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INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:  
THE EXPERIENCE OF SAUDI ARABIA, 1950-72

by

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## INDUSTRY IN SAUDI ARABIA DEVELOPMENT AND STRATEGY

### Brief Information on the Kingdom:

The Kingdom of Saudi Arabia occupies over 2,000,000 square kilometers of the Arabian Peninsula with a population of approximately 7 millions. It has 1760 kilometers of the Western coast along the Red Sea and 560 kilometers of Eastern coast along the Arabian Gulf. The land boundaries in the south and in the north exceed 2700 kilometers.

The neighbours of the Kingdom include Jordan, Iraq, Kuwait, Qatar, Oman, Yemen and Hadramout; and across the seas, Egyptian Arab Republic, Sudan, Ethiopia, Iran and Bahrein.

In the Eastern Province of the Kingdom, have been discovered the richest oil reserves of the world. The exploitation of these reserves has completely transformed the country's economy and placed the Kingdom as one of the largest oil producers in the world.

The discovery of oil in Saudi Arabia took place in the year 1938 and production started in the following year. Naturally, and in the years followed, the country was busy building itself. Ambitious programmes were implemented in every direction of life, namely transportation, electricity, water, schools, hospital etc. Regarding industrial growth, 36 factories were in production up to the year 1955, and now in 1973, the number of factories is just about to reach 600.

CHAPTER - 1. Pre-conditions for Industrialization

1.A. The Market:

Industrial development in the Kingdom has and will for some time continue to be subject to certain basic conditions and constraints. Small market is one of the most important obstacle to be tackled. Market size of most products are small and limited by relatively small population. With an area of 2,000,000 kilometers, markets are fragmented due to long distances. Naturally, most industries, if not all, are bound to concentrate in the three biggest markets, namely Central, Western and Eastern Provinces of the Kingdom. The industrialists are well aware of the fact. Their intention is always towards building industrial concerns with a low minimum economic size, ready to expand, and have done so with the fast growing demands coming through the natural increase of population, the fast rising per capita income and the large number of foreigners who are working together with Saudi in implementing the huge Government's projects covering every direction of development.

To ensure the success of newly established industries with large scale and more economic production the Ministry of Commerce and Industry has been playing an important role by taking into consideration the existing capacity when licensing new industrial units through careful study of the available market.

1.B. Transport:

Speaking of transport, the situation at present is quite different than in 1950. As a matter of fact such comparison can not exist. Some 10 years ago the Government launched a bold programme of road construction. About 7500 kilometers of roads already exists. Programme formulated under the First Plan include 4300 kilometers of additional roads. The Programme will also include feeder roads and better maintenance facilities. Mechanized road transportation constitutes about 85% of the added value of the whole transportation communications and storage sectors.

The only railway system operating in the Kingdom is a 570 kilometers line connecting Riyadh (the Capital city) with the Dammam Port in the Eastern Province. It runs a passenger service every day of the week except Friday. Cargo service operates daily. The two terminals for international air services are Jeddah in the Western Province and Dhabran in the Eastern. The internal services are provided by the Saudi Arabian Airlines a Government owned organization. Jeddah in the Western coast and Dammam in the Eastern coast are the two major sea ports in the country.

In 1950 transport and communication systems did not help in establishing any industries. In 1960 and after, remarkable achievements were noticed. In 1973 the principal population centres of the Kingdom with industry or industrial markets, are well connected by metalled roads and air services.

A well worth nation wide distribution system of local industrial products is easily noticed in spite of the long distances between major cities.

1.C. Power and Water:

During the period from 1965 to 1970, the sector covering electricity, gas, water along with the manufacturing sectors showed a high annual growth rate of 13.3 percent. It is expected that during the Development Plan period 1970-1975, it would grow at the same rate. Electricity rates differ between domestic and industrial consumers. For industrial consumption a relatively lower rate has been set up to encourage industrialization in the country. To ensure a wide range of electrification the Government has been giving subsidies to most of the electricity companies in the small towns. Supply of electricity power is no more a constraint on industrialization.

To cope with the problem of water scarcity in the Kingdom projects of water supply have high priority in the Development Programmes. Since 1965, the Government has started a programme to establish sea water desalination plants. Small desalination plants have been constructed in different areas. The largest one has been established recently in Jeddah on the Red Sea. As far as industry is concerned, factories with large consumption of water would face scarcity problem, others generally make their own arrangements by engaging water tanks or sinking deep wells where possible.



1.D. Industrial Site:

The construction of three industrial estates has just been completed. They are located in the three biggest cities in the Kingdom within a distance of 2 to 8 kilometers outskirts from the centre of the respective towns.

Several industries have already been allotted plots of land on a nominal rent basis. Some factories already started production, many others are under construction and installation stage.

The Industrial Estates provide all essential facilities in the Estates. Their facilities include supply of water, electricity, sewage, telephone, a tank, a post office, police and fire stations, a mosque, a canteen and health centre etc. Workshops equipped with modern machinery are being established to provide common service facilities to the factories.

Applications for allotment of land in the Estates should be submitted to the General Directorate of Industry in the Ministry of Commerce and Industry where reviewed by a Special Committee formed for this purpose.

After the successful experience of the Industrial Estates the Government is studying the establishment of some other Industrial Estates in many smaller towns.

1.E. Local Raw Materials:

Most industries in Saudi Arabia depend on imported raw materials. All licensed industries import their needs without having to pay any custom duty on them. The Government is following this policy to help in reducing production cost of the local industry.

Few industries in Saudi Arabia depend on locally produced materials, among those are; Petroleum refining, Cement, Gypsum, Marble, Glass bottles, Date packing and Hollow bricks, and some others, most important is the Tomato Paste and Juice factory, which is scheduled to start production within few weeks. All these factories are built after 1965.

At present there is an ambitious programme of exploitation of national mineral resources. Extensive studies have been carried out. The following minerals which have been established to exist:-

Iron (hematite 45%)	Salt
Iron (hematite, magnetite)	Glass Sand
Iron (magnetite 25%)	Clay
Gold	Gypsum
Copper	Barite
Silver	Phosphate
Zinc	

Other minerals are in various stages of studies such as Kaolin, Feldspar, China Clay.

