



**TOGETHER**  
*for a sustainable future*

## OCCASION

This publication has been made available to the public on the occasion of the 50<sup>th</sup> anniversary of the United Nations Industrial Development Organisation.



**TOGETHER**  
*for a sustainable future*

## DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

## FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

## CONTACT

Please contact [publications@unido.org](mailto:publications@unido.org) for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at [www.unido.org](http://www.unido.org)



**D01800**



Distr.  
GENERAL

ID/CONF.1/B.25  
25 July 1967

United Nations Industrial Development Organization

ENGLISH ONLY

---

INTERNATIONAL SYMPOSIUM ON INDUSTRIAL DEVELOPMENT

Athens, 29 November - 20 December 1967

Provisional agenda, Item 1

**INDUSTRIAL DEVELOPMENT IN COUNTRIES OF THE MIDDLE EAST**

**Presented by**

**the United Nations Economic and Social Office in Beirut**

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

Contents

	<u>Paragraphs</u>
<u>Introduction</u>	
Part One	
<u>Industrial Development in the Middle East</u>	1-70
I. LEVEL OF INDUSTRIALIZATION	1-12
II. INSTITUTIONAL AND FINANCIAL FRAMEWORK OF INDUSTRIAL DEVELOPMENT	13-54
A. <u>State Encouragement of Industry in the Private Sector</u>	13-31
Exemptions and concessions	15-18
Tariff protection	19-25
Feasibility studies	26-31
B. <u>Role of the Public Sector in Industry</u>	32-38
C. <u>Sources of Industrial Finance</u>	39-53
Monetary agencies	39-40
Commercial bank credit	41
Specialised institutions	42-53
III. INDUSTRIAL TARGETS AND PROJECTS IN RECENT PLANS	54-70
A. <u>Objectives and targets</u>	54-57
B. <u>Industrial projects</u>	58-65
IV. SUMMARY AND CONCLUSION	66-70
Part Two	
<u>COUNTRY REPORTS</u>	
I. IRAQ	1-9
II. JORDAN	10-14
III. KUWAIT	15-21
IV. LEBANON	22-24
V. SAUDI ARABIA	25-30
VI. SYRIA	31-41
VII. REGIONAL ACTIVITIES RELATED TO INDUSTRIAL DEVELOPMENT	42

## INTRODUCTION

This paper reviews the industrial development of Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia and Syria. The first chapter of Part One indicates the past performance and relative importance of the industrial sector in these countries. This is followed by a survey of the institutional and legislative factors conducive to industrial growth, the role and attitudes of Governments, and the role of financial institutions in industrialization. The third chapter discusses the objectives and targets for industrial growth.

Part Two (Country Reports) presents information on changes regarding industrial policies, planning and project implementation which have taken place in the above six countries since the holding of the Symposium on Industrial Development in Arab Countries, 1 to 10 March 1966 in Kuwait.<sup>1/</sup>

---

<sup>1/</sup> The report of the Symposium on Industrial Development in Arab countries is contained in document ID/CONF.1/R.R./4.

Part One

Industrial Development in the Middle East

I. LEVEL OF INDUSTRIALIZATION

1. In most countries of the Middle East, as in other developing regions, a high premium is placed on rapid industrial growth because it is recognized that expansion of industry is the most dynamic factor in economic development. Industrial growth has a direct influence on national income and an indirect impact on activities in other economic sectors. It also induces social and cultural break-away from traditional modes of living.
2. Questions arise as to how fast and how far a country should go in the process of industrialization. Some of the answers depend on a country's resources for production. In this respect, most countries of the Middle East enjoy certain advantages which make their efforts to industrialize somewhat less difficult than in other regions of the developing world.
3. Foremost among these advantages is the availability of a cheap and abundant source of power in the form of crude oil and gas. Countries that possess these important natural resources can make them available to less fortunate neighboring countries by the use of pipelines.
4. Large sums of money available for investment can be amassed by countries receiving revenue from oil. Although this primarily affects oil-producing countries, there has been considerable diffusion of oil finance to other countries. Regional co-operation in development financing might intensify the contribution of oil revenue to help achieve economic and social progress in countries not producing oil.
5. Countries without oil resources, although at a financial disadvantage, have shared in the general improvement of educational and technical standards and their populations have a relatively high degree of entrepreneurial skill.
6. Industrialization in the region began to gain momentum as recently as the 1950's.

/...

Hence, only a small proportion of the national income of most of the countries in question originates from industrial activities. Because basic industrial statistics are available only for Iraq, Jordan, Syria and Lebanon, subsequent comments will be confined to these four countries.

7. Income from industry in the early 1950's amounted to 5-11 per cent of the total income of these countries; Syria had the highest proportion. Between 1962 and 1964, however, value added in industry in these countries constituted 9-14 per cent of total income; Lebanon had the highest percentage during this period.

8. Expansion of industrial activity resulted in considerable yearly growth of national income. In Iraq and Jordan the growth of value added in manufacturing in 1954-1964 increased yearly at a rate exceeding 10 per cent; in Syria the increase was about 8 per cent. These high rates reflect the fact that industry started from very low levels.

9. The limited size of industrial sectors in the countries under consideration becomes obvious from the percentages of the active labour force engaged in industry: in Iraq, 6 per cent; Jordan, 7 per cent; and Lebanon, 8 per cent.

10. In seeking a quantitative assessment of the level of industrialization at present and in planned target years, a convenient frame of reference is the study on industrial growth made by the United Nations in 1963.<sup>1/</sup> This study contains a cross-section analysis of a wide sample of both developed and developing countries, in order to quantify relationships between value added in manufacturing and other economic variables. Significant relationships were found between the level of industrial activity on the one hand, and the level of per capita income and size of population on the other hand. These relationships are expressed in "standard equations" for total manufacturing and for the main branches of manufacturing.

11. Industrialization in any country is, of course, influenced by factors other than the level of income and size of population. Natural resources, availability of technical and entrepreneurial skills, relative cost of capital and labour, and government policy towards industry and trade are all important factors. Nevertheless, it is

---

<sup>1/</sup> United Nations, A Study of Industrial Growth, New York, 1963, ST/ECA/74, (Sales No. 63.II.3.2).

useful to isolate the influence of per capita income and population from other variables. Thus, using the standard equations, and selecting a country of a certain income level and population size, the relative position of this country's industrial sector can be assessed in the light of the average performance of the other countries (see table 1).

12. Table 1 indicates that Syria is considerably closer to the international norm than either Iraq or Jordan. It shows that the deviation from the international norm did not widen over recent years, and that, in the case of Iraq and Jordan, there are signs of narrowing of the deviation. The implication is that the rates of growth of manufacturing industry in these three countries have been proceeding more or less parallel to the trend of the international cross-section sample. This observation is also valid for the planned growth in manufacturing in Jordan and Iraq.



Table 1

Manufacturing value added in selected countries as  
a percentage of the "international norm"

<u>Country</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1970 (planned)</u>
SYRIA	52	67	69	76	69	55	60	57	...
JORDAN	...	...	38	39	39	33	43	41	40
IRAQ	28	29	35	39	36	37	37	...	50

Source: United Nations Economic and Social Office in Beirut.

/...

## II. INSTITUTIONAL AND FINANCIAL FRAMEWORK OF INDUSTRIAL DEVELOPMENT

### A. State encouragement of industry in the private sector

13. Creation of an environment conducive to industrial growth depends on many factors that go beyond the provision of industrial incentives. Hence, efforts aimed at acceleration of the rate of industrial development of a country may be frustrated unless parallel measures are taken to change the institutional structure. These include measures such as the adoption of fiscal, financial and monetary policies designed to mobilize the physical and financial resources of a country, and creation of confidence in a country's economic future through reforms of tax and corporate laws, introduction of industrial legislation etc.

14. The need to co-ordinate economic and social policies has been recognized by most Middle Eastern countries as a pre-requisite to growth. Reference has been made in some plans to the fact that achievement of the objectives of planning depends, to a large extent, on the degree of co-ordination of such policies. The following discussion concentrates on three areas of government action pertaining to incentives for industrial development, namely, tax incentives, tariff protection and the preparation of feasibility studies.

#### Tax exemptions and concessions

15. Current legislation in most countries grants new enterprises various tax incentives favourable to their development. Special exemptions from duties on imports of machinery and raw materials are allowed to enable industry to maintain low overhead. In Iraq tax exemptions are granted on profits not exceeding 10 per cent of a project's paid-up capital for the first five years, and 5 per cent for the following five years, and on reserve funds allocated out of undistributed profits for improvements and expansion, provided that the amounts involved do not exceed 25 per cent of the total annual profits and are spent within a period not exceeding five years. Industrial-encouragement laws in Jordan and Syria contain provisions for exemption of profits from income tax for various periods. In Jordan, full exemption from income and social welfare taxes is provided for three years following the start of production, and up to 50 per cent for the following two years. Syria collects no income tax from new industries for a period of three years.

/...

16. Exemptions granted by Kuwait are the most generous. Kuwait exempts new industries from all taxes for a period of ten years. These privileges, however, are confined to Kuwaiti nationals and Kuwaiti-owned companies.

17. About ten years ago, Lebanon enacted a special law under which industries whose paid-up capital was in excess of one million Lebanese pounds, and whose annual wage bill paid to Lebanese workers was in excess of LL 100,000, were exempted from payment of income tax on profits for five years. This law was renewed after the first five years but has since expired. A proposed industrial law now under consideration by the Lebanese Government contains provisions for granting similar exemptions, plus an incentive of extending these privileges to a period of ten years for industrial projects that contribute to acceleration of geographical diversification. The proposed legislation, inter alia, grants tax concessions for plant expansion, exports, and certain craft industries. Other privileges include:

- (a) exemption from customs and other import duties for machinery, equipment and raw materials - allowed in all countries reviewed;
- (b) additional incentives - in Iraq, Jordan, Syria and proposed in Lebanon - of exempting all registered industrial enterprises from real estate tax for periods varying from three years in Jordan to six years in Syria and ten years in Iraq; exemption from real estate tax allowed under Syrian law includes, in addition to plant buildings and land, administrative buildings and housing facilities for labour;
- (c) provision of State-owned land at low rentals in Iraq, Kuwait, Syria and Saudi Arabia. Rental privileges are granted for periods ranging between ten years in Iraq and five years in Syria, with the option of purchasing the land at market value in Iraq or under such conditions as may be determined by the Directorate of State Domain in Syria. In Saudi Arabia, a Royal decree<sup>2/</sup> provides for allotment of additional land at nominal rents for construction of labour housing facilities attached to industrial establishments and the assignment of an industrial area outside the boundaries of each city;
- (d) in most countries, long-term and low-interest loans, equity capital, cheap fuel and low-cost power, feasibility studies and preference in government purchases of domestically produced manufactures, and, in the case of Lebanon, higher rates of depreciation allowances.

