E/Germany	-	-	30	3	11	4	41	3	5	2	-	-	-	2	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-	-	-	-	-	-	38	46	-	-	-	-	-	-
Bulgaria	-	-	-	-	-	-	-	-	-	2	-	-	-	-	6	-	-	-	-	-	-
Exports	4	1	3	1	4	1	4	3	-	-	-	-	-	-	-	-	-	-	-	-	-

(a) Tooth Paste

(Continued)

Table A6 (Continued)  
Imports of Commodities in Syria

Value in: 1000 S.F.  
Quantities in: tons

Importing Countries	Years →					Share of each country in quantity %									
	1966		1967		1968		1969		1970						
	V	V	V	V	V	V	V	V	V						
Total:	12	4	20	11	28	19	71	33	22	11	100	100	100	100	100
Cyprus	-	-	-	-	4	2	11	4	2	11	-	-	-	-	-
China	-	xx	-	-	4	xx	4	2	8	5	-	-	-	-	-
USSR	-	-	-	6	10	5	14	8	8	-	26	23	23	24	24
E/Germany	-	4	11	-	15	8	14	1	1	39	-	7	-	-	33
Switzerland	-	-	5	1	-	-	5	2	2	-	-	10	-	9	6
N/Germany	-	xx	1	xx	1	xx	1	xx	xx	3	-	xx	xx	xx	xx
Holland	-	xx	5	xx	-	xx	-	-	-	-	-	-	-	-	-
Jordan	-	-	1	xx	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	5	xx	-	-	-	-	-	-	-	-	-	-	-
France	-	-	7	xx	7	4	1	xx	7	18	1	17	xx	xx	xx
Hungary	-	-	-	xx	7	-	12	xx	7	-	23	27	xx	xx	xx
Exports	10	4	13	6	14	6	71	8	-	-	-	-	-	-	-

(b) Shaving Cream



It appears from the table no. 46 that:

- Imports

Tooth paste

The average imported quantities amount to 13,4 ton a year. With the exception of the year 1970, imports have been continuously increasing. Imports dropped down sharply in 1970.

Shaving Cream

The average imported quantities amount to 14 tons a year. Also, with the exception of 1970, imports have been continuously increasing, but dropped down sharply in 1970.

- The main Supplying Countries

Tooth Paste: (The same as in the case of soap and detergents, there has been a clear diversion in the supplying countries).

<u>China:</u>	42% (in 1966 only)
<u>Hungary:</u>	26% in 1966 - 57% in 1967
<u>Holland:</u>	14% in 1966 - 23% in 1967
<u>France:</u>	21% in 1967 - 16% in 1968 and 40% in 1970.

Shaving Cream

<u>F/Germany:</u>	63% in 1966 - 37% in 1967 - 39% in 1968.
<u>GDR:</u>	67% in 1970 (main supplier in this year)
<u>F/Germany:</u>	33% in 1970
<u>Iraq:</u>	In the 1971 (first 10 months) Syria imported 1,7 tons of shaving cream from Iraq. This is relatively an important amount.

Import Duties

On Vegetable Oil: 350 - 650 S. Pounds per ton (about 30% ad valorem).

Prices

Import Prices

The imported quantities being so limited, the mission could not obtain any information about the imports prices.

Regarding the Iraqi vegetable oil; the import price is about US \$ 413,56 per ton of the brand "EL-BAIE" in 16 kilo tins CIF Damascus, i.e., 1737 S. Pounds.

The price of the vegetable oil produced locally in Syria is about 1750 S. Pounds, i.e., almost the same price. No information available about the import prices of soap, detergents and cosmetics.

### Selling Prices

No data about selling prices is available. However, it has been clearly noticed that the selling prices of the Iraqi vegetable oil is much higher than the Syrian brands inspite of the fact that the import prices of the Iraqi products are almost equivalent to the Syrian prices. This is due to the high commission given to the whole-salers and retailers. This point will be dealt with in detail later on. ✓

### Market Investigation about the Imported Foreign Brands

No information has been obtained about the imported foreign brands. This might be due to the very limited quantities which are being imported in Syria.

### The Situation of the Iraqi Products and the Market Investigation

#### Quality and Taste

##### The vegetable oil

The Syrian consumers prefer the vegetable oil of white colour which is similar in colour and taste to the animal fats. (The Iraqi vegetable oil produced actually has a yellow colour).