1.F. Human Skills:

Since industry started in Saudi Arabia, the shortage of human skills has been considered one of the most serious constraints on industrialization and will remain for some time to come. Despite the programmes of education, training and other manpower development, supply of labour force in certain categories will fall short of the estimated requirements at least for the next 5 years. The supply and demand gap will have to be filled up by expatriates. These include professional personnel with University Degrees managers and administrators, technicians and sub-professional workers and skilled and semi-skilled workers. To overcome this problem, a long term policy has been set up to ensure the increase of existing pool of educated and trained manpower. Training programmes are being promoted through Vocational Training Centres, training in private establishments and Ministries, as outlined under the Labour Regulations, it has been made obligatory for certain categories of establishments to impart organized training to Saudi nationals.

1.G. Available Financing:

In the course of its growth, the Saudi industry has drawn on a whole range of sources: Saudi Private Savings, Foreign Equity and Equity like Participation, Suppliers,

Credits, the General Investment Fund established by the Government, Retained Profits, Depreciation Provisions, Borrowing from Commercial Banks and Foreign Investment Institutions. In addition, the establishment of an Industrial Development Bank is under consideration. Due to the favourable Balance of Payments position, foreign exchange component of the Capital Cost of industrial projects does not present any problem.

## CHAPTER II. Industrialization Achievements upto 1972.

### 2.A. Brief Review:

Licensing in Saudi Arabia is not obligatory. Many industries have been established without obtaining licenses. But the licensed industries cover a major part of the new industrial activities. Only these are entitled to privileges under the Statute for Protection and Encouragement of National Industries.

Until the end of 1972, some 324 licenses were issued by the Ministry of Commerce and Industry. Of these, some 100 licenses had been granted upto 1966. Between 1967 and 1972 the number of new licenses increased steadily from year to year. Although the year of licenses does not necessarily imply either the year of setting up or completion of the project. The figures show overall development of industry if not its growth rate.

Statistics show that upto 1955, 36 industrial establishments were in production each engaging 10 or more persons. During the period 1955-1972, about 280 establishments commenced production. Table-1 shows the growth of Saudi industry by number of licensed industrial establishments. Table-2 shows the total capital employed and value of output in 1970. The data obtained from a Techno-Economic Survey done by the Industrial Studies and Development Centre in 1971.

TABLE-1

GROWTH OF INDUSTRY BY NUMBER OF LICENSED ESTABLISHMENTS

<u>Year</u>	<u>No. of Establishments</u>
Upto 1955	36
1956	41
1957	51
1958	60
1959	70
1960	76
1961	93
1962	106
1963	127
1964	150
1965	164
1966	180
1967	202
1968	223
1969	253
1970	292
1971	336
1972	374

TABLE-2Total Capital Employed and Output  
(1970)

\* SR 1000

<u>Industry Groups</u>	<u>No. of Units</u>	<u>Capital Employed</u>	<u>Value of Output</u>
Food and Beverages	77	121,829	82,927
Textile and Leather	7	10,452	6,541
Wood and Wooden Products	29	4,062	7,912
Paper and Paper Products	33	38,189	40,306
Chemicals and Petroleum	15	999,148	2,134,908
Non Metallic Mineral Product.	66	231,460	110,505
Iron and Steel	1	37,300	4,179
Metals and Machinery	62	28,211	29,335
Unclassified Industries	2	390	22,386
TOTAL	292	1,470,940	2,439,065

\* One U.S. Dollar equals 3.55 Saudi Riyals.

Due to the short history of Saudi industry, most industries in the country are of relatively small size intended mainly to satisfy the local market except for the petroleum industries. Capital goods industries are not known yet. However, it is not desirable at this stage of development.

One of the most successful industries in Saudi Arabia is the building materials industry, i.e. Cement, Gypsum, Tiles, Blocks and Aluminium windows and doors etc. As construction growing extremely fast, these industries are expanding in turn. At present, the three big cement plants could not cope with local demand. Expansion of existing plants and establishing of some new factories are seriously under consideration.

At present several big industrial projects of local and export nature are in the stage of negotiation. Most of them are of Joint-venture basis. Examples are Sugar Refinery, Steel Mill, Aluminium Mill, Hydrocarbons, Spiral Welded Pipes, Motor Cars Assembly and many others. It is expected that during the current decade and the coming one, industry in Saudi Arabia will have a new face.

2.B. Statistical Indicators of Industrial Development Program

Gross Domestic Product and Manufacturing Sector:

The petroleum sector continued to occupy the dominant position with more than half the Gross Domestic Product (GDP) of the country generated by it in 1971-1972. Table-3 sets out the structure and indicates the growth of GDP at current factor costs. It details only the leading components of GDP. It also gives estimates of GNP and National Income.

While attempts are being made continually to undertake surveys to improve data sources, it should be recognized at the very outset that the estimates as set out in Table-3 are computations based on a number of assumptions. The estimates should be considered representative only by broad order of magnitudes. Some conclusions nevertheless, are unmistakably indicated:-

- i) The economy has maintained a steadily high growth rate, doubling the GDP, GNP and National Income in a short span of six years.
- ii) The mainstay of growth, as well as the principal components of the national product continues to be the oil sector. Within the oil sector, the major share is of extraction of crude oil and natural gas - as distinguished from refining and petro-chemical industries.



iii) Manufacturing both in oil and non-oil sectors has kept pace with the overall growth of economy. One could reasonably expect a speedier growth in this sector in the near future. However, the annual rate of growth in manufacturing sector was approximately 13% over the last five years, with a 5% contribution to national output (Gross Domestic Product) in 1970.

TABLE-3

GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN  
(AT CURRENT FACTOR COST)  
1964-65 - 1970-71

Sectors	1964-65	1969-70*	1970-71*	(SR Million) Percentage Increase(Annual) in 1970-71 over 1964-65
<u>Selected Sectors</u>				
1. Agriculture, Forestry, Fishing	874.4	1002.7	1035.9	2.8
2. Mining and Quarrying:- Crude Petroleum and Natural Gas	4508.8	8238.0	11350.3	16.6
Other Mining and Quarrying	25.1	42.2	44.5	10.0
3. Manufacturing	849.6	1539.8	1812.3	12.8
4. Construction	501.7	841.4	890.0	10.0
5. Electricity, Gas and Water	128.2	212.5	231.6	10.4
6. Transport, Storage	739.4	1307.7	1433.7	11.7
Other Sectors	2630.3	4107.5	4478.0	11.3
Gross Domestic Product at Factor Cost	10257.5	17371.1	21276.3	13.8
Gross National Product	8057.5	13410.1	15929.7	12.7
National Income	7251.7	12069.1	14336.7	12.1

\* Provisional Estimates.

SOURCE: Central Department of Statistics.