---

<sup>2/</sup> The Kingdom of Saudi Arabia, Royal decree No. 50 of 27 May 1962.

18. As an additional incentive to the private sector, the Governments of Jordan and Saudi Arabia have granted a number of concessions for promotion and development of specific industrial undertakings. In Jordan, some of these concessions are exclusive and extend over periods of thirty to fifty years of franchise. For the duration of the concession, Jordan undertakes to prohibit the establishment of competitors and gives the firms absolute protection.

#### Tariff protection

19. While some countries resort to tariffs to protect domestic industries, others rely on quantitative restrictions such as import licensing and a quota system based on estimates of domestic production and market demand.

20. The countries under review may be divided into two groups: (a) those that have relied heavily on both types of import restrictions, mainly for revenue purposes and conservation of foreign exchange and, to a lesser extent, for protection purposes; and (b) those that have refrained from imposition of restrictive measures.

21. Iraq, Jordan and Syria rely heavily on both types of import restrictions. Most of Iraq's imports are subject to individual licensing and quotas. About 30 per cent of the value of these imports represent restricted items which require a decision by the Ministry of Economy. Jordan's imports, except for fruit and vegetables and goods covered by bilateral trade agreements, also require import licensing. Most import licences are granted freely, except on certain items which are examined in the light of the current market. Syrian imports are divided into three categories:

- (a) imports prohibited by decree -- mostly goods for which there are domestically produced substitutes;
- (b) imports specified on a restricted list -- less essential goods temporarily restricted either for payments or protective reasons;
- (c) imports excluded from the above two lists, which are therefore imported freely, except for formalities of licensing for the official record.

22. Protection in Lebanon consists of prior licensing for imports of goods that are also produced domestically, and revenue tariffs; importation of only a few goods

/...

is prohibited. Because of administrative difficulties, Lebanon has preferred to rely mostly on the use of quantitative restrictions. These bring speedier results and prove to be more effective as a protective weapon, especially in dealing with the problem of international dumping which seems to have been serious for Lebanon. Although previous tariffs have been imposed in Lebanon primarily for revenue purposes, the proposed new industrial law is based on the following policy:

- (a) granting of tariff protection based on relative development of an industry and extent to which that industry is faced with foreign competition, including dumping and other illegal practices;
- (b) granting of special tariff protection to newly established industries with regard to their potential competition;
- (c) granting of special tariff protection to industries that are of special importance or are for social welfare purposes;
- (d) protecting the domestic market against dumping; and,
- (e) price controls on industries protected from foreign competition in order to prevent these industries from developing into monopolies.

23. Requests for tariff protection exceeding an ad valorem rate of 25 per cent are to be accompanied by a feasibility study indicating the industry's potential for development under moderate protection. The study should contain the following information: (a) anticipated production costs compared with similar commodities produced abroad; (b) transportation costs of imported commodities; (c) type and degree of protection needed during early years of an industry's development; (d) duration of requested protection; and, (e) scheduling of progressive reductions for protection at more moderate levels.

24. Neither Kuwait nor Saudi Arabia has had significant tariff restrictions on imports, or any licensing requirements. It has been the established policy of both Governments to minimize as much as possible the imposition of restrictions on the private sector. The fact that both countries depend heavily on imports has caused importers to assume a dominant market position and to extend their power in different directions. This has been especially true of Saudi Arabia, where importers control the chain of distribution at both the wholesale and the retail level and credit

facilities. This situation has resulted in distribution difficulties for Saudi industrial entrepreneurs and has also contributed to the slow growth of industries. In 1960 a mission sent to Saudi Arabia by the International Bank for Reconstruction and Development expressed the view that the granting of temporary protection through import duties on competing products from abroad was sound if the type of enterprise had reasonable prospects of becoming competitive. In 1962 a Royal decree<sup>3/</sup> empowered the Ministry of Commerce and Industry to recommend to the Council of Ministers the adoption of measures for protection of local production. These recommendations can be made only after due consideration has been given to the size and quality of domestic production and to the interests of the consuming public. The measures might include: (a) limiting or prohibiting the importation of products similar to those produced locally; (b) raising customs duties on the import of goods similar to local products; and (c) granting various types of financial aid to industrial enterprises.<sup>4/</sup>

25. Kuwait has only recently used import tariffs to encourage new industries for periods up to ten years on condition that the protected products are of satisfactory standard. The Kuwait Industrial Law further empowered the Minister of Finance and Industry to extend, on the strength of recommendations made by the Industrial Development Committee, the duration of tariff protection beyond the ten-year period, if the economic circumstances of an industry require the continuation of such protection.

#### Feasibility studies

26. Other measures of encouragement include the provision to prospective private investors of pre-investment studies and industrial advisory services. Jordan has been most active in this field. The Government of Jordan believes that economic planning requires, among other things, continuous surveying of the economy to discover the country's industrial development potential, and investigation of those possibilities to establish profitability, the size and type of required investments, market demand for a product, marketing procedures, size and characteristics of required

---

<sup>3/</sup> The Kingdom of Saudi Arabia, Royal decree No. 50 of 27 May 1962.

<sup>4/</sup> In consequence of this new policy, tariff rates were used to protect certain infant industries such as cement, gypsum, tiles, mosaics, marble and certain kinds of ready-made textile products.

plants, probable costs of a product, and probable return on invested capital. Surveying the economy is the responsibility of the Jordan Development Board, working closely with other ministries. Since 1958 the Board has sought the assistance and services of several industrial consultants for preparation of such surveys and studies.<sup>5/</sup> In recent years, plans of the Jordan Development Board have called for intensification of research to determine the feasibility of certain import-substitute industries.

27. In Syria, a law of 1958<sup>6/</sup> provides for the "supply of industrialists with all necessary information, statistics, studies and technical blueprints needed for establishment or expansion of certain industries". More recently, feasibility studies have been undertaken on behalf of the public sector by the administration for the implementation of projects.

28. Government encouragement in this field in Kuwait, Lebanon and Saudi Arabia, remains at the planning stage. Kuwait has undertaken to supply, on request, available information, statistical data, technical maps, exploration results and results of studies and research related to specific industries that may be of interest to entrepreneurs. It has also undertaken to contribute financially towards costs of studies and research carried out by the private sector. Should these projects develop successfully, owners of the projects would then bear all costs of studies and research. Otherwise, the State accepts one half of the costs.<sup>7/</sup>

29. Lebanon also has provided for feasibility studies to be undertaken by the Ministry of Planning in co-operation with the Ministry of National Economy, the Industry Research Institute and the Lebanese Industrial Association.<sup>8/</sup> Specifically,

---

<sup>5/</sup> Feasibility studies were undertaken for the following industries: cardboard, ceramics, glass containers, fertilizers, builders' hardware, electrical fittings, truck and bus assembly, water and sewage pipes, cotton and woollen textiles, starch and glucose, hand and farm tools, sheet-metal furniture, dairy products, vegetable and fruit processing, and sugar refining.

<sup>6/</sup> Republic of Syria, Law No. 21 of 1958.

<sup>7/</sup> The State of Kuwait, Law No. 6 of 1965.

<sup>8/</sup> Republic of Lebanon, Ministry of Planning, draft law on developing industry in Lebanon.

/...

the proposed industrial legislation suggests:

- (a) study of economic, technical and financial soundness of existing industries, their problems and their possible solutions;
- (b) study of industrial potential of the country;
- (c) theoretical and applied research for improving methods of production, to be undertaken by the National Council for Scientific Research;
- (d) study of the country's potential for import-substitution industries;
- (e) study of foreign market requirements for Lebanese products, especially in regard to kind, quality and conformity to foreign consumer taste;
- (f) study of village industries and other industries whose location in rural areas is desirable; and,
- (g) study of potential for improving quality of Lebanese industrial products.

Studies containing economic and technical information and advice would be made available to industries in the private sector by the Ministries of Planning and National Economy. In addition, the Government requires pre-investment studies, prepared by professional institutions, for all new industrial enterprises subject to licensing.

30. So far, Saudi Arabia's contribution to the private sector in the field of pre-investment studies has not been as comprehensive as suggested by the 1960 mission of the International Bank, which recommended that the Government consider the provision to potential investors of preliminary feasibility surveys on specific industries.<sup>2/</sup>

31. Assistance in carrying out feasibility studies for industrial projects is given by two industrial centres established in the Middle East with assistance from the United Nations Development Programme. These are: The Industrial Studies

---

<sup>2/</sup> In 1965 the Government of Saudi Arabia commissioned a Pakistan consulting firm to undertake feasibility studies for three industrial estates in Riyadh, Jeddah and Dammam, and, more recently, the consulting firm, Arthur D. Little Inc. of the United States, was requested to undertake feasibility studies on twelve selected industrial opportunities in the Jeddah and Riyadh areas.

/...



and Development Centre set up in March 1966 in Riyadh, Saudi Arabia; and the Centre for Industrial Development in Amman, Jordan.<sup>10/</sup> In addition to feasibility studies, these two centres provide guidance for preparation of industrial programmes; advise on establishment of new industries, on market conditions, financing and implementation of industrial undertakings; and assist in the planning and establishment of industrial estates, management training facilities and standards and quality controls.

#### B. Role of the public sector in industry

32. In Iraq and Syria, the manufacturing sector was almost completely nationalized in 1965. In Lebanon the prevailing concept is that industry belongs to the sphere of activities of the private sector.<sup>11/</sup> In Jordan, Kuwait and Saudi Arabia, however, direct government participation in industrial undertakings has been accepted, although the extent and type of this participation varies within each country.

33. In Jordan, although there are no government-owned industries (with the exception of those owned by the army), the Government has participated in the share capital of eight major industrial companies whose combined authorized capital is estimated at \$US 27.7 million. At the end of 1965, the Government's paid-up share in these eight companies amounted to \$US 6.2 million, or about one fourth of the total paid-up capital. The proportion of the Government's share in these companies varies from 1 per cent to 49.5 per cent of the authorized capital.

34. In Kuwait and Saudi Arabia, the Governments' role in industry is also confined mainly to encouragement of/and participation in the private sector. As in Jordan,

---

<sup>10/</sup> Establishment of the Riyadh Centre was decided in June 1965 and began operations in March 1966. It was decided in January 1967 to set up the Amman Centre; it is still in the organizational phase.

<sup>11/</sup> Aside from the tobacco monopoly, the Government of Lebanon has no ownership of or participation in any industrial undertakings. Public investment is confined mainly to basic facilities and economic and social infra-structure. The Lebanese Government, however, contributes to industrial financing by its participation in the equity capital of the Banque de Credit Agricole, Industriel et Foncier.