There has been a complaint that the producing company do not take into consideration the required degree of hardness of oil according to the variations of temperature.

#### Packing

##### a) Vegetable oil

The following complaints have been raised:

- The leakage of tins (due to inappropriate welding or to bad packing).
- That the tins are not packed in the appropriate way and therefore it is exposed to damage during the transportation.
- The net weight is not indicated on the tins.
- That there have been certain shipments where the local prices in

Iraq have been indicated on the tins destined to Syria. This causes difficulties to the retailers.

✓ The names of the brands produced locally in Syria are:

Sham - Hamaah - Sabik - ITFAA - El-Shark - "Star" and "Gold".

- Furthermore, the packing of 16 kilo tins is the most required type on the Syrian market. (It is estimated that about 95% of the sales in Syria are of the 16 kilo tins).

b) Soap

The packing of 144 pieces of soap per carton is not desirable. It is preferred that soap be packed in smaller number of pieces. This seems to be more practical and convenient for retailers. (Packing in dozens of pieces is preferable).

Channels of Distribution and the Selling Conditions

Imports of the Iraqi vegetable oil products in Syria are channelled through the Iraqi Trade Centre according to a fixed quotas agreed upon between the two governments. This centre has appointed a general agent for the marketing of these products against a fixed commission.

However, this system seems to have raised certain problems and difficulties mainly:

- That the selection of one sole agent is a risky procedure as it leads to some kind of monopoly in the market.

The agent at present concentrates his activities only on the capital "Damascus" and the main cities. Therefore, the imported Iraqi products are not to be seen in the small towns and villages where the selling promotion activities are very limited.

- The appointment of an agent in the presence of the Iraqi Trade Centre who is supposed to act as an agent leads to certain majoration in the whole-sale and retail prices since the agent already receives a commission on the sales in addition to the commission which the Centre itself receives.

As a result; and in addition to the commissions of the whole-salers, distributors and retailers, the total of the commissions which the imported goods bear seem to reach 21% to 45%.

Such a commission is too high that it affects seriously the degree of the competitiveness of the Iraqi products in the Syrian market and consequently the volume of its imports in this country.

Due to this situation, it seems that some whole-salers prefer to import their requirements directly from the producing company in Iraq rather than to deal with the agent or the trade centre.

The Government Supplies

Are usually effected by public tenders through the so-called "Co-operative Organization" which is a state body.

### Prices

No detailed or precise information could be obtained regarding the prices of the Iraqi products in the Syrian market. Nevertheless, it has been made clear that the prices of the Iraqi vegetable oil products are in general higher than the prices of the similar items produced locally as it has been cleared up in the previous paragraph,

### The Major Competing Brands

It is hard to determine the major competing brands since the supplying countries change from year to year especially that the imported quantities of all kinds of vegetable oil products are rather insignificant. However, it is note worthy that Syria has imported - and for the first time - certain quantities of vegetable oil from Japan in 1971 because of the shortage in the production.. The Syrian government has been encouraged to do so by certain payment facilities which the Japanese suppliers offered.

### Publicity

Publicity for the Iraqi products in Syria is most insignificant especially outside the capital and the main cities in the country.

The common media of publicity in Syria is: the T.V. - Cinemas - Radio - posters - periodicals, samples and gifts.

### Transport Facilities

Goods exported from Iraq to Syria are usually shipped by road (trucks). No particular complaints are raised in this respect.

### Forecasts

Syria is almost a self sufficient country in the vegetable oil products. Therefore, the opportunities to promote the exports of these items are rather limited in general. However, within these limited opportunities, the Iraqi products might have good possibilities since the importation of these products in Syria are restricted to Arab Countries only. The following points have to be taken into consideration:

#### a) Regarding the Vegetable Oil

The relatively important shipments of vegetable oil which Syria imported from Iraq in 1971 have been due to certain unusual conditions mainly the exceptional low production because of the bad crop of cotton seeds. Therefore, this particular case should not be taken as a criteria or basis for the estimation of the future possibilities to promote exports of vegetable oil to Syria. The average of the Iraqi exports to Syria over a number of years is rather the appropriate basis to estimate the possible potentials of the Syrian market as an outlet of the Iraqi vegetable oil which are in fact very limited.

b) Soap and c) Detergents

Since the importation of the internationally well-known brands is not permitted in Syria, the Iraqi toilet soap and detergents might have good opportunities in this market especially that the locally produced brands seem to be of lower quality. With good publicity, the Iraqi brands could be introduced.

d) Cosmetics

There exist in Syria three small factories for producing shaving cream. Therefore, the opportunities to introduce this item is very limited and depend on the volume of the local production. Regarding tooth paste there are more possibilities as the Iraqi brands enjoy good reputation and its prices are favourable.