### Industry and Employment:

Despite the present growth of population estimated at 2.75% per annum, there is a shortage of manpower in the Kingdom. The density of population is extremely low. However, the employment of less than 8% of the grown-up population in manufacturing, mining and quarrying and utility industries against 46% in agriculture, fishing, livestock and other specified rural activities show the scope for increased flow of new entrants to industry.

### Value Added:

Tables-4 and 5 giving data analysis of value added show the real contribution of industry. The former Table gives the position mainly in absolute terms, the present selected significant ratio.

The data used was drawn from a Techno-economic Study conducted in 1971 by the <sup>1/</sup> Industrial Studies and Development Centre based on an industrial survey covered 293 industrial establishments which represents approximately half of the total establishments in the country. As it is shown from the Tables the total gross value added aggregated to approximately SR 1270 million. The net value added from all groups was of the order of SR 1200 millions. Without the refineries,

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<sup>1/</sup> A Government Organization concerned with Industrial Development of Saudi Arabia.

non-metallic minerals based products contributed about 40% of the total and food and beverages 24% of the total. The two figures in close proximity (11.9 and 11.6 per cent) were for paper products and Printing and chemicals including fertilizers.

TABLE-4

**VALUE ADDED BY INDUSTRY GROUPS  
(1970)**

ISIC No.	Industry Groups	No. of Units	Value of Goods Produced	Cost of Materials Added	Gross Value Added	Net Value Added	(Amounts in SR '000)	
							Percentage of Total Net Value Added	Percentage of Total Net Value Excluding Refineries
31	Food and Beverages	77	82370	38694	44186	38653	3.2	23.8
32	Textiles and Leather	7	6666	1993	4668	4493	0.4	2.6
33	Wood and Wood Products	29	7760	3878	4082	3798	0.3	2.3
34	Paper and Paper Products and Printing	33	40761	19353	21408	19454	1.6	11.9
35	Chemicals and Petroleum Products	16	2137237	1039470	1097767	1058139	85.0	21.6
36	Non-metallic Mineral Products	66	108793	27129	81665	64651	5.5	4.6
37	Iron and Steel	63	34789	20476	14313	11973	0.9	7.3
38	Metals and Machinery							
39	Unclassified Industries	2	22386	21559	727	710	0.1	0.4
<b>ALL GROUPS</b>		<b>293</b>	<b>2441462</b>	<b>1172646</b>	<b>1268816</b>	<b>1201871</b>	<b>100.0</b>	
<b>ALL GROUPS EXCEPT PETROLEUM REFINING</b>		<b>290</b>	<b>345603</b>	<b>162499</b>	<b>193111</b>	<b>162579</b>		<b>100.0</b>

\* TECHNO-ECONOMIC SURVEY.  
Industrial Studies and Development Centre (1971).

TABLE-6

VALUE ADDED AND PRODUCTIVITY RATIOS BY INDUSTRY GROUPS  
(1970)

ISIC No.	Industry Groups	No. of Units	Percentage of Value Added to Value of Goods Produced	Percentage of Value Added to Capital Employed	Value Added per Person Employed (SR '000)
31	Food and Beverages	77	46.6	31.7	12.0
32	Textiles and Leather	7	67.5	42.9	19.8
33	Wood and Wood Products	29	47.8	93.5	7.3
34	Paper, Paper Products and Printing	33	47.7	50.9	17.0
35	Chemicals and Petroleum	16	49.5	105.9	404.3
36	Non-Metallic Mineral Products	66	59.4	27.9	21.7
37	Iron and Steel	63	34.4	18.3	7.5
38	Metals and Machinery				
39	Unclassified Industries	2	3.2	182.1	34.5
	ALL GROUPS	293	49.2	81.7	97.9
	* CHEMICALS WITHOUT PETROLEUM AND FERTILIZERS	12	44.5	53.4	27.4
	ALL GROUPS WITHOUT REFINERIES	290	47.0	30.5*	15.1

\* Based on Capital Employed of 289 establishments. Non-reporting establishments on capital is a relatively small one.

Leading Growth Indicators:

Table-6 provides for some leading industrial growth indicators covering the period from 1964 to 1971. Data covering previous years are not available.

In the last two columns in Table-6 have been tabulated the growth in added values in the oil non oil manufacturing sectors. These show 11.0 and 11.7 per cent average annual compound growth rates during the period 1964-65 to 1970-71. The time series on added value in manufacture computed and GDP estimates\* are based on limited data and have therefore been relegated in the Table to a secondary position. It is necessary, in order to develop a reasonable picture of industrial growth, to examine other characteristics.

Since a large part of the material inputs of industry is imported, imports of industrial supplies is expected to give an indication of progress in volume of production. The average annual growth rate between 1964-65 and 1969-70 shown by this Characteristic was only 4-5 per cent.

Industrial production may indirectly reflect in the consumption of industrial fuels, as shown in the Table, the local consumption of fuels increased during the said period by about 18%. Cement industry was the second largest manufacturing industry in the country. The production of cement rose at an annual rate of 19% during that period.

On the investment or capital formation front, import of investment goods may be a possible index of growth. The growth rate during the period covered was of the order of 13%.

The foregoing analysis would show that average annual growth rate in manufacturing industry was shown to be higher than 10% by all indices except the one for imports of industrial supplies.



**TABLE-6**  
**LEADING INDUSTRIAL GROWTH INDICATORS**  
**(1964 - 1971)**

Year	Imports of Industrial Supplies	Imports of Investment Goods	Exports of Refined Oil Products	Local Consumption of Industrial Fuels	Concentration of Production	Added Value in Non-Oil Manufacturing Sector	Added Value in Petroleum Manufacturing Sector
1964-65	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1965-66	109.3	100.6	100.0	136.1	129.2	111.0	104.1
1966-67	99.3	102.3	111.9	153.4	166.8	123.8	111.1
1968-69	145.0	181.4	147.5	218.2	229.6	156.3	143.7
1969-70	124.5	186.6	167.1	233.5	266.8	173.8	177.3
1970-71	NA	NA	NA	265.3	281.2	194.4	187.4
Average Annual Compound Growth Rate	4.5	13.3	13.4	17.7	18.8	11.7	11.0

NA = NOT AVAILABLE.

Source: Techno-economic Survey ( ISDC ) 1971.