Government participation takes the form of partnership with the private sector. Unlike Jordan, however, insufficiency of private capital is not the primary cause of government participation. Rather, it is the desire to accelerate the pace of industrial development and diversify economic activities in order to lessen the country's complete dependence on petroleum. <sup>12/</sup> Government's direct ownership of industry in Kuwait includes the largest printing press in the country, the water desalination plant, and an integrated plant for production of chlorine. In addition, the Government holds considerable shares in a number of new capital-intensive projects, such as petrochemicals and fertilizers. Government participation in these enterprises ranges from 50 to 80 per cent of paid-up capital.

35. In Saudi Arabia, the Government has taken positive measures for creation, within the public sector, of organizations mainly concerned with the development of strategic industries using petroleum as a raw material. Through the General Petroleum and Mineral Organization (Petromin), the Government of Saudi Arabia has taken the initiative to establish a number of large-scale enterprises. Among the thirty-five Petromin projects, seventeen are manufacturing industries, including two refineries, three stages of the Jeddah steel rolling mill, the Damman urea and sulphur plant, a sulphur plant in Abqaiq, a polyvinyl chloride plant, a chemical fertilizer plant and other minor enterprises. The steel rolling mill, which will have a fixed investment of \$US 6.8 million, will be wholly financed by the Government. The Jeddah refinery and the Damman urea and sulphur plant involve fixed investments of \$US 8.9 million and \$US 46.7 million, respectively; they will be mixed enterprises. Petromin will finance 75 per cent of the fixed investment of the refinery and the Saudi private sector will provide the remaining 25 per cent. For the urea and sulphur plant, participation by the Government will amount to \$US 35.8 million, or 77 per cent of the share capital.

36. Until recently, Iraq and Syria held to the principle that, apart from certain industries, the bulk of manufacturing activities were to be left to the private sector.

---

<sup>12/</sup> Private investors in Kuwait have sought government participation because of the important financial resources which the Government could make available to the private sector and because of the prospects which Government partnership creates of selling their output.

Prior to the recent nationalization measures, Syria's declared policy, foreseen at the time of the preparation of the draft Second Five-Year Plan (1965-1969), defined the role of the Government by dividing industries into three groups: (a) industries in which the Government exercises complete monopoly - arms and ammunition, manufacture of airplanes, ships, cars, tractors, television, iron and steel, machinery, electric equipment, petroleum refining, nitrogenous fertilizers and telephone and telegraph equipment; (b) industries in which the Government holds equity partnership - spinning and weaving, manufacture of cement, compressed wood, medical and pharmaceutical products, manufacture of sugar, metallic industry, manufacture of fertilizers (other than nitrogenous fertilizers), vegetable oil, manufacture of glass, porcelain and ceramics; and, (c) other industries left entirely to the private sector with the promise that the Government would encourage and support them by means of financial grants and subsidies, exemptions from customs duties, taxes, and other means of encouragement.

37. Early in 1965, however, the Syrian Government completely took over twenty-one industrial enterprises, acquired 20 per cent ownership in twenty-two industries and 25 per cent ownership in sixty-one companies. Compensation was to be paid in government bonds with a maturity period of fifteen years, carrying an interest of 3 per cent per year. The nationalized industrial enterprises were placed under supervision of the "Administration of the Industrial Socialist Sector" and were made subject to a decree governing "self-propelled" enterprises.<sup>13/</sup>

38. Prior to nationalization, the Government of Iraq was active in establishing government industries. In 1963, there were eighteen such industries in the country, with a total paid-up capital of about US 133 million. The bulk of the Iraqi Government investment in industry was in four government oil refineries, which constituted about one third of the Government's total capital investment in the entire industrial sector, estimated by the Central Bank at about US 244 million in 1964.<sup>14/</sup> The laws of

---

<sup>13/</sup> Legislative Decree No. 55 of 16 April 1964 defined a self-propelled enterprise as one which is collectively owned by its employees and is administered by a board of directors of seven members representing labour, the Government and the Arab Socialist Ba'ath Party.

<sup>14/</sup> The total paid-up capital in 1963 of the member companies of the Iraqi Federation of Industries, excluding government industries, amounted to about US 100 million.

July 1964 greatly enlarged the size of the public sector in industry by nationalizing some thirty industrial firms which account for the bulk of activity in such industries as tobacco, vegetables, oils, soap, cement, building materials, textiles, footwear, leather, and grain-milling.<sup>15/</sup> The paid-up capital of the nationalized firms amounts to approximately US 48 million.<sup>16/</sup>

#### C. Sources of industrial finance

##### Monetary agencies

39. Of the six countries reviewed, only Iraq, Jordan, Lebanon and Syria have central banks. Kuwait has a currency board, and Saudi Arabia has a monetary agency. The central banks of Jordan and Lebanon are relatively new; until recently, they have assumed only a few of the basic functions of a monetary authority. In contrast, the central banks of Iraq and Syria have assumed additional responsibilities related to monetary policies and credit control.

40. Although these monetary agencies have not developed to the extent of significantly influencing the credit policies of commercial banks - a fact which has limited their role in promoting industrial financing - they have succeeded, nevertheless, in creating a monetary environment conducive to growth. Evidence of internal stability in almost all countries under review is provided by the behaviour of prices in relation to growth of income and money supply. The fact that prices have risen only moderately in recent years indicates the existence of a balanced relationship between money supply and the level of output. In Iraq, especially, the real growth of net domestic product in 1963, amounting to 38 per cent as compared to 1958, was accompanied by an increase of 33 per cent in money supply and only an 8 per cent increase in the cost-of-living index. In both Jordan and Syria, during the same period, the money supply rose proportionately more than the growth in real income, but the rise in prices was quite moderate.

---

<sup>15/</sup> Republic of Iraq, A Collection of Socialist Laws, published by the Economic Organization, 1965.

<sup>16/</sup> Central Bank of Iraq, Law No. 99 of 1964.

### Commercial bank credit

41. Loans extended by commercial banks to industry have been limited by the short-term nature of commercial bank credit. Because these loans are subject to renewal, however, some of them become, in effect, medium-term loans and are used to finance fixed investment. The proportion of outstanding industrial credit to total claims on the private sector of the commercial banks at the end of 1964, varied from about one tenth in Kuwait and one eighth in Jordan and Lebanon to one fourth in Syria (see table 2). The relatively high proportion of industrial credit to total credit extended by commercial banks in Syria reflects, no doubt, the greater role which the bank system in Syria has played in the financing of industry; and may also have been caused by the decline in self-financing which, since 1961, became apparent as a result of the nationalization measures that were then being contemplated.

### Specialized institutions

42. There are generally two types of specialized financial institutions in the countries reviewed: those that provide finance only to industry and those that have a wider range of activities. The former type includes the industrial development banks in Iraq, Jordan and Syria, and the latter type includes a number of other specialized institutions such as the Development Bank of Jordan,<sup>17/</sup> the Industrial Development Fund of Jordan,<sup>18/</sup> the Credit Bank of Kuwait, and the Banque de Credit Agricole, Industriel et Foncier (BCAIF) of Lebanon.

43. Except for the newly created Credit and Savings Bank of Kuwait, none of the

---

<sup>17/</sup> The Development Bank of Jordan was established by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to aid Palestinian refugees through the extension of loans to individual enterprises, mainly in the agricultural field.

<sup>18/</sup> The Industrial Development Fund of Jordan, established in 1953 by the Government to finance industry and other enterprises, mainly projects catering to tourism, was replaced in 1965 by the newly established Industrial Development Bank.

existing specialized financial institutions provides for direct establishment of enterprises. The laws that established the industrial banks of Iraq, Jordan and Syria contained provisions for participation in the form of equity ownership of industrial enterprises. The Jordan Development Bank and the Industrial Development Fund of Jordan, the Credit Bank in Kuwait and the Banque de Credit Agricole, Industriel et Foncier in Lebanon are purely credit institutions, extending short, medium-term and long-term loans.

44. Promotional functions other than capital participation is also provided for by the laws of the industrial banks of Iraq, Jordan and Syria. These cover such activities as technical assistance and advisory services on economic, engineering, administrative and accounting problems and the preparation of feasibility, marketing and technical studies, and, in the case of the Industrial Bank of Iraq, the provision of guarantees for loans given to industrial enterprises.

/...

Table 2  
Middle East: Loans and advances  
from commercial banks by sector  
 (in percentage)

Sector	JORDAN end Dec. 1966	KUWAIT end Dec. 1964	LEBANON end Dec. 1965	SYRIA end June 1966
Agriculture	1.6	...	5.6	12.5
Commerce	52.1	...	51.5	59.5
Construction	6.1	...	9.0	...
<u>Industry</u>	12.1	100.0	13.2	22.6
Others	28.1	...	20.7	5.4
TOTAL	100.0	100.0	100.0	100.0

Source: United Nations Economic and Social Office in Beirut; based on national and international sources

1000

45. Among the six specialized financial institutions the industrial banks of Iraq and Syria and the Credit and Savings Bank of Kuwait are fully owned by Governments; the others are mixed enterprises.
46. In 1965 the average rate of interest charged by these credit institutions was about 6 per cent, except in Kuwait where the rate was about 3 per cent and in Iraq where the cost of borrowing varied between 4 per cent for loans issued for the financing of fixed assets and 6 per cent for loans extended for working capital. In Syria, although the official rate charged by the Industrial Bank varied between 4.5 and 6.0 per cent, depending on the duration of loans extended, the effective rates charged reached higher levels.
47. Although commercial banks in the region are generally flexible with respect to amounts of credit they extend - the major criteria being the credit standing of borrowers, with no fixed ceilings - specialized financial institutions apply more than one criterion in fixing their credit ceilings. These criteria are set forth in laws or by-laws and vary from one institution to another. The Iraqi Industrial Bank, for example, determines its maximum amount of credit, first, on the basis of the value of the security offered, applying different percentage ceilings for different kinds of security; and, second, on the type of ownership of companies. Other institutions base their ceilings on such criteria as the cost of the project (in the case of newly established companies) of which a certain proportion is fixed as the ceiling. Only in the case of the Industrial Development Bank of Jordan do particular rules exist with respect to the extension of credit to, or participation in, the equity capital of small industrial establishments. The bank will not make loans of less than \$US 2,800 or more than \$US 14,000, while the cost of the project should be at least \$US 28,000.
48. Security in one form or another must be presented to obtain industrial loans from the specialized institutions in each of these countries. The type of collateral varies. The Industrial Bank of Syria and the Banque de Credit Agricole, Industriel et Foncier of Lebanon specify different types of securities for short-, medium- and



long-term loans. The rules and regulations of the newly established Jordan Industrial Development Bank take into consideration such criteria as the earning potential of the enterprise and the calibre of management, as well as the nature of assets. It is the only bank of its kind in the countries reviewed that makes specific reference to these criteria.