(Syria imported 1.7 tons of cosmetics in the first 10 months of 1971. The bigger part was shaving cream).

Recommendations

- 1- The Iraqi Trade Centre should take the responsibility of all marketing activities. The Centre should act as importer, whole-saler and distributor and to be responsible for all sales promotion activities and publicity. The Centre has to take over the role of the general agent who has been appointed in order to eliminate the commission of the agent. This will render the selling prices more favourable.
- 2- Sales promotion activities should extend so as to cover the whole country and not to concentrate on the main cities only.
- 3- Also, publicity campaigns should be wide and cover all parts of the country including the villages.
- 4- Prices have to be revised and to be brought to a reasonable level to compete with the local brands. To this end, the rate of the commissions have to be also revised.

Notes:

Other recommendations regarding the quality and packing have been dealt with in Section Three - General Recommendations.

7. EGYPT

Basic Data and General Information

<u>Population</u>	: 30.907.000 inhabitants (1967)
<u>Rate of Growth</u>	: 2.6% (1961 - 1967)
<u>Area</u>	: 1.000.000 Km <sup>2</sup>
<u>Per Capita GNP</u>	: US \$ 160 (1967)
<u>GNP Rate of Growth</u>	: 2.7% (1961 - 1967)
<u>Currency</u>	: Egyptian Pound (L.Eg) = 1000 milliems
<u>Rate of Exchange</u>	: L.Eg. = US \$ 2.30 = Istg 0.958

Foreign Trade and the Balance of Trade

Value in Million L. Eg.

	1964	1965	1966	1967	1968	1970
Imports	414	495	464	344	290	277
Exports	234	263	263	246	270	324
Balance	- 180	- 232	- 201	- 98	- 20	+ 17

Structure of Exports

According to the 1969 statistics; the structure of Egypt's exports has been as follows:

7.1% agricultural products - 42.3% industrial raw materials - 2.9% primary mineral fuels and 47.7% manufactured products. <sup>1/</sup>

Foreign Trade Policy and Import Regulations

Egypt is a centrally planned economy country. The foreign trade policy is planned by the state. Imports are subject to import licences which are issued according to the "Plan of Importation" and the "Foreign Exchange Budget" which allocates the required foreign currency for each sector.

Imports from the Arab Countries mainly the members in the Arab Common Market enjoy import preferential treatment and exemption from import duties. Special quotas are fixed for the different products to be imported from the Arab Common Market countries through bilateral agreements concluded with each country.

<sup>1/</sup> Source: UNESOB document No. ESCB/EP/EG.2 dated 14.10.71.

The major part of the foreign trade in Egypt (imports and exports) is in the hands of the public sectors.

Domestic Production of Vegetable Oil

Egypt produces the four items: Vegetable oil - Soap - Detergeants and Cosmetics.

There are six companies in Egypt producing vegetable oil. These companies belong to the public sector. Its production amounts to about 40,000 Tons a year. This volume represent 96.2% of the total production. The remaining 3.8% represent the production of the private sector (about 1500 tons). Production of vegetable oil in Egypt covers about 99% of the local consumption.

No data about the production of soap, detergeants and cosmetics could be obtained. However, it is estimated that the domestic production almost covers the local consumption. Expansions are being envisaged in this industry in order to render the country self sufficient in all items.

Imports of Vegetable Oil Products

Imports of vegetable oil products in Egypt is almost restricted to the Arab countries among which Iraq is actually the most important supplier.

The following table No. 47 shows the development of imports of vegetable oil products in Egypt from Iraq during the years 1966 / 1971:

Table 47

Value in I. Dinars  
Quantities in Tons

Products	1968		1969		1970		1971 (10 months)	
	V	Q	V	Q	V	Q	V	Q
Vegetable Oil	157	1176	243	992	98	615	x	333
Soap	21	118	100	452	3	45	x	169
Detergeants	-	-	-	-	-	-	-	-
Cosmetics	-	-	26	10	-	-	x	7

P.S.:

There has been no imports from Iraq in the years 1966 and 1967.