CHAPTER-3

THE STRATEGY OF INDUSTRIALIZATION

3.A Selection of Priority Industries:

As a part of the first Development Plan which was launched in 1970, Projections were made of the expected expansion in the manufacturing sector excluding oil refining, petro-chemicals and fertilizers. These projections were based on (i) programmes under way or in planning stages (ii) possibilities of utilization of raw materials and intermediate products available, and (iii) expected growth of demand and prospects of import substitution.

The main target to be achieved during the plan period for the manufacturing sector is a growth rate of 14% annually. During the years 1970-1972 manufacturing sector has achieved a growth rate of little over than 12%. During the whole period between 1960-1971, before the First Plan, the manufacturing sector has achieved an average annual growth rate of about 11.5 against 10.6 in petroleum refining, 12.3 in crude oil and natural gas. For the whole economy, 10% average annual growth rate was achieved throughout the mentioned period.

In the Development Plan the projections were made for three digit - International Standard Industrial Classifications and were grouped under 12 industrial sub-sectors. The projected

programmes in manufacturing involved a total capital investment of about SR 305 million. The investment when made would increase the gross value of output from the sector covered by approximately SR 425 million, yielding an added value of SR 210 million annually. The increase in output would represent an annual compound growth rate of about 12 percent. The total increase in investment was estimated at 75%, in raw materials consumption at 97% and in employment at 40% over the plan period.

The Development Plan indicated clear cut priorities for the development of new industries. They were described in terms of a list of specific projects. During the first three years of the Plan, about 50% of the projects listed were either implemented or under construction or just licensed.

#### Basic Approaches:

In the Development Plan, industrial opportunities and prospects for industrial expansion were identified by adopting a number of approaches. Some of these are:-

- A) By Import Substitution
- B) By Expanding the size of industrial units to enable them to gravitate towards optimal size
- C) By discovering opportunities for greater manpower utilization.
- D) By backward and forward integration.

It was realized that it is often necessary to combine more than one phenomena in order to ensure that the identified opportunities satisfy, among others (i) national economic criteria and priorities, (ii) commercial viability, (iii) physical and technical feasibility, (iv) comparative cost advantage. An industrial opportunity highly advantageous from one angle might prove extremely disadvantageous from another. Each individual opportunity had, therefore, to be evaluated by different criteria.

### 3.B Implementation of Industrial Projects:

Since industry started in Saudi Arabia around 1958, the Government was mainly responsible for the implementation of Petro-chemicals, Fertilizers, and basic Metal Industries - Non oil manufacturing sector was left completely to the private sector.

Main projects already established by the Government are:-

- (i) SAGCO - a Fertilizer Plant with a Daily Capacity of 1100 tons of urea and 35 tons of crude sulphur (49% participation of private sector),
- (ii) Steel Rolling Mill - with an annual capacity of 75,000 tons of rods, angles and steel iron of various sizes.
- (iii) Two refineries, one already started production the other is under construction.

Many other projects are either in production or under construction.

**B.C. Export Promotion:**

Most of Saudi industries are based mainly to satisfy local market except the petro-chemical industries. However, some local industries have been tackling the neighbouring markets successfully, among these are: Confectionary, leather products and footwear, rubber products etc.

Many other industries are expanding at present to enlarge their markets. There is no such duty on exportation. Export subsidy is under consideration by the Government.

**3.D Promoting Employment:**

Due to the shortage of labour in the country, most industries are established on capital intensive basis. A short run and long run policy has been followed by the Government to overcome the shortage of labour. The former is to depend on both Saudi workers and expatriates (recent statistics show almost 50% of workers are foreigners) to ensure continuous industrialization. The latter is to adopt ambitious training programmes and remarkable increase in technical and vocational training institutes.

**3.E Training of Local Labour and Management:**

Over 2000 Saudi students were studying in 1972 in overseas institutions of higher education. These, along with others to be sent in future and those receiving higher education and

training in the Kingdom itself, would add to the existing pool of educated and trained manpower.

There is an Engineering College which is an integral part of the University of Riyadh. In Dhahran has been established a fully equipped College of Petroleum and Minerals.

There are two Vocational and Industrial Institutes, one in Riyadh and the other in Jeddah. There are two technical Schools located in Medina and Hofuf. These four institutions have an enrollment of about 700.

Five Vocational Training Centres have been established: at Riyadh in the Central, at Jeddah in the Western, at Damman in the Eastern, at Buraidah in the Northern and at Al-Jauf in the Southern Province. By 1971, some 1760 trainees had already graduated from the first four centres. At the end of 1971, the number of trainees and graduates were as follows:

	<u>Trainees</u>	<u>Graduates</u>
Riyadh	342	984
Jeddah	229	316
Damman	190	243
Buraidah	123	222
Al-Jauf	68	-
Total	<u>952</u>	<u>1765</u>

The enrollment capacity of these training centres would be expanded during the first Development Plan. During the same period one centre at Khamia Mushayt would be established. Each centre would have a capacity of 350 candidates and it is expected that during the Plan period some 7000 skilled and semi-skilled workers would be added to the total labour force. In addition, there would be established 6 smaller centres with a capacity of 100 each at Mecca, Medina, Wadi Al-Dawaser, Al-Hassa, Ha'il and Ghamed and Zahran Areas.

The training programmes outlined above exclude those being planned by other agencies such as the Industrial Studies and Development Centre and private industry including companies like ARAMCO. Under the labour Regulations, and those concerning foreign capital investments, it is obligatory for certain categories of establishments to impart organized training to Saudi nationals.

#### **CHAPTER-4. INDUSTRIAL POLICIES AND MEASURES**

Saudi Arabia is following a free trade policy. However protection of local industries is recognized by way of:-

- a) Limiting of imports of competitive products.
- b) Raising customs duties on the import of competitive products. (maximum level of tariff is 30%).

These privileges come under the Statute for Protection and Encouragement of National Industries issued in 1961.

Other privileges in the Statute are:-

- i) Exemption from Customs Duties on imports of machines, tools, instruments, spare parts, raw materials (primary or semi-manufactured), packing materials including cases and cylinders.
- ii) Provisions at nominal rent of land for factories and for industrial housing.
- iii) Financial assistance to industrial enterprises.
- iv) Exemption from Customs Duties and other Taxes on exports of locally manufactured goods.

The following conditions are to be fulfilled to secure the privileges:-

- a) Submit all required information and allow inspection by the Officials of the Ministry of Commerce and Industry.



- b) Use the machinery and materials for the purpose and in the factories for which the exemptions have been granted, and
- c) Employ only Saudi labourers and technicians except to the extent approved by the Ministry of Labour and Social Affairs.