49. Table 3 gives a comprehensive picture of the relative importance of the role of specialized financial institutions and of commercial banks in the provision of industrial credit. A comparison is presented between industrial credits from the two types of banks and total credits extended by the banking system to all sectors.

50. For the countries on which data are available, table 3 reveals that:

- (a) The proportion of total industrial credits from specialized financial institutions and commercial banks to total credits extended to all sectors by the two types of banks ranged between 10 per cent and 14 per cent in Jordan, Kuwait and Lebanon and was as high as 28 per cent in Syria;
- (b) Commercial banks, not specialized financial institutions, provide the bulk of industrial credit.

Table 3

Outstanding industrial and total credits of commercial banks  
and specialized financial institutions as of 31 December 1964

<u>Type of credit</u>	<u>IRAQ</u>	<u>JORDAN</u>	<u>KUWAIT<sup>a/</sup></u>	<u>LEBANON</u>	<u>SYRIA</u>
<u>In millions of local currency units</u>					
Total credits	74.80	29.30	70.19	1,973.4	852.4
Commercial banks	67.83	27.66	60.50	1,881.1	816.7
Specialized institutions	6.97	1.64	9.69	92.3	35.7
Industrial credits	11.38	3.76	6.96	274.7	240.3
Commercial banks	4.41 <sup>b/</sup>	3.33	6.07 <sup>c/</sup>	236.0	204.6
Specialized institutions	6.97	0.43 <sup>d/</sup>	0.89 <sup>e/</sup>	38.7	35.7
<u>In per cent of total credits</u>					
Industrial credits	15.2	12.9	9.9	14.0	28.2
Commercial banks	5.9 <sup>b/</sup>	11.4	8.6	12.0	24.0
Specialized institutions	9.3	1.5	1.3	2.0	4.2
<u>In per cent of total industrial credits</u>					
Industrial credits	100.0	100.0	100.0	100.0	100.0
Commercial banks	38.8 <sup>b/</sup>	83.6	87.2	85.9	85.1
Specialized institutions	61.2	11.4	12.8	14.1	14.9

Source: United Nations Economic and Social Office in Beirut; based on national and international sources.

a/ As of 31 March 1965

b/ Estimates based on commercial bank credits extended to thirty major industrial companies, representing, in terms of paid-up capital, about one fourth of the entire industrial sector, excluding the four government oil refineries. These credits amounted to about ID 1.0 million in 1962/63. Total industrial credits from commercial banks is estimated at ID 4.0 million, or about 6.5 per cent of their total loans of about ID 62 million to the private sector in 1962/63.

c/ Based on approximate figures given by the four commercial banks in Kuwait; excludes loans to construction industry

d/ Total loans from the Development Bank of Jordan and the Industrial Development Fund.

e/ Including loans under execution

51. Although virtually all commercial bank credits are of short term, part of this credit revolves and therefore becomes, in practice, medium-term loans. Industrial credit extended by commercial banks in Jordan, Kuwait, Lebanon and Syria is six to eight times as great as that extended by the specialized financial institutions. In contrast, credit extended by the Iraqi Industrial Bank is estimated to be 50 per cent greater than the estimated amount of industrial credit from commercial banks.

52. With the exception of the Banque de Credit Agricole, Industriel et Foncier of Lebanon and the Industrial Bank of Syria, virtually no short-term loans are extended by the specialized financial institutions concerned. In the case of the former, short-term loans represented about one eighth of its outstanding credits by the end of 1964 but, with respect to the latter, such loans, combined with industrial bills discounted, counted, nearly three fifths of its total credit operation. Excluding bills discontinued, the short-term loans still represented the largest segment of the Syrian industrial bank's total credit operations. The large proportion of short-term loans extended by the Syrian Industrial Bank might be explained by the fact that there has been continued need for working capital by most industrial concerns in the country. It is estimated that about one half of the loans of the Industrial Bank of Iraq were for one to four years, 25 per cent for five to eight years and 25 per cent for longer periods of up to twelve years.

53. A breakdown by duration of loans from the Industrial Development Fund of Jordan is available only with respect to aggregate loans, including those extended to tourist projects. On this basis, one third of these loans were medium-term and the remaining two thirds were long-term. As for the Credit Bank of Kuwait, it was estimated that most of its loans were extended for three to five years.

### III. INDUSTRIAL TARGETS AND PROJECTS IN RECENT DEVELOPMENT PLANS

#### A. Objectives and targets

54. Until the late 1950's, the industrial sector played a limited part in the development programmes of the countries under review. In the preceding period, the political climate in these countries was characterized by a liberal outlook that was based on the concept that public investment should be concerned mainly with creating social overhead capital, leaving direct productive activities to the initiative of private enterprise. Furthermore, even when public economic policy took an interest in direct productive activities, the strategy of economic development tended to emphasize development of agriculture rather than industry. This, of course, was due partly to the predominance of agricultural resources. It was also due to the general liberal outlook, an example of which may be found in the advice given by prominent authorities to the Iraqi Government regarding its development strategy. According to one authority, "Iraq has large comparative advantages in agricultural production, whereas the possibilities of creating new industries able to compete on equal terms with producers abroad are more limited and more remote."<sup>19/</sup>

55. The post-revolutionary regimes in Iraq and Syria took exception to the development strategies of their predecessors, and provisions for direct public investment in manufacturing industry began to be emphasized more in recent plans. Thus, the two Iraqi five-year plans (1961/62-1965/66 and 1965/66-1969/70) allocated more than 16 per cent of their total investments to industry. Similarly, the recently published Second Five-Year Plan of Syria (1966-1970), gives to industry almost as much of the investment allocations as it gives to agriculture.

56. In Lebanon, industrial development is left almost entirely to private initiative. While in Saudi Arabia public investment in industry was modest until recently, establishment of Petrodia, with its large industrial programme, indicates the importance which the Saudi Government is now attaching to industrial development.

---

<sup>19/</sup> Iversen, C., A Report on Monetary Policy in Iraq, National Bank of Iraq, Baghdad, 1954, p. 177.

57. Concerning the current plans of the three countries that have defined objectives for the industrial sector, the following observations may be made: the Iraqi Five-Year Plan (1965/66-1969/70) aims at a target rate of growth in industry that is at least equal to the historical rate of growth of 12 per cent per year and that is considerably higher than the target rate of growth of aggregate income (8 per cent). The Jordan Plan (1964-1970), on the other hand, aims at a target of 7.2 per cent growth in gross industrial production. This rate is lower than either the historical rate of industrial growth (12 per cent) or the planned rate of income growth (7.5 per cent). Syria's published Second Five-Year Plan (1966-1970) does not indicate any quantitative target for industrial growth.

#### B. Industrial Projects

58. Examination of the manufacturing projects included in the recent plans indicated that textiles and the food and allied industries comprised the major part of the manufacturing investment programme in Jordan and about one third of that in Iraq and Syria. Most of the remaining investment in Jordan is committed to oil refining and non-metallic industries. Chemicals and basic metal products comprise the major share of the total manufacturing investment programmes of Iraq and Syria (see table 4).

Table 4  
Composition of planned investment  
in the manufacturing sectors in  
Iraq, Jordan and Syria  
(in percentage)

<u>ISIC</u> <u>classification</u>	<u>IRAQ</u> <u>(1965-1969)</u>	<u>JORDAN</u> <u>(1964-1970)</u>	<u>SYRIA</u> <sup>a/</sup> <u>(1966-1970)</u>
Food, beverages and tobacco (20-22)	9.21	34.1	37.0
Textiles and clothing (23-24)	18.51	27.1	45.0
Paper and paper products, wood (25-27)	9.87	-	2.0
Rubber products (30)	0.39	-	
Chemicals, petroleum and coal (31-32)	43.17	5.0	14.0
Non-Metallic minerals (33)	6.05	11.8	
Basic metals and metal products (34-38)	12.79	-	2.0
Other (39)	-	22.0	
<b>TOTAL</b>	100.0	100.0	100.0

**Source:** United Nations Economic and Social Office in Beirut; based on national sources.

<sup>a/</sup> It is not clear whether the allocations refer to public investments only or to total investments.

59. In Syria, the relatively high share of chemicals is primarily attributable to an important nitrogenous fertilizer plant. This plant is envisaged to have an output capacity of 150,000 tons per year of ammonium-nitrate-based fertilizer. Except for the nitrogenous fertilizers - the sulphuric acid (25,000 tons per year capacity), the caustic soda (7,000 tons per year) and the superphosphate (50,000 tons per year) plants - the remaining industries in Syria are mainly small-scale plastic fabricating plants and other chemical mixing process plants that rely heavily on imported raw materials and semi-finished products.

60. Similarly, in Jordan, except for two fertilizer plants - a nitrogenous fertilizer plant with an approximate annual output of 150,000 tons of ammonium-nitrate-based fertilizer and a superphosphate plant of 15,000 tons of output per year - the remaining chemical projects (paints, detergents, insecticides etc.) are mixing processes that depend mainly on imported intermediate goods.

61. In contrast, the programme for the chemical sector in Iraq consists of a number of basic chemical plants that include, in addition to a rayon plant that produces 3,000 tons per year of filament and 5,500 tons per year of staple fibre, a petrochemical complex incorporating ethylene (32,000 tons per year), polyethylene (20,000 tons per year), polyvinyl chloride (20,000 tons per year), carbon-black (3,000 tons per year), and a nitrogenous fertilizer plant with an output capacity of 116,000 tons of ammonium sulphate per year and 60,000 tons of ammonium nitrate per year. Iraq's programme for the chemical industry also includes a plant that produces annually 36,000 tons of chlorine and 40,000 tons of caustic soda and a plant for antibiotics. In the field of metal and metal-transforming industries, Iraq plans to establish an iron and steel plant (69,000 tons per year capacity) and Syria a small scrap melting plant (15,000-20,000 tons per year). Iraq also includes in its programme an agricultural machinery plant (69,000 tons per year), an electrical equipment plant mainly for production of 1,200 generators per year and an electric light bulb plant to produce 15 million ordinary light bulbs and two million fluorescent bulbs per year. In Jordan and Syria, on the other hand, metal-transforming industries are primarily small-scale operations, concentrating on light metal products and construction materials, and on a number of assembly industries that would have to depend for the major part of their production on imported parts.

/...