It appears from the table 47 that:

- Imports from Iraq started only 1968.

- Imports of vegetable oil from Iraq reached its highest level in 1968, and have been continuously decreasing in the following three years.

- Imports of soap have been fluctuating during the said period and reached its peak in 1969.

- Imports of cosmetics (mainly tooth paste) started in 1969 by 10 Tons and dropped down to 7 tons in 1971.

### Prices

Information obtained about prices of vegetable oil products in Egypt are the following:

#### Import Prices

##### Vegetable Oil

For the brand EL-Saie CIF Alexandria.

For the 1 kilo tin : 181,500 I. Dinars per ton

For the 16 kilo tin : 155,500 " " " "

(Approximative prices calculated on the basis of the Iraqi FOB prices).

#### Selling Prices

The following table No. 48 shows the retail prices of the vegetable oil products imported from Iraq compared to the similar Egyptian brands: (Prices as in July 1971).



**Table A8**  
**Retail Prices of Vegetable Oil Products in Egypt**

Country of Origin and Brands	Type of Packing and Unit	Retail Price (in Egyptian Pounds)
<b>a. Vegetable Oil</b>		
<b>EGYPT</b>		
Sultan	2.25 kilo tins	0.550
Fanar		
Ooline		
Misan		
Sabe		
Montas		
Abau El-Houl	0.750	
Heliopolis		
<b>IRAC</b>		
El-Rais	1 kilo tins	0.300
Zenab	" " "	0.300
"	2 " "	0.550
"	4 " "	1.000
<b>b. Soap</b>		
<b>in Milligrams</b>		
<b>EGYPT</b>		
Abau Sombol	Small size	35 per piece
" "	B'g "	50
Loreol		50
G./11		75
Carnaval		80
Select		50
<b>IRAC</b>		
Faten		50
Nadia		45
Camal		45
Leila		40
Aida		40
<b>c. Cosmetics</b>		
<b>Tooth Paste</b>		
<b>in Milligrams</b>		
<b>EGYPT</b>		
Tamara	Tubes	115
Gibbs	"	130
Prodent	"	110
<b>IRAC</b>		
Basma	"	200
<b>Shaving Cream</b>		
<b>EGYPT</b>		
Artev	"	150
Blendax	"	115
Solea	"	130
<b>IRAC</b>		
Soulaf	"	200

It appears from the comparative table No. 48 that the retail prices of the Egyptian brands are slightly lower than the prices of the Iraqi brands in general. Clear and precise conclusions cannot be drawn out of this list as the details about the size and weight of units are not available.

#### Customs Duties

Imports from Iraq are exempted from customs duties.

#### The Situation of the Iraqi Products

##### Quality and Taste

The quality of the Iraqi brands is satisfactory in general. No complaints are raised.

##### Packing

The same complaints have been raised about the leakage in the Vegetable oil tins. Also the appearance of tins is not satisfactory. Goods suffer often from damage during transportation.

#### The Importing System and Channel of Distribution

The foreign trade between Egypt and Iraq is planned on the governments level according to the stipulations of a bilateral trade agreement between the two countries within the framework of the Arab Common Market arrangements. Regarding the imports of Iraqi vegetable oil products in Egypt, a special quota for each item of these products except for detergents is fixed according to the requirements of the local consumption. Imports of these products in Egypt are effected through two channels:

a) The Iraqi Trade Centre in Cairo for which a part of the quota is allocated;

b) The Egyptian State Company called "The Arab Foreign Trade Company".

The Iraqi Trade Centre in Cairo has to release the imported quantities to a public sector company which might buy these quantities against a certain commission to be paid to the trade centre. In this case, the public sector company will take care of the distribution of the imported goods in the local market through public sector bodies such as the consumers co-operative. Otherwise, the Iraqi Trade Centre acts as importer, wholesaler, distributor and even retailer.

##### Publicity

Publicity for these products in Egypt is very limited.

### Transport Facilities

Due to the fact that goods shipped from Iraq to Egypt have to be transported by the road from Iraq to Beirut and then by sea to Alexandria, the transport facilities are not regular nor enough rapid.