#### Foreign Capital Investment Code

The regulations and encouragement of foreign investment are governed by the Foreign Capital Investment Code issued in 1963. According to the Code, foreign capital covers monetary flow of capital, financial and commercial papers, machinery and spare parts, raw materials and finished products, means of transportation inventories, patents and trademarks owned by individuals or corporate bodies of non-Saudi nationality. Investment in Petroleum and Mineral projects are governed by separate concession contracts to be negotiated with the Ministry of Petroleum and Mineral Resources.

The Foreign Capital which seeks to have the benefits from Regulation must be invested in an economic development project. The Code extends to enterprises with foreign capital all privileges enjoyed by national capital under the Statute for Encouragement and Protection of National Industries mentioned above. It also exempts these industrial enterprises from income tax for a period of 5 years from the commencement of production.

The project however, must have local capital participation of not less than 25 per cent.

Protection through Tariffs:

Level of tariffs in Saudi Arabia vary between a minimum of 5% and a maximum of 30%. Tariffs is being used for both, revenue purpose and protection purpose. In many cases, tariff has been amended to protect local industries faced by undue foreign competition.

The decision of amendment should be based on a detailed study to be done jointly between the Ministry of Commerce and Industry and the Ministry of Finance and National Economy.

The Development Plan and Industrial Policy

The Development Plan recognises the high potential of industrial development in the Kingdom. It envisages a major contribution by it to the diversification of the economy. Towards that end, it spells out the following objectives of industrial development:

- I) Diversification of economic activities to produce preponderant dependence on the petroleum sector, leading to a more balanced economic structure;
- II) Regionally balanced development of industry;

- III) Import substitution through local production to serve foreign exchange earnings;
- IV) Fuller utilization of existing capacity in the manufacturing sector;
- V) Increased productivity through approach to optimal size of factories and integration;
- VI) Promotion of interlinkages among industries;
- VII) Reduction in the dependence on expatriates through training in vocational schools and other institutions and through on-the-job training.

To promote industrialization, the plan provides for many supporting measures. These include:

(a) In the field of oil and mineral development

- i) to increase the sale of petroleum products, fertilizers and other petrochemicals;
- ii) to announce a clear pricing policy for refined petroleum products and natural gas and to supply these to domestic industrial users at actual cost;
- iii) to expand the capacity of official and semi-official agencies to assume responsibility for geological surveys and explorations performed by foreign missions;

iv) to promote investments in exploration and exploitation of minerals by encouraging foreign mining companies and national private capital to participate in new ventures.

(b) In the field of construction industry:

v) to improve productivity and standards of the construction industry;

(c) In the field of public utilities:

vi) to promote a rural electrification programme for encouraging small scale industry;

(d) In the field of transportation:

vii) to complete highways linking major population centres, to design and undertake construction of new roads and to improve maintenance of existing roads;

viii) to expand the capacity of Jeddah, Damman and Jizan ports;

ix) to complete the study on railway programme to determine proper freight rate levels and to encourage long term contracts for selected cargo at special rates;

(e) In the field of manpower development:

x) to establish new and to expand the capacity of

the existing vocational training and engineering institutions;

xi) to encourage and assist overseas education and training of nationals;

xii) to promote on-the-job training of nationals in industry.

Other Industrial Incentives:

Besides the incentives already mentioned in Regulations for Protection and Encouragement of National Industries and the Foreign Capital Investment Code there are several other incentives exist to promote industrialization in the Kingdom, they are as follows:-

1. When found in the national interest and ensure larger scale and more economic production, the Government take into consideration the existing capacity when licensing new industrial units.
2. The Industrial Studies and Development Centre (ISDC) has been established to promote industrial research and development and to conduct all types of pre-investment studies on behalf of businessmen. Besides, ISDC give full extension services to new and operating industrial enterprises.

3. A large number of students are being sent abroad at Government expense, to receive higher education and training, while special institutions have been established to provide engineering education at vocational training.
4. Preferential treatment is accorded to the locally produced industrial products in the matter of purchases made by the Government. Subject to normal business considerations, such as of delivery, preferential treatment up to 10 per cent over comparable imported products may be given by the Government departments in making their purchases from local industry.
5. The Government has taken the initiative to establish some key industries. They have welcomed participation of private investors in these enterprises and would be prepared to sell their interest to private enterprises at a suitable stage.
6. The Government encourages national industry by entering into bilateral agreements with foreign countries, by participation in international trade fairs and exhibitions and by exchange of trade and industrial delegations.

CHAPTER-6. INSTITUTIONS AND INDUSTRIALIZATION  
1966 - 1972

BROAD STRUCTURE

Industrial development and regulations in Saudi Arabia is primarily the responsibility of the Ministry of Commerce and Industry. In the field of petroleum and mineral-based industries, the responsibility rests mainly with the Ministry of Petroleum and Mineral Resources. A wholly state-owned agency, established by Royal Decree, the General Petroleum and Minerals Organization (PETROMIN) is the principal institutional tool in this respect.

The Ministry of Commerce and Industry is supported by, among others, a General Department of Industry, an Electricity Services Department, a Department of Companies, an Office of Foreign Investments and Committees to consider applications for industrial licences and foreign investments.

The institutional counterpart of PETROMIN associated with the Ministry of Commerce and Industry although in functions basically different-- is the Industrial Studies and Development Centre (ISDC).

Planning has been accepted by the Government as essential to the orderly and efficient mobilisation and allocation of resources for the economic development of the country. Towards this end the Central Planning Organization (CPO) was established in 1964 replacing its predecessor, the Supreme Planning Board. Planning units have been formed in the various ministries and agencies. The following illustrate the functions of several

institutions and offices established to serve industrialization in the country.

### THE CENTRAL PLANNING ORGANIZATION

The CPO coordinates and integrates planning of all sectors including the industrial sector. It also attempts to monitor and evaluate the progress of various programmes incorporated under the country's plan. The functions of the CPO include:

- (i) preparing periodically, reports on the country's economy;
- (ii) formulating, subject to the approval of the Council of Ministers, plans for economic development;
- (iii) establishing financial outlays for projects approved by the Council of Ministers;
- (iv) conducting economic studies and making necessary recommendations;
- (v) assisting Ministries and Departments in the implementation of development plans; and
- (vi) providing technical assistance to the Government on request in specific areas of policies and programmes.