62. The proposed manufacturing projects in Jordan and Syria, and to a lesser extent in Iraq, are oriented towards the local market. They are basically import-substitution industries. In Jordan, export of industrial production is expected to increase from \$US 5 million in 1963 to \$US 8.7 million in 1970. Similarly, in Syria only a limited number of planned industries are export-oriented, these are mainly small-scale food processing industries such as onion drying, olive oil refining etc. In Iraq, where the industrial programme includes a number of projects - such as petrochemical plants that require a minimum scale for economic operation - production is expected to exceed requirements of the local market and, therefore, some exports are anticipated.

63. No large-scale export-oriented industries are envisaged in the plans of the above three countries. In Kuwait and Saudi Arabia, however, manufacturing projects oriented entirely towards the export market are contemplated. In Kuwait most of the projects planned for establishment in the Shuaiba industrial area are export-oriented. A nitrogenous fertilizer plant was completed in August 1966, and an oil refinery is scheduled to start production in August 1967. Manufacturing projects in Saudi Arabia, which are incorporated as part of Petromin's programme and are oriented mostly towards the external market, include a plastic plant (PVC), a nitrogenous fertilizer plant and the Jeddah steel rolling mill. The last project is in the final stage of construction.

64. Examination of the capital intensity of manufacturing projects, measured roughly by the capital-labour ratio, indicates concentration in Jordan and Syria on small projects of low capital intensity; this is true particularly of Jordan where the domestic market is limited. In Iraq, the manufacturing sector includes many capital-intensive projects in such fields as basic chemicals and heavy engineering and metal projects, including a steel plant, an agricultural machinery plant, an electrical equipment plant and others; the latter type of industries being fully-integrated operations that include production of parts.

65. The choice of projects in the industrial plans of the countries discussed above indicate no attempt to achieve any measure of international specialization or complementarity.

/...



#### IV. SUMMARY AND CONCLUSION

66. In Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia and Syria a definite start has been made on the road to industrialization. Although the industrial sector in those countries is relatively small, statistical data for Iraq, Jordan and Syria show that the growth of industry has been proceeding at rates which are close to those expected from countries with comparable population and income levels.

67. In the years prior to the late 1950's, industrial enterprise was mainly associated with private initiative. Considering the early state of economic development of these countries, private enterprise commanded only a small concentration of capital and organizational power. Hence, the structure of industry was characterized by small-scale consumer goods industries. In the late 1950's, however, a considerable transformation of the attitude of Governments towards industrialization took place. This tendency led to the present state of affairs in which, in all of the countries under review, except Lebanon, the State directly or indirectly participates actively in industrial enterprises. Capital-intensive and large-scale industries, such as the petrochemical and engineering industries, have been favoured by such participation.

68. The increasingly active role of Government in industrial development accompanies the continued provision of incentives to private industrial enterprise. In addition to a reasonable price stability, private industrial enterprise enjoyed benefits from laws providing for various types of exemptions, concessions and tariff protection, as well as benefits from a recent expansion of the activities of specialized credit institutions. In Iraq and Syria, however, the role of private enterprise in industry has diminished significantly as a result of recent changes in the economic system.

69. The current economic plans and investment programmes of the countries under review show increasing awareness of the need for faster industrialization. The list of industrial projects in public programmes is increasing in length and scope. Both import-substitution as well as export-oriented projects appear on the lists. The emphasis, however, is on import-substitution. Plans also reveal that investment opportunities in the consumer goods industries are still predominant.

/...

70. Some of the current plans and policy pronouncements refer to the benefits which could be reaped from regional specialization or at least avoidance of duplication of initiatives, particularly for such costly undertakings as petrochemical and engineering industries. However, this preoccupation does not seem to have been translated into a deliberate effort to harmonize development plans. A measure of plan harmonization would be the first step towards overcoming the obstacles to diversification and industrialization which arise mainly from the narrowness of the domestic markets.

Part Two  
Country Reports

I. IRAQ

A. Industrial policies and regulations, and related institutional developments

1. No significant change in industrial policies, regulations and institutional framework occurred in Iraq between March 1966 and June 1967.

B. Industrial planning and programming

2. The period under review falls within Iraq's Second Five-Year Plan 1965-1969, in which an annual growth rate of 12 per cent has been projected for the industrial sector (excluding electric power). An investment of ID 159 million was allocated to industry, of which ID 126.5 million was for the main industrial projects of the Public Sector.

C. Project implementation, operation and management

Sulphur recovery plant, Kirkuk

3. Scope: Sulphur recovered from natural sour gas. Plant site: near Kirkuk. Productive capacity: 120 thousand tons of sulphur annually, by the processing of about 100 million cubic feet of gas daily. Estimated investment cost: ID 8.2 million. Contractor: A contract for construction was awarded to Parsons Power Gas Ltd. February 1965. Implementation: Scheduled date of completion: September 1967.

Nitrogenous fertilizer plant, Basrah

4. Scope: Production of ammonia (66,000 tons/year) and sulfuric acid (110,000 tons/year) which will be processed into ammonium sulfate (140,000 tons/year) and urea (56,000 tons/year). Feedstock: natural gas pumped from Rumailah Field through a thirty-five mile gas line completed in 1962. Estimated investment cost: ID 11 million, including local expenses. Employment: 700 persons. Implementation: Bids were invited, and the Mitsubishi group of companies, Japan, was selected. In March 1967 the signing of contract was reported as still waiting for some "technical and non-technical" clarifications. Marketing: Local consumption and export of the surplus.

Oil refineries

Daura refinery

5. Scope: Treatment of kerosene, lube oil plant (36,000 tons/year) and expansion of existing distillation capacity up to 80,000 bls/day. Contractor: Snam Progetti (affiliated to ENI, Italy) was awarded the contract for the lube oil plant (ID 4.3 million). Kellogg International, United States, was awarded the designing contract for main distillation units. Implementation: The treatment of kerosene unit is under construction. The lube oil plant is scheduled for completion in 1967. No information is available on the projected expansion of the distillation capacity.

Basrah refinery

6. Scope: Processing of 2.5 million tons of crude oil annually (or 50,000 bls/day) ID 12 million have been allocated to the project. Consulting engineer: M.W. Kellogg, United States, was awarded a contract for preparation of a new feasibility study by Iraq's administration for planning and installation of oil facilities, 9 May 1967. Implementation: This long-standing project, dating back to 1960, has been reactivated by a new decision on 9 May 1967. M.W. Kellogg was requested to complete all necessary economic and technical studies within eight months. Construction bids are expected to be invited during May 1968 and the refinery is to be completed by 1970.

Petrochemical projects

7. C.F. Braun Co., United States, was engaged to provide consultation services and prepare feasibility studies on petrochemical projects. The firm submitted a number of reports which are being studied by Iraqi Authorities. Seriously considered is a petrochemical project to produce caustic soda (9,200 tons/year) polyvinyl chloride (6,600 tons/year) and polyethylene (6,600 tons/year). Estimated investment cost: ID 10.9 million. Location: Baghdad. This small-scale undertaking is envisaged as a pilot project rather than as a project for profitable immediate import substitution.

/...

Other manufacturing projects

8. Manufacturing projects at an advanced stage of study or implementation include:
- (a) A plant for assembly of motor vehicles designed to produce lorries of two types, with corresponding payloads of seven and ten tons; planned productive capacity is 400 units of lorries at the first stage and 1,200 units at the final stage after five years. Starting from "component knock-down" the project is expected to lead to component manufacturing from 2 per cent in the first year to 20 per cent in the terminal fifth year.
  - (b) An electric light bulb factory, to produce incandescent electric light bulbs (15 million/year) and fluorescent tubes (2 million/year).
  - (c) An expansion of the existing Mosul sugar plant, to be a new sugar beet refinery unit with productive capacity four times greater than that of the existing plant and capable of processing 3,000 tons of beets daily.
  - (d) An artificial silk plant, to produce serge material (6 million yards/year), muslin (20.4 million yards/year), flannel (4.1 million yards/year), satin (6 million yards/year), artificial silk cocoon (3,900 tons/year), and artificial silk yarns (1,015 tons/year). Construction started July 1965. Employment 2,500 persons. Investment cost: ID 8.5 million.
  - (e) Mosul cotton textile plant expansion, based on specifications prepared by CIPIEC, France, and the Government; contract proposals and equipment bids were invited. Contracts scheduled to be awarded before the end of June 1967. Expansion would approximately double the capacity of the plant.
  - (f) A feasibility study for a steel plant completed by Koppers International in 1965, is still under consideration. The consultant recommended a 300,000 tons/year plant based on the HL gaseous reduction process using ore from Goa and methane gas.
  - (g) Fiber board factory. A study for the Industrial Bank of Iraq confirmed the feasibility of establishing a plant to produce fiber board from date palm fronds. The Industrial Bank has invited bids for project implementation.
  - (h) Amara sugar factory. Equipment contractors have been invited to re-submit bids for establishment of a sugar refinery using sugar cane grown in Amara.
9. In addition, several other projects, such as a glass factory, ceramic products plant, cotton textile plant, hosiery plant, medical drugs plant, and an agricultural equipment plant, are at various stages of implementation.

## II. JORDAN

### A. Industrial policies and regulations, and related institutional developments

10. On 3 May 1966 a new department called "the Department for the encouragement of investments" was established within the Ministry of National Economy, to inform prospective investors of tax and investment laws, bank regulations and related matters, and to advise them concerning existing industries and new projects.

11. On 16 December 1966 a law for the "encouragement of investment" was promulgated for the purpose of replacing and consolidating the main clauses of two previous laws, viz. Law No. 27 and Law No. 28 of 1955, on the "Encouragement and Guidance of Industries" and the "Encouragement of Foreign Capital Investment". The new law covers all projects that add to the productive capacity of the country, i.e. industrial, tourist, housing projects and others. The main provisions of the new law are: exemption from income and social welfare taxes for a period of six years; custom and import duty exemption for machinery, equipment and materials; exemption for land and buildings used by the project for a period of six years; exemption of exports from export duties.

12. In May 1967 a Centre for Industrial Development was established with assistance from the United Nations Development Programme (Special Fund).

### B. Industrial planning and programming

13. During the period under review, the Jordanian Seven-Year Plan (1964-1970) continued to be the guideline for economic development in general and industrial development in particular.

### C. Project implementation, operation and management

14. On 16 June 1966, King Hussein inaugurated the "Al-Hussein" plant for pharmaceutical products, established by the Arab Company for Medicaments Manufacture. Capital: JD 250,000. The Jordanian Government and armed forces own 22 per cent with 67 per cent owned by private Jordanian shareholders and 11 per cent by shareholders from other Arab countries. Annual productive capacity: 100 million tablets, five million pills and various other pharmaceutical products.