### Forecasts

Egypt is the largest size market in the Arab area and its production capacity of vegetable oil products almost covers its local consumption. If, because of the growing population the production capacity cannot cover the local consumption at least in some years, nevertheless, Egypt envisages all possible expansions to be self sufficient. Therefore, it cannot be expected that this country could be a traditional market for the Iraqi vegetable oil products.

However, and as long as that there is certain opportunities to fill the gaps resulting from the insufficiency of the domestic production to cover the local consumption; the Iraqi products could find outlets in the Egyptian market especially that the importation of such products is restricted to the products of Arab origin.

The products which could be imported in Egypt are the vegetable oil - soap and cosmetics. Although the imports of these items in Egypt are relatively too small compared to its local consumption; yet these imports represent a major part in the total exports of Iraq of these products. (See table No. 12. It shows that Egypt is the first and main importer of vegetable oil, and the second customer for soap and cosmetics).

Regarding detergents; there have been no imports of this item and the opportunities to introduce it to the Egyptian market are very limited.

### Recommendations

Efforts should concentrate on increasing the annual quotas for the importation of the Iraqi vegetable oil products in Egypt. This requires special arrangements to be taken on the governmental level. Such measures seem to be the most effective for the promotion of the exports of these products to the Egyptian market.

**Annex**  
**Advertising Costs in The Arab Countries**

**1. KUWAIT**

<b>(1) News Papers</b>	<u>Costs in K. Dinars</u>
For one page	25 - 200
" 1/2 "	16 - 100
" 1/4 "	16 - 50
(Depending the category of the news paper)	
<u>Magasin "El-Arabi" one page</u>	200

<b>(2) Cinemas</b>	
For one film; not more than 100 feet long; maximum one minute projection) per week	30 - 60
(depending the category of the cinema).	
<u>Slides per week</u>	7 - 10

**(3) Television** Cost in K. Dinars<sup>1/</sup>

Type of period ↓	Duration in seconds								
	15	20	30	45	60	75	90	120	
Normal Period <sup>2/</sup>	28	34.5	47	64	75	94	112	150	
Special Periods <sup>3/</sup>	22.5	27.5	37.5	51	60	75	90	120	
Selected Periods <sup>4/</sup>	17	21	28	38.5	45	56	68	90	

<sup>1/</sup> These prices are for each time of projection for a duration between 10 to 120 seconds.

<sup>2/</sup> The normal period: Starts from the beginning of the transmission till 8.00 p.m.

<sup>3/</sup> The special period: Between the football matches on Fridays or between the intervals of shows.

<sup>4/</sup> The Selected period: From 8.00 p.m. till the end of the transmission.

Reqs.:

Only 16 mm. films white and black are admitted at present.

<b>(4) Posters (in Busses)</b>	<u>Size</u>	<u>Cost per month in K.D.</u>
a) <u>Inside Busses:</u>		
	135x37 cm.	0.750
	153x50 "	1.500
b) <u>The Side of Busses:</u>	180x60 "	7.500
	335x60 "	12.500
c) <u>Back Side</u>	157x72 "	10.000
	145x60 "	2.500
	170x60 "	6.000

2. BAHRAIN

(1) <u>News Papers</u>	<u>Cost in B. Dinars</u>
One page	100
1/2 "	60
1/4 "	35

(Prices vary according to the category of the news paper).

(2) <u>Cinemas</u>	
For 45 feet films, 30 seconds per week	10 to 30
" 40 " " , 60 " " "	18 to 45
<u>Slides</u> per week	2,8 - 5

3. S. YEMEN

(1) <u>News papers</u>	<u>Cost in Y. Pounds</u>
One page	12,5 to 25
1/2 "	7 to 12,500
1/4 "	4 to 6

Per inch in a column.

(2) <u>Broadcast</u>	
One minute	5
1/2 "	3
1/4 "	2

(3) <u>Television</u>	
One minute	12,5
1/2 "	7,5
1/4 "	5,5

4. SYRIA

(1) <u>News Papers</u>	<u>Cost in S. Pounds</u>
<u>First page</u> one column	600
<u>Inside page</u>	1400
<u>Back side page</u>	2000

(Additional government taxes are to be added).

(2) <u>Television</u>	
10 seconds	65
15 "	90
20 "	110
30 "	150
45 "	205
60 "	240

5. EGYPT

Cost in L. Egs.