### THE INDUSTRIAL STUDIES AND DEVELOPMENT CENTRE

The Industrial Studies and Development Centre (ISDC)



was established in 1966 as an independent body governed by a Board of Directors with the Minister of Commerce and Industry as the Chairman. The Headquarters of the Centre are located in Riyadh and it has a Branch Office in Jeddah. Another is to be established in Dammam in 1973.

The ISDC was established:

- (i) to conduct industrial researche and etudies;
- (ii) to give advice and consultation on formulation of industrial policies, plans and programmes and on the implementation of industrial projects;
- (iii) to provide technical assistance to existing industrial enterprises; and to participate with the Ministry of Commerce and Industry in planning, construction and operation of Industrial Estates.

#### GENERAL PETROLEUM AND MINERAL ORGANIZATION

PETROMIN was established by the Government in 1962 to undertake the following functions:

- (i) implementation and administration of public petroleum and mineral projects in the country;
- (ii) importation, directly or through agents, of the mineral needs of the country;
- (iii) preparation (on its own or through others) of studies and carrying out of operations entrusted to it by the Government, with regard to searching

for, producing refining, purchasing, selling,  
transporting, distributing and marketing petroleum  
and minerals at home and abroad,

(iv) establishing cooperation with private companies  
and organizations for undertaking petroleum or  
mineral activities, and

(v) establishing companies or enterprises and partici-  
pating in their capital, at home or abroad.

The Technical Industrial Bureau of the  
Ministry of Commerce and Industry:-

Being supported with various experts in most industrial fields, the Technical Bureau has the following main functions:-

Industrial Licensing:

Before issuing any industrial licenses, all licensing applications forms along with the feasibility studies conducted by the investore, should be submitted to the Bureau for evaluation on the basis of:-

- (i) National Economic Benefits
- (ii) Commercial Viability
- (iii) Existing capabilities of similar projects.

The final issuance of any license is subject to the recommendations of the Bureau and the approval of the Minister of Commerce and Industry.

Exemption from Customs Duties:-

Well in advance of the arrival of goods, the licensing factories should submit, a letter of application to the General Department of Industry, giving description of the consignment, name of exporter, the country of origin, numbers and dates of invoices and quantity and prices in foreign countries. The application should carry an undertaking stating that the goods would be used for the benefited purposes of the factory.

Each application with the supporting documents is to be checked by the Technical Bureau to ensure that the goods to be exempted are within the capacity licensed by the Ministry and shall be used for the purpose of industrial production according to the Statute for Protection and Encouragement of National Industries.

Exemption decisions are subject to the recommendations of the Technical Bureau and the approval of the Minister of Commerce and Industry.

SOURCES OF THE STUDY

- Techno Economic Study - ISDC 1971
- Guide for Industrial Investment in Saudi Arabia - ISDC 1972
- Protection of Saudi Industry Through Tariffs - ISDC 1972
- Statistical Year Book - Central Department of Statistics 1970,71,72
- SAMA Annual Report - Saudi Arabian Monetary Agency 1970,1971.
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and Industry - 1972.
- Status for Encouragement and Protection of National Industries -  
Ministry of Commerce and Industry - 1961.
- Foreign Capital Investment Code - Ministry of Commerce and  
Industry - 1966.
- Memo on Foreign Investment in Saudi Arabia - Ministry  
of Commerce and Industry - 1973.
- Development Plan - Central Planning Organization - 1970.



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ESTRATEGIA Y POLITICAS DE DESARROLLO INDUSTRIAL:  
LA EXPERIENCIA DE LA ARABIA SAUDITA, 1950-1972