## Kuwait

A. Industrial policies and regulations and related institutional developments

15. No significant change in industrial policies, regulations and institutional framework occurred in Kuwait during the period under review.

B. Industrial planning and programming

16. Kuwait has promulgated a development plan, "the First Five-Year Plan for Economic and Social Development 1966/67-1970/71". The total investment in manufacturing industries has been planned at about KD 100 million, or 15 per cent of the total planned investment. The plan has been promulgated but is now being revised and its execution has not started.

C. Project implementation, operation and managementFertilizer plant of the Kuwait Chemical Fertilizer Company (KCFC)

17. Scope: The plant includes four processing units designed to produce ammonia (400 tons of  $\text{NH}_3$  per day or 105,000 tons N per annum), ammonium sulfate (34,600 tons N per annum), urea (78,900 tons N per annum) and sulfuric acid necessary for the planned ammonium sulfate output. The total added productive capacities, in tons of nitrogen, of the two ammonium sulfate and urea units, viz. 113,500 tons N per annum, have been set higher than the productive capacity of the ammonia unit, viz. 105,000 tons N per annum, to make it possible to adjust the production programme to conditions on the international market for ammonium sulfate and urea.

18. The basic raw material is natural gas received through a pipeline from the Burgan field. Elemental sulfur is imported at present, but will be supplied through a special pipe by the oil refinery under completion, which is located next to the fertilizer plant. Contractor: Foster Wheeler Ltd., United States. Ownership: KCFC, with an authorized capital of KD 2 million is owned by the Government of Kuwait (60 per cent), the British Petroleum Company (20 per cent) and the Gulf Oil Corporation (20 per cent). Implementation: The construction of the plant facilities began at Shuaiba in February 1965. The plant was commissioned in July 1966 and officially inaugurated 19 February 1967. It has been engaged in

full production since that date. Meanwhile a shipment of ammonium sulfate, the first nitrogenous fertilizer produced in the Middle East, was delivered to Iraq in August 1966. Marketing: The whole of production is exported. Marketing is handled by the KCFC's own marketing department, through sales representatives on an exclusive basis who are established in most markets of the Middle East, Eastern Mediterranean, Eastern Africa and South Asia. An agreement with a leading American firm enables KCFC to sell fertilizers against United States barter procurements in the remaining part of the Far East. Some marketing difficulties to be overcome were reported by KCFC, such as balance of payments problems in the buying countries. Tied credit facilities and loans granted to these countries by several industrial nations were reported to be the cause preventing the Kuwait fertilizer industry from taking full advantage of its gas resources and strategic location.

#### Shuaiba refinery

19. Scope: The refinery will rely on the "all-hydrogen" process and will be the first of this type in the world. Productive capacity: 95,000 bls/day, capable of expansion to 150,000 bls/day. Investment cost estimated at \$US 130 million. Products: Intermediate distillates, fuel oil and sulfur. Contractor: Fluor is the main contractor. Hydrocarbon Research and Foster Wheeler are sub-contractors. Marketing: The refinery is mainly export-oriented. Sulfur will be supplied to the neighbouring KCFC fertilizer plant. Implementation: The contract was signed with Fluor in November 1965. Installation of equipment is under way and the completion of the refinery is scheduled for July or August 1967.

#### Anhydrous ammonia project

20. Scope: The Kuwait Chemical Fertilizer Company plans to add to the above mentioned fertilizer complex a second complex based on an ammonia unit producing 1,000 to 2,000 tons of  $\text{NH}_3$  per day, and using the most advanced processing technology. Part of this ammonia will be used to manufacture urea; the rest will be exported in liquid form. Implementation: Feasibility study under way.



Shuaiba industrial development area

21. Scope: Area located 40 kms. south of Kuwait city near the sea, especially designed for establishment of new industries of all types, large- as well as medium- and small-scale. Two major industrial projects have been established in the Shuaiba Industrial Development Area, viz. the KCFC fertilizer plant and the oil refinery mentioned above. Other projects to be established there soon are a drilling mud plant, a factory for packing sea food and fish meal, a gas fractionation and distribution center and a slipway and docking facilities for repairing small fishing boats. Implementation: Project implementation started three years ago. Progress on construction of the industrial area utilities during the period under review was as follows:

(a) Main harbour: The main jetty stretching into the sea approximately 785 meters has a berthing capacity for five ships of 15,000 ton dwt. and 5-12 meters draught, in addition to small vessels, which can load and unload at the same time. Port handling equipment was installed during 1966. Civil engineering works were completed early in 1967. The port capacity at present is about 900,000 tons of exports-imports per annum;

(b) Cooling water supply facilities: These consist of four lines of concrete pipes 3 m diameter, each line laid under the sea extending 500 m from the screen chamber. The sea water pumped from the intake structure is first chlorinated and then distributed to the industrial plants located in the Shuaiba industrial area. This sub-project was completed early in 1966;

(c) Oil pier: A steel structure stretching from the end of the commercial pier an additional 1,000 m into the sea enables two oil tankers each of 70,000 tons cap. dwt. and 16 m draught, to come alongside at the same time. Works are scheduled to be completed by mid-1967.

(d) Roads and sewage: The first two stages are already completed. The third stage scheduled to commence early in 1967;

(e) Power station consists of three units of 70 MW. each. Steam turbines with gas fired boilers, with gasoil as stand by. The third unit was completed in June 1966. A fourth unit is scheduled to start operating in May 1968, and a fifth unit in May 1969;

(f) Distillation plant: Designed to supply certain industries which require distilled water in large quantities. The plant has been designed to produce three million gallons/day at first stage, and seven million gallons/day when two additional units are added to the main unit. The first stage has been operating since 1966.

/...

(g) Natural gas supply: A 42 inch pipe line from the Burgan gathering centre has been constructed to supply the Shuaiba industrial area with natural gas. A gas flow capacity of 200 million cubic feet daily is available at present through this pipe.

(h) Other facilities: Other facilities under study are a health centre, a sea coast protection works, a residential area, general services, and a community centre.

#### IV. LEBANON

##### A. Industrial policies and regulations and related institutional developments

22. No significant change in industrial policy, regulations and institutional framework occurred in Lebanon during the period under review. In March 1967, however, a draft law to regulate the industrial sector was prepared by the Ministry of Economy and submitted to the Council of Ministers. Besides positive measures for the protection and encouragement of industrial enterprises, the draft law provided for the creation of a new "Council for Industrial Development" vested with the following responsibilities:

- (a) Scrutinize applications for new industries from the point of view of desirability in economic framework of the country;
- (b) Study and submit to the Minister of Economy all recommendations on measures of protection, exemption from customs duties, and subsidies to exports;
- (c) Investigate existing industries with regard to technical, financial and economic prospects for identifying possible difficulties and proposing appropriate solutions;
- (d) Make an inventory of present industrial potential of the country with a view to identifying new opportunities for industrial development and proposing appropriate measures to protect viable infant industries.

##### B. Industrial planning and programming

23. As development of manufacturing industries under the Lebanese Five-Year Plan (1965-1969) is left entirely to private initiative, the Plan limits itself to provision of overhead facilities to private enterprises such as the Tripoli World Fair, export subsidies, industrial feasibility studies, mineral exploration and vocational training centres. Little information or statistical data are available at present on the Lebanon industrial sector.

24. In 1955 an industrial census was taken by the Ministry of National Economy with the technical assistance of the Economic Research Institute and the American University of Beirut. In 1964 a second industrial census was carried out on a comparable basis in line with the International Standard Industrial Classification (ISIC). An abstract of the most significant results of this census is shown in table 1 together with the corresponding 1955 data. The figures indicate:

/...

(a) The total gross value of products, quoted at current factory prices, has increased by 117 per cent from 1955 to 1964; as wholesale prices in Lebanon have shown stability over the period, a 117 per cent increase at current prices over nine years, corresponds to an average rate of growth of 9 per cent;

(b) Number of establishments has increased by 17 per cent during the period; thus, the average gross value of production per establishment has increased significantly;

(c) The average value added per worker has increased by approximately 55 per cent.

Table 1  
Manufacturing industries in Lebanon with five or more employees in 1955 and 1964

Code Nbr. (ISIC)	Major groups of manufacturing industrial activities	Number of establishments		Average number of persons employed		Average number of employees		Wages and salaries		Value added		Cost of product		Gross value of product	
		1955	1964	1955	1964	1955	1964	1955	1964	1955	1964	1955	1964	1955	1964
20	Food manufacturing industries, except beverage industries	54	491	6468	6661	5037		8.3	12.9	36.3	47.3	83.4	165.0	119.7	208.4
21	Beverage industries	74	43	1040	1556	8072	1489	1.8	4.9	8.0	16.9	5.6	16.4	13.6	33.3
22	Tobacco manufactures	3	1	1743	2033	2033		4.2	13.9	19.5	40.6	4.7	31.0	24.2	71.6
23	Manufacture of textiles	113	121	6049	5277	5819	5022	5.7	11.1	15.6	24.1	22.7	36.7	38.3	60.6
24	Manufacture of footwear, other wearing apparel and made-up textile goods	245	274	3632	4563	3172	4084	3.8	9.3	9.2	22.1	12.3	27.7	21.5	49.8
25	Manufacture of wood and cork, except manufacture of furniture	71	82	755	1962	2995	1805	0.8	3.0	2.1	7.7	2.3	16.5	4.4	24.2
26	Manufacture of furniture	168	230	2643	3918	3494		3.2	8.2	6.9	17.6	7.7	20.1	14.6	37.7
27	Manufacture of paper and paper products	16	36	204	610	181	556	0.2	1.3	0.8	5.2	2.0	9.9	2.8	15.1
28	Printing, publishing & allied industries	108	185	1000	3798	1471	3534	3.7	1.3	5.6	25.2	4.3	17.4	9.9	42.6
29	Manufacture of leather and furs and products except footwear	45	54	937	1112	855	996	1.1	2.2	3.0	7.8	10.3	24.5	13.3	32.3
30	Manufacture of rubber products	15	14	523	276	495	254	0.6	0.5	1.4	1.3	1.7	1.9	3.1	3.3
31	Manufacture of chemicals	37	54	630	1425	581	1331	1.0	3.9	3.6	9.9	6.5	16.9	10.1	26.8
32	Manufacture of products of petroleum and coal	153	7	4338	775	770		8.6	6.1	29.1	17.0	60.3	76.6	89.4	93.6
33	Manufacture of non-metallic mineral products, except products of petroleum and coal	302	3	5731	921	5185		14.1	4.1	42.8	44.9			86.9	
34	Basic metal industries	3	3	26	921	921		0.3	2.3	0.1	4.1	0.1	15.8	0.2	19.9
35	Manufacture of metal products, except machinery and transport equipment	102	122	2135	3132	6726	2922	2.9	6.6	7.2	19.1	10.9	20.5	18.1	39.6
36	Manufacture of machinery, except electrical machinery	23	12	295	293	268		0.3	0.7	0.6	1.8	2.3	1.7	3.1	3.5
37	Manufacture of electrical machinery, apparatus, appliances and supplies	10	17	257	234	188		0.4	0.5	1.0	1.7	1.3	1.7	2.3	3.4
38	Manufacture of transport equipment	10	4	177	160	153		0.3	0.4	0.5	0.7	0.9	1.7	1.4	2.4
39	Miscellaneous manufacturing industries	43	47	702	527	626	451	1.0	1.2	2.5	3.0	4.7	4.2	7.2	7.2
TOTAL:		1793	2099	34214	44984	30993	41093	48.2	118.2	153.2	312.3	244.1	550.2	397.3	862.5