(1) News Papers

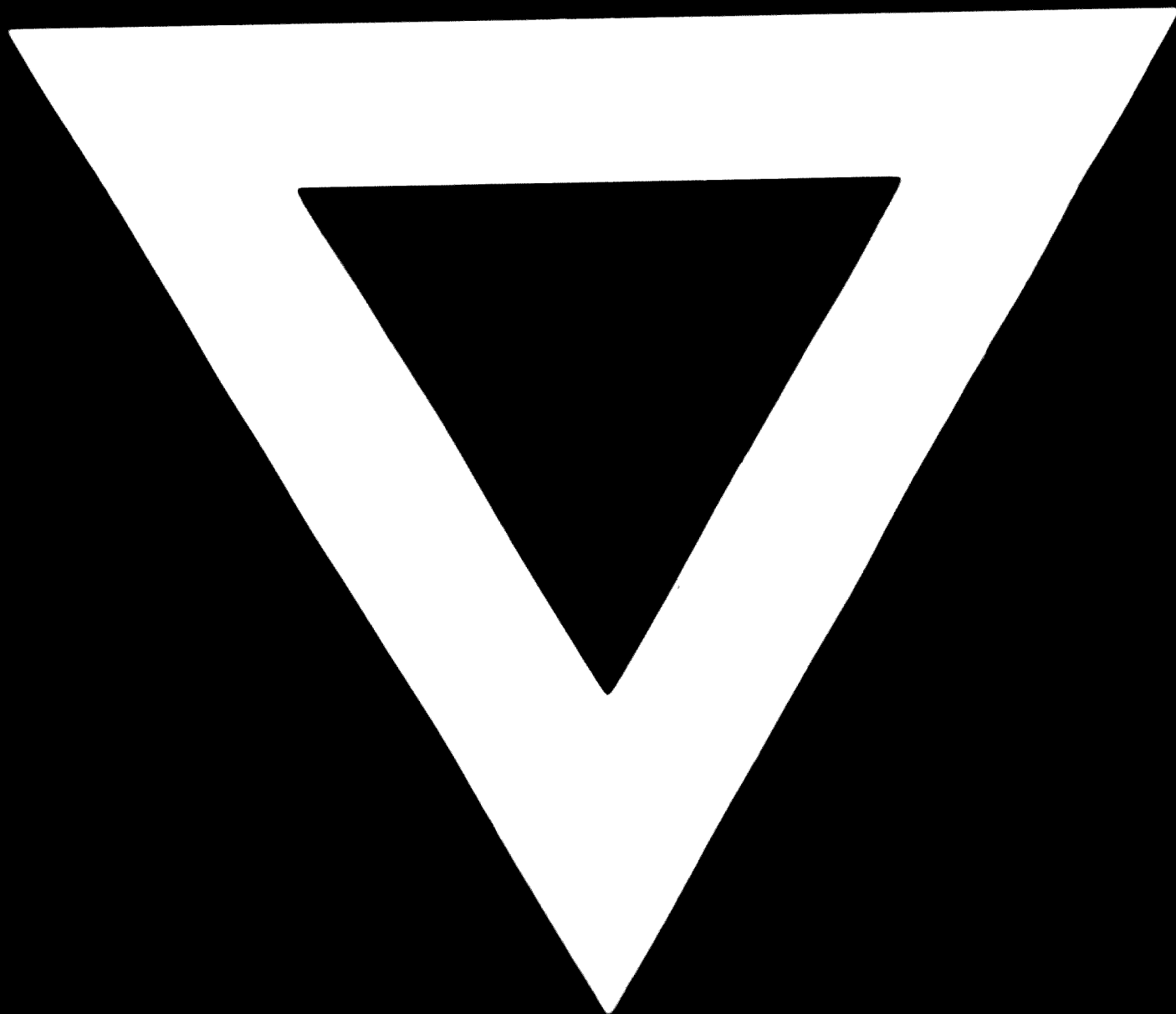
Magazine

The cover and backside cover	180
Backside of the cover	160
Inside page	120
1/2 inside page	70
1/4 " "	45
(One cm. in a column	1,5

(2) Television

	Duration in seconds				
	10	20	30	45	60
Normal Periods	9	16	21	27	30
Special "	14	24	32	40	45
Selected "	18	32	42	51	60

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