por

Ahmed S. Twaijri\*

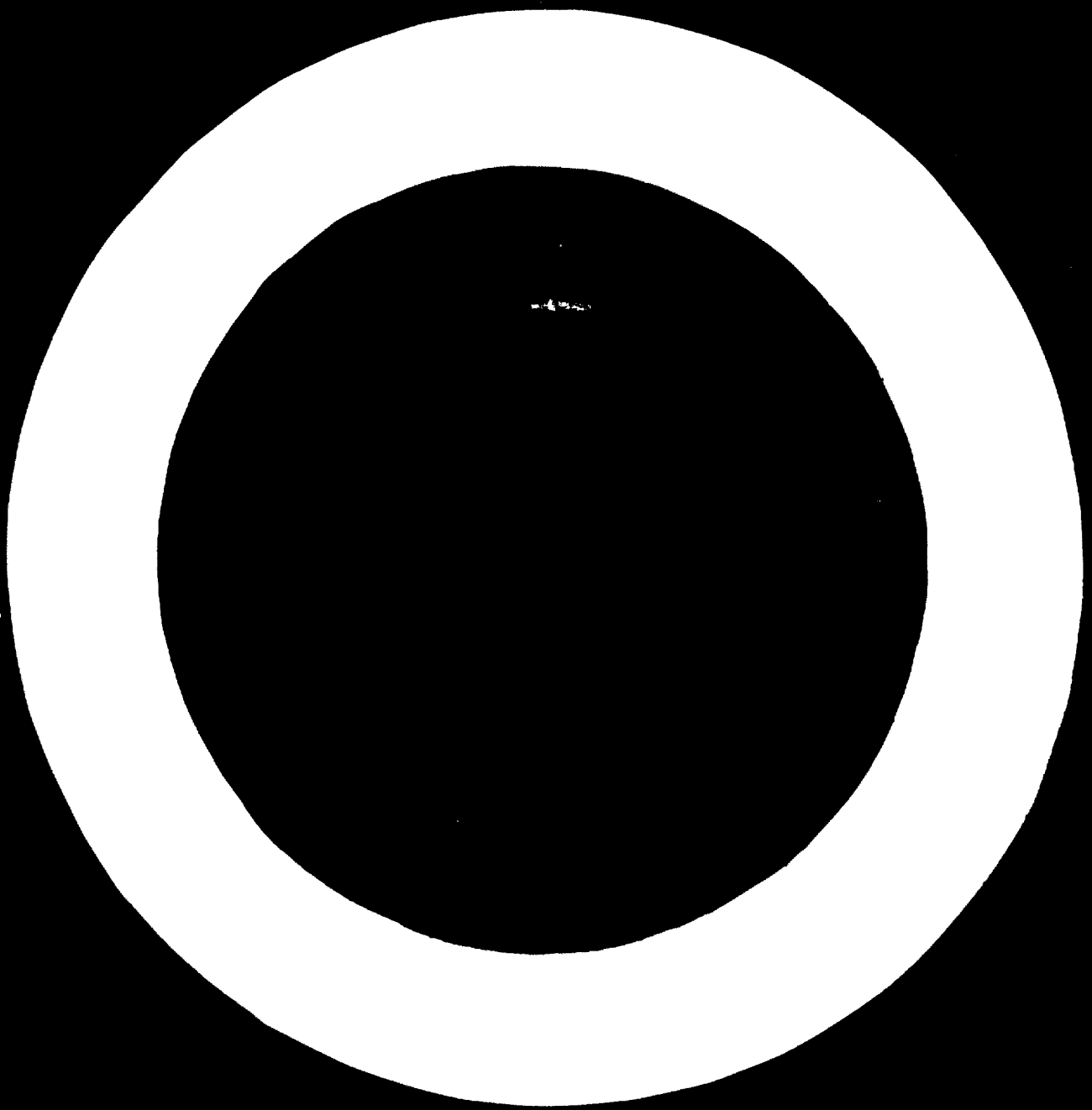
RESUMEN<sup>1/</sup>

Condiciones previas para la industrialización

1. La Arabia Saudita ocupa más de dos millones de kilómetros cuadrados de la península arábiga, y cuenta siete millones de habitantes. La tierra es, en su mayor parte árida o desértica; y buena parte de la población es nómada. En 1938 se descubrieron en la Provincia Oriental abundantes reservas de petróleo; y el país es hoy uno de los mayores productores del mundo. A finales del decenio de los años 50, se emprendieron ambiciosos programas de desarrollo en esferas tales como el transporte, el suministro de energía eléctrica y de agua, y la creación de escuelas y hospitales; y hacia finales del decenio de los 60 se habían eliminado la mayor parte de las restricciones materiales que limitaban la industrialización.
2. Gracias a un decidido programa de construcción de carreteras emprendido durante los años 60, los principales centros de población están ahora unidos entre sí mediante carreteras de macadán y servicios de transporte aéreo, lo que permite distribuir

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<sup>1/</sup> El presente resumen ha sido preparado por la Secretaría de la ONUDI basándose en el trabajo presentado por el autor. Las opiniones que éste expresa no reflejan necesariamente las de la Secretaría de la ONUDI. El presente documento no ha pasado por los servicios de edición de la Secretaría de la ONUDI.



fácilmente por todo el país los productos de fabricación local. El suministro de energía eléctrica aumentó con gran rapidez durante los años 60, y a los usuarios industriales se les cobra la energía a bajo precio, para alentar la industrialización. El suministro de agua sólo sigue siendo problema en unas pocas zonas. Recientemente se han terminado parques industriales en las cercanías de las tres ciudades más importantes, y se está planeando el establecimiento de parques industriales en otras ciudades.

3. Con todo, aún hay algunos factores limitativos. El mercado de la mayoría de los productos es pequeño y disperso. La mayoría de las industrias han de recurrir a materias primas importadas. Entre las industrias que utilizan materias primas locales figuran las productoras de cemento, yeso, mármol, botellas de vidrio, ladrillo y diversos alimentos elaborados. Se está trazando un ambicioso programa para la explotación de los recursos minerales del país (mineral de hierro, oro, cobre, plata, zinc, barita, fosfato, caolín, soldespato, caliza blanca, etc.)

4. El más grave de los factores que aún limitan la industrialización es la escasez de personal especializado. Muchos de los puestos de gerente, administrador, técnico y trabajador calificado siguen siendo desempeñados por extranjeros. Con todo, continúa aumentando el número de instituciones de formación profesional y técnica, y se obliga a algunos establecimientos industriales a organizar programas de capacitación para nacionales del país.

#### Progresos de la industrialización

5. Durante el período 1960-1971, la producción del sector manufacturero aumentó anualmente a razón de una tasa del 11,5%. En 1970, más del 50% del producto nacional bruto correspondió al sector petrolero; el sector manufacturero aportó aproximadamente el 3,5% (cifra que queda reducida a un 2,0%, aproximadamente, si se excluye la refinanciación de petróleo); la aportación de la agricultura fue del 5%.

6. El número de industrias autorizadas (que viene siendo la mitad de las existentes) aumentó de 36 en 1955, y 76 en 1960, a 164 en 1965, 292 en 1970, y 374 en 1972. La mayoría de las industrias son pequeñas o medianas y sólo abastecen el mercado interno. En un censo industrial levantado en 1971, y que abarcó 293 establecimientos industriales, se puso de manifiesto que, de la cuantía total del valor agregado en el sector manufacturero (1.268 millones de riyals), 1.097 millones correspondieron a las industrias de refinación de petróleo y químicas; 44 millones, a las industrias productoras de alimentos y bebidas; 88 millones, a las industrias basadas en



los minerales no metálicos; 14 millones, a la siderurgia; y 21 millones a los sectores del papel e imprentas.\*

7. Se espera que el producto del sector manufacturero suente a razón de un 14% anual en los primeros años 70, de 1970 a 1972 se consiguió una tasa de crecimiento superior al 12%. La inversión planeada en el sector manufacturero para el período del Plan de Desarrollo de 1970-1975 asciende a 305 millones de riyals. Al término del período 1970-1972, el 50% de los proyectos reseñados en el plan o bien habían quedado terminados, o bien se encontraban en curso de construcción o pendientes sólo de ejecución, por haber sido ya autorizados.

Estrategia de la industrialización

8. Antes de los años inmediatamente anteriores a 1970, la estrategia del desarrollo se centraba principalmente en la construcción de la infraestructura material y social. El aspecto de planificación industrial se atendía con menor rigor; y el tipo de nueva industria que se estableciera en cada caso quedaba determinado por los inversionistas privados y/o por el Gobierno. A juicio de éste, la función que correspondía a los poderes públicos era encargarse de la ejecución de determinados proyectos prioritarios de los sectores correspondientes a la petroquímica, los fertilizantes y las industrias metálicas básicas. El resto del sector manufacturero se dejaba a la iniciativa del sector privado. El Gobierno, que ha visto con agrado la participación de los inversionistas privados en muchos de los proyectos de patrocinio estatal, tiene por norma estar siempre dispuesto a vender su participación a inversionistas privados en una fase ulterior conveniente.

9. En el actual Plan de Desarrollo (1970-1975) se enuncian los siguientes objetivos de industrialización:

- a) Reducir el grado en que la economía del país depende del sector petrolero;
- b) Lograr, en el desarrollo industrial, el debido equilibrio entre las diversas regiones;
- c) Reducir, mediante la fabricación local, las necesidades de importación;
- d) Utilizar en mayor medida la capacidad fabril existente;
- e) Elevar la productividad aumentando la capacidad hasta la dimensión óptima;

\* Cambio de 1971: 1,00 dólar EE.UU. = 4,5 riyals.