Note: 1/ ISIC - International Standard Industrial Classification of All Economic Activities - UN - Series M  
No. 4 Rev. 1 Add. 1  
2/ Rounded figure  
3/ Computed by subtracting the value added from the gross value of product

Source: Lebanon, Ministry of National Economy Industrial Census 1955 and 1964

## V. SAUDI ARABIA

### A. Industrial policy and regulations and related institutional developments

25. Industrial policies and regulations in Saudi Arabia are still governed by the following laws:

- (a) the Royal Decree issued in 1382 H (1962) on the protection and encouragement of national industries; ...
- (b) the Royal Decree issued in 1383 H (1963) on foreign/capital investments, except for those pertaining to oil and mineral industries;
- (c) the Royal Decree issued late in 1962, establishing the Petroleum and Minerals Organization (Petromin).

26. During the period under review there has been no major change. A revision of the 1382 H (1962) Royal Decree on the protection and encouragement of national industries is under study by the Ministry of Industry and Commerce.

27. A centre for industrial studies and development, established in 1966 with assistance from the United Nations Development Programme (Special Fund was expected to be in full operation in 1967.

### B. Industrial planning and programming

28. Petromin's programme of industrialization in the oil and mineral sectors has expanded. It now has thirty-five projects distributed as shown in table 2.

Table 2  
Petromin's projects in Saudi Arabia

<u>Classification of project</u>	<u>Number of projects</u>	<u>Estimated total capital requirement (in SR millions)</u>
Oil and mineral exploration	9	679.5
Oil refining and marketing	9	234.1
Fertilizers and petrochemical industries	7	1,340.0
Iron and steel industries	7	206.3
Other industries	3	48.5
<b>TOTAL:</b>	<b>35</b>	<b>2,508.4</b>

29. The provisional estimates above are based on projects under consideration for implementation during the next five years; they are subject to revision in the light of future developments. Among the more advanced projects are the following:

C. Projects implementation, operation and management

(a) SAFCO urea plant in Damman

30. Scope: On 14 December 1964 an agreement was concluded between the Petroleum and Minerals Organization and two American companies, Occidental Petroleum Corporation and its subsidiary, the International Ore and Fertilizer Company, for the purpose of building a plant with a productive capacity of 600 T per day of anhydrous ammonia and 35 T per day of recovered sulphur. On 14 December 1966 a first amendment to the 1964 agreement was concluded to change the scope of the project. The end-product will be urea (1025 T/day) instead of anhydrous ammonia (600 T/day). Consulting engineer: The Occidental Petroleum Corporation. Contractor: Contract awarded in September 1966 to Chemical Construction Corporation, in co-operation with Motherwell Bridge Contracting and Trading Company for civil engineering works on the site. Marketing: The Occidental Petroleum Corporation and International Ore and Fertilizer Company have agreed to market internationally the total production of the plant at world market prices for a period of twenty years, on a take-or-pay basis, in return for 10 per cent of net profits. Ownership: The Saudi Arabian Fertilizer Company (SAFCO) was formed on 29 June 1965. Petromin has kept a 51 per cent interest and offered the remaining shares to Saudi private subscription. This first public issue of shares was reported as a success and within a few weeks the whole issue was oversubscribed. Implementation: The plant site selected is Damman, and the civil engineering works were scheduled to start in early 1967. Completion of the plant is scheduled for the middle of 1968.

(b) Sulphur recovery project

Scope: In addition to SAFCO's small sulphur unit indicated above, this project aims to produce 300/350 tons per day of elemental sulphur through a recovery process from the natural sour gas of the Abqaiq oil field. The project plans to use gas earmarked for storage plus some surplus gas, currently flared. After desulphurization, the gas will be compressed to the required pressure and returned to the Abqaiq oil field for injection. Consulting engineer: A contract was signed in 1966 by Petromin, the Occidental Petroleum Corporation and Allied Chemical Corporation for a project feasibility study, in co-operation with the Jefferson Lake Sulphur Company. The Occidental Petroleum Corporation has agreed to be operator of the plant and will receive a management fee as compensation. Marketing: The Occidental Petroleum Corporation and Allied Chemical Corporation have jointly agreed to market the sulphur internationally at prevailing world prices. Ownership: A Saudi Arabian corporation will own and operate the plant. Equal shares will be held by Petromin, Occidental Petroleum Corporation and Allied Chemical Corporation.

/...

(c) Jeddah refinery

Scope: Production of LPG, gasoline, turbine fuel, kerosene, diesel oil, fuel oil and asphalt, from refining of crude oil transported by sea from Ras Tanura to Jeddah. Capacity: 12,000 Bbls/day of crude oil. Consulting engineer: Universal Oil Product Company. Contractor: Chiyoda Chemical Engineer and Construction Company Ltd., Japan. Marketing: The refinery will supply about 75 per cent of the Western Province requirements. No export is foreseen except for fuel oil that will be produced for some time in excess of local demand. A study is under way concerning the possible use of this fuel oil to supply fuel requirements of the water desalination plant under construction near Jeddah. Ownership: 75 per cent owned by Petromin and 25 per cent by Saudi private investors. Implementation: The refinery is located within the Petromin industrial complex, in the outskirts of Jeddah. Equipment is being erected. The refinery was 35 per cent completed at the end of March 1967.

(d) Jeddah steel rolling mill

Scope: Production of steel bars, angles and flats from rolling of imported billets. A small melting plant to produce from scraps part of the required steel billets is under study. The present productive capacity of the mill is 30,000 T per annum on a two-shift basis. This capacity can be expanded to 45,000 T per annum on a three-shift basis. The plant can be expanded to produce 60,000 T per annum in its final stage. Contractor: The main contract for supply of equipment was awarded to W.H.A. Robertson and Co., United Kingdom. Costain in association with a local firm is engaged in constructing buildings, ancillary works and in installing machinery. Ownership: 100 per cent owned by Petromin. Implementation: The plant which is located next to the Jeddah refinery within the Petromin industrial complex, was near completion in March 1967. Operations were expected to start during the spring of 1967.

(e) Lube oil blending plant, Jeddah

Scope: Production of 75,000 Bbls/year of lubricating oil. Base stock oils and additives will be imported during the few first years of operation. Consulting engineer: Agreement signed in mid-1966 by Petromin and Socony Mobiloil Company for a feasibility study.

(f) Industrial estates projects

Scope: Industrial estates will be established at Riyadh, Dammam and Jeddah, with all necessary facilities and utilities, especially for the benefit of small-scale industries. Consulting engineer: Associate Consulting Engineers Ltd., Pakistan. Contractors: local. Implementation: Sites have been selected; land has been procured for both Jeddah and Riyadh industrial estates and steps are being taken to procure land for the Dammam project. Land preparation works were started in March 1967 on the Jeddah site.



## VI. SYRIA

A. Industrial policies and regulations and related institutional developments

31. During the period under review, the industrial sector of the Syrian economy continued to be re-organized towards a further substitution of socialist development objectives for those previously based on a free-enterprize economy. Decree No. 139 of 30 October 1966 created a "Ministry of Petroleum, Power and Industrial Projects Implementation", vested with the co-ordinating and policy-making power over the following public authorities: The Public Organization for Petroleum; The Public Organisation for Electric Power; The Public Organization for Industrial Projects implementation; and The Syrian Company for Petroleum Products marketing. The Ministry also has under its responsibility the prospecting and development of petroleum and mineral resources and the implementation of industrial projects is subject to its approval.

B. Industrial planning and programming

32. The period under review practically coincides with the first year of the Syrian Second Five-Year Plan. Execution of the plan was scheduled to start 1 January 1966 but the plan did not receive approval until August 1966. The plan is a revised form of the second half of a Ten-Year Plan launched in July 1960 which was suspended at the end of 1964 for extensive overhauling during 1965 and part of 1966. Planned investment by broad economic sectors within the second half of the former Ten-Year Plan (1965-1969) and corresponding investment within the present revised Second Five-Year Plan (1966-70) are compared on the following chart:

*Four*

Table 3

Planned investment by economic sector in Syria

	<u>Planned investment by sectors:</u>			
	<u>Former 1965-69 Plan<sup>a/</sup></u>		<u>Revised 1966-70 Plan<sup>b/</sup></u>	
	<u>in LS millions</u>	<u>%</u>	<u>in LS millions</u>	<u>%</u>
Agriculture, Euphrates and other irrigation projects	1,100	40.4	1,392	28.1
Industry <sup>c/</sup>	509	18.7	1,010	20.4
Transport and communications	527	19.7	894	18.1
Others <sup>d/</sup>	574	21.2	1,658	33.4
<b>TOTAL:</b>	<b>2,720</b>	<b>100.0</b>	<b>4,955</b>	<b>100.0</b>

Notes: <sup>a/</sup> Industrial Planning, Programming and Policies in Selected Countries of the Middle East (table 5) - CID/UNESOB - Jan. 1966.

<sup>b/</sup> L'Economie et les Finances des Pays Arabes - L'Economiste Arabe March 1967 (p.12).

<sup>c/</sup> Including power and mining industries.

<sup>d/</sup> Including construction, housing and provisions for the repayment of public debts.

33. The above data indicate a more than 80 per cent extension of the scope of the plan in terms of planned investment. In the industrial sector, including power, oil and mining industries, planned investment has been almost doubled while in the agricultural sector it has been increased by only 26 per cent. Limited to manufacturing activities, the industrial sector is planned in the revised Second Five-Year Plan as shown on table 4.

/...

Table 4

Planned investment of manufacturing industries of the public sector in the Syrian Second Five Year Plan (1966-1970)

<u>Manufacturing industries</u>	<u>Planned Investment</u> <u>( in S£ Millions )</u>
<u>Manufacturing industries under the responsibility of the Public Organization for Industrial Projects Implementation</u>	
Nitrogenous fertilizer plant	71.9
Dry batteries plant	2.3
Steel rolling mill	24.0
Onions dehydrating plant	8.0
Phosphate exploitation and beneficiation	53.0
Superphosphate plant	25.0
Salt mining and packaging	7.9
Industrial studies and overhead expenses of the public organization	2.9
Sub.total	195.0
<u>Manufacturing industries under the responsibility of the Public Organization for Petroleum</u>	
Expansion of the Homs refinery	140.0
<u>Manufacturing industries under the responsibility of the Public Organization of the Industrial Sector</u>	
Spinning and weaving industries	42.5
Chemical industries (asbestos, brick plants .. )	13.2
Mineral industries	2.3
Food industries (sugar, agricultural products processing .. )	34.5
Wood, paper, leather and plastic industries	2.0
Sub.total	94.5
<u>Other industrial projects under the responsibility of other ministries (Agriculture, Defence, Supply, .. )</u>	
	58.5
<b>GRAND TOTAL:</b>	<b>487.0</b>

Private industries in the present revised Second-Five-Year Plan are planned for only a negligible amount of S£ 50 millions, i.e. roughly 10 per cent of the public industrial investment of S£ 487 millions, indicated in table above.

/...

C. Project implementation, operation and management

New Homs refinery

34. Scope: The project aims to expand the productive capacity of the Homs refinery by construction of a processing unit with a capacity three times larger than that of the existing refinery. The unit is designed to process the new type of Syrian crude oil from the Soueidyeh and Karatchouk fields, expected to be available soon at Homs through the Karatchouk-Tartous pipeline under construction. The total refining capacity at Homs will be 2.7 million tons of crude oil per annum. Products: LPG, gasoline, turbine fuel, kerosene, diesel oil, fuel oil, coke and elemental sulphur. Contractor: The contract was awarded on December 1966 to Techno-Export, Czechoslovakia. Investment cost: \$US equivalent 33 million, plus \$US 2 million for local expenses. Marketing: The expanded refinery will supply the local market for light and medium products that are partly imported at present. The refinery will also supply petroleum required by the future Homs nitrogenous fertilizer plant. Products in excess of local requirements are to be exported. Implementation: The land is under preparation. Installation of machinery is scheduled for completion December 1968, the operation to start March 1969.

Nitrogenous fertilizer plant at Homs

35. Scope: Production of an ammonium nitrate-based fertilizer called Calintro, by a chemical complex composed of three basic processing units: An ammonia unit (50,000 T/Year, or 137 T/Day) using naphta as feedstock; a nitric acid unit (87,000 T/Year of nitric acid) using 25,000 T/Year of Ammonia; and a Calintro unit (148,500 T/Year of Calintro with 25 per cent N) using the remaining portion of ammonia production and production of the nitric acid referred to above, in addition to 40,000 T/Year of limestone and dolomite, as raw materials. Contractor: Three separate contracts have been awarded in 1965 to Snam Progetti, Italy, for the ammonia unit, Naphtkhim Promexport, USSR, for the nitric acid unit, and Techno-Export, Czechoslovakia, for the Calintro unit. Estimated investment cost: S£ 74 million. Marketing: Local market, with possibility to export the surplus, if any. Implementation: Implementation of the three contracts was reported progressing smoothly in 1966. By March 1967 the land was under preparation. The plant's operation is scheduled to start the end of 1968.

/...

Palmyra phosphate project

36. Scope: Exploitation of rock phosphate (450,000 T/year of rock phosphate, 27-29 per cent  $P_2O_5$ ) at the Khneifisse (Palmyra) deposit. Beneficiation up to a content of 31 per cent  $P_2O_5$  (production of 300,000 T/year of enriched phosphate). Transportation by trucks to Tartous port for export (100,000 T/year), and Homs for further processing (200,000 T/year). Contractor: Contract awarded to Industrial Export, Roumania, in 1966 for the supply of machinery necessary for extraction and beneficiation process. Provision has been made for deferred payment in kind (phosphate) over a four year period for 90 per cent of the present value of imported machinery. Implementation: Operation scheduled to start in 1969.

Phosphate processing plant at Homs

37. Scope: Production of tri-superphosphate, 48 per cent  $P_2O_5$ . Productive capacity: 75,000 T/year at the first stage, 100,000 T/year at the final stage. Implementation: Study under way. Estimated investment cost: S£ 25 million.

Steel rolling mill at Hama

38. Scope: Production of re-inforcing bars of 6 to 24 mm. diameters, from the rolling of imported billets. Productive capacity 75,000 T/year, at the first stage and 105,000 T/year later. Contract: Contract awarded to Centrozap, Poland, on 14 November 1966. Investment cost of the project: \$US equivalent 2.885 million for the imported machinery, plus S£ 4 million for local expenditures. Marketing: Local. Implementation: The plant's location has been decided and the land was under preparation in March 1967. The plant's operation is scheduled to start by the end of 1968.

Asbestos products plant in Damascus

39. Scope: Production of asbestos pipe and corrugated roofing sheets (70 T/day). This is a new development project of the cement plant owned by the Societe Nationale du ciment de Damas, a nationalized company. Investment cost: S£ 6.119 million. Implementation: The plant was nearly completed in March 1967 and was scheduled to start operating June 1967.

Sugar plant at Jisr-esh-Shughur

40. Scope: Production of 25,000 T of refined sugar per annum, of which 8,000 T will be extracted from local sugar cane and 17,000 T from imported raw sugar. Equipment imported from Czechoslovakia. Implementation: The plant was nearly completed in March 1967 and was expected to start operating shortly thereafter.

Dry cell battery factory at Kadam (outskirts of Damascus)

41. Scope: Production, 16 million dry cell batteries. Contractor: Fiderox, United Kingdom. Investment cost: S£ 5 million. Implementation: Factory scheduled to start operation June 1967.

*Jaw*

VII. REGIONAL ACTIVITIES RELATED TO INDUSTRIAL DEVELOPMENT

42. Following the Kuwait Conference on Industrial Development in the Arab Countries, two meetings were held in the region as follows:

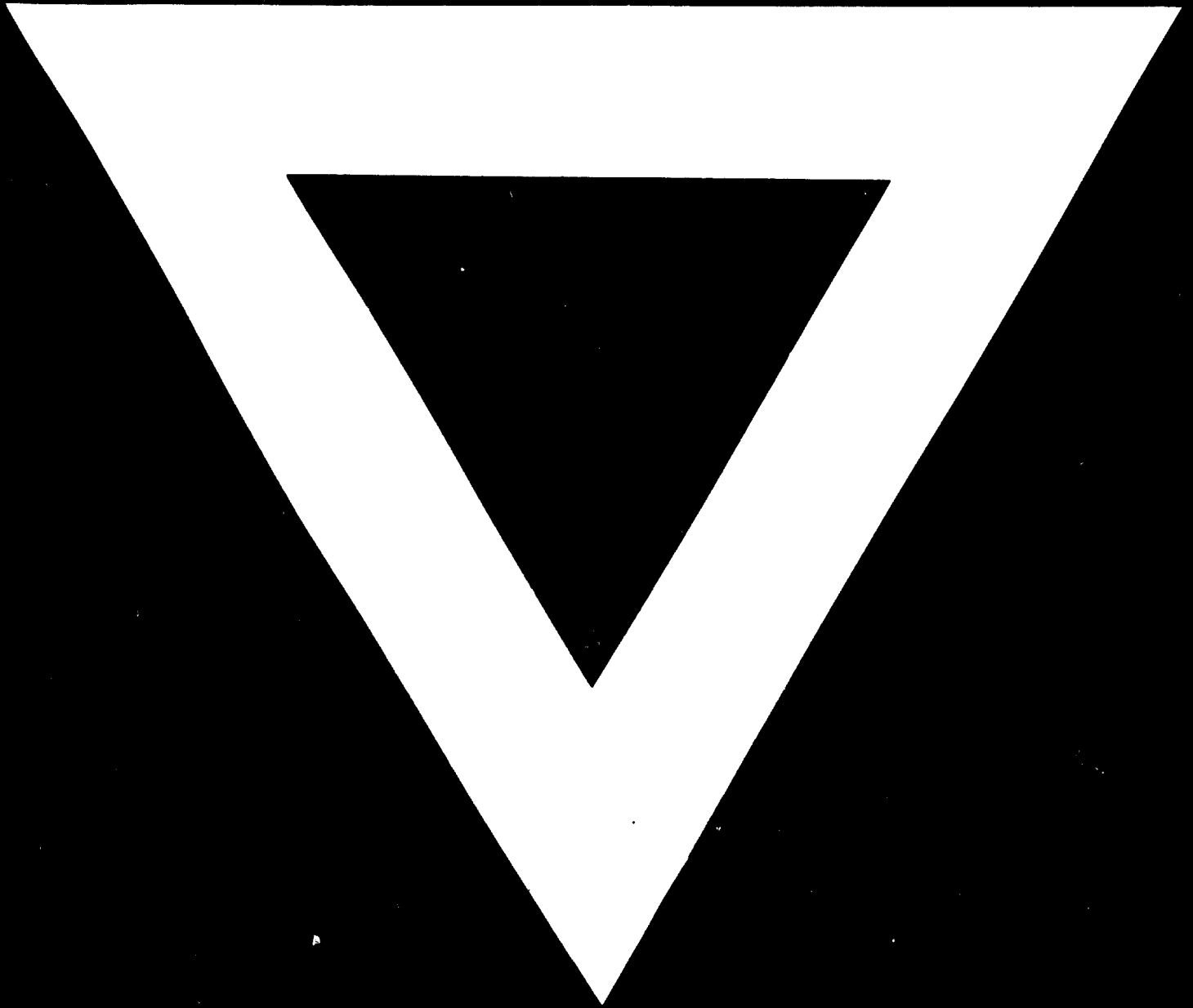
(a) Consultative Group on Industrial Estates and Industrial Areas

The group met at the United Nations Economic and Social Office in Beirut from 31 October to 5 November 1966 and brought together twenty participants and experts from Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia and the United Nations bodies concerned.

(b) Meeting of experts in fertilizers and petrochemical industries from Arab countries

This meeting took place in Kuwait from 15 to 18 May 1967 and was attended by twenty-two participants from Arab countries in the Middle East and North Africa and from the United Nations bodies concerned. It was organized by the Government of Kuwait, under the auspices of the Kuwait Institute of Economic and Social Planning in the Middle East, which is supported by the United Nations Development Programme (Special Fund).





**21 . 9 . 71**