- f) Promover las conciliaciones entre las industrias y el logro de una estructura industrial mejor integrada;
- g) Reducir el grado de dependencia con respecto a los extranjeros mediante la capacitación de personal nacional en instituciones y en el empleo.

10. En el Nuevo Plan se identifican una lista de proyectos concretos encaminados al logro de estos objetivos. En la medida posible, cada uno de los proyectos se evaluará atendiendo a lo siguiente: i) criterios y prioridades a la luz de la economía nacional; ii) viabilidad comercial; iii) viabilidad material y técnica; iv) ventaja comparativas en cuanto a costos.

11. Algunos proyectos importantes, como los relativos a fertilizantes, se emprendieron pensando en los mercados de exportación, pero la mayoría de las industrias atienden sólo al mercado local. Sin embargo, han logrado exportar a países contiguos los productos de artículos de confitería, marroquinería y calzado, productos de caucho, etc., otras industrias piensan ahora entrar en los mercados de exportación, y el Gobierno está considerando la introducción de nuevas medidas encaminadas a promover las exportaciones.

12. En la Arabia Saudita escasea la mano de obra, y, según se ha podido comprobar en estadísticas recientes, casi el 50% de los trabajadores industriales son extranjeros. Antes, la mayoría de las industrias establecidas eran industrias con alto coeficiente de capital. La nueva política del Gobierno consiste en recurrir en mayor medida a los trabajadores del país (para tener garantizada la continuidad del proceso de industrialización) y emprender un ambicioso programa de formación profesional y técnica que posibilite esa política.

13. Ya están funcionando, en cada una de las cinco provincias principales, institutos de formación profesional e industrial. Se espera que, durante el período 1970-1975, capaciten a unos 7.000 trabajadores calificados y semicalificados. Además, en ciudades más pequeñas se establecerán seis nuevos centros, con capacidad para 100 alumnos cada uno.

14. En 1972, pasaban de 2.000 los estudiantes árabes sauditas que cursaban estudios en instituciones de enseñanza superior extranjeras. Estos hombres, y los que cursan enseñanzas de formación general y profesional de nivel superior en la Arabia Saudita, reforzarán el acervo existente de mano de obra bien preparada en ambos aspectos. La Escuela de Ingeniería de la Universidad de Riyadh y la Escuela del Petróleo y los Minerales de Dhahran ya están bien acreditadas.

15. Además de los programas de capacitación señalados, hay otros, en curso de planificación, patrocinados por distintos organismos, por la industria privada y por las compañías petroleras. Conforme a los reglamentos liberales y a las disposiciones referentes a las inversiones de capital extranjero, ciertos establecimientos están obligados a establecer servicios de capacitación para nacionales de la Arabia Saudita.

#### Políticas y medidas industriales

16. La Arabia Saudita sigue una política de libre comercio; y aplica los aranceles de aduanas principalmente como medio de obtener ingresos. Esto no obstante, se puede proteger a las industrias locales, después de examinar cada caso en particular, bien sea limitando las importaciones de productos competidores o elevando los derechos de aduanas, hasta un nivel máximo del 30%.

17. Los demás privilegios a que cabe acogerse conforme al Estatuto para la Protección y el Estímulo de las Industrias Nacionales, de 1961, son los siguientes: i) importación libre de derechos de aduanas para la maquinaria, los materiales de envasado y las materias primas; ii) provisión, a un nivel mínimo simbólico, de terrenos para el establecimiento de fábricas y de viviendas para empleados e industriales; iii) asistencia financiera a las empresas industriales; iv) exención del pago de derechos de importación. Para tener derecho a acogerse a estas disposiciones han de reunirse las condiciones siguientes: a) presentar cuanto información se requiera y permitir la inspección correspondiente por oficiales del Ministerio de Industria y Comercio; b) utilizar la maquinaria y materias primas para los fines y en las fábricas para los cuales se han concedido las exenciones; y c) emplear únicamente a trabajadores y técnicos árabes sauditas, con excepción de las dispensas que haya autorizado el Ministerio de Trabajo y Asuntos Sociales.

18. Los reglamentos y el aliento a la inversión extranjera se rigen por el Código de Inversiones de Capital Extranjero, promulgado en 1963 (la inversión en los proyectos de extracción de petróleo y otros minerales se rige por contratos de concesión separados, que han de negociarse con el Ministerio del Petróleo y Recursos Minerales). En virtud del Código se hacen extensivos a las empresas con capital extranjero todos los privilegios de que disfruta el capital nacional. También se exime a estas empresas industriales del pago de impuestos sobre utilidades por un período de cinco años, contados a partir de la fecha de comienzo de la producción.

19. Además de estos incentivos, se utilizan algunas otras medidas para promover la industrialización. Cuando se concede permiso para el establecimiento de nuevas empresas, el Gobierno tiene en cuenta la capacidad existente y la necesidad de obtener una producción en mayor escala y más económica, si se considera que ello ha de redundar en beneficio de la nación. Para las adquisiciones del Gobierno, se concede trato preferencial (hasta llegar a un precio un 10% superior al costo de las importaciones) a los productos industriales de producción local. El Gobierno alienta a la industria nacional concertando acuerdos bilaterales con países extranjeros, participando en ferias y exposiciones comerciales internacionales e intercambiando visitas de delegaciones comerciales e industriales.

#### Las instituciones y la industrialización.

20. La formulación y ejecución de la política de industrialización incumbe primordialmente al Ministerio de Industria y Comercio; la Oficina Técnica de este Ministerio es el principal órgano encargado de aplicar las disposiciones sobre autorización para el establecimiento de industrias, concesiones en materia de derechos de importación, etc.

21. Secundan al Ministerio de Industria y Comercio en esta labor, entre otros organismos, los siguientes: un Departamento General de Industria, un Departamento de Servicios de Electricidad, un Departamento de Empresas, una Oficina de Inversiones Extranjeras, y diversos comités que examinan las solicitudes de concesión de permiso para el establecimiento de industrias y para las inversiones de capital extranjero.

22. El Gobierno ha aceptado la planificación como elemento esencial para la movilización y asignación ordenada y eficiente de recursos en orden al desarrollo económico del país. Con este fin se creó en 1964 la Organización Central de Planificación, encargada de coordinar e integrar la planificación de todos los sectores de la economía. También se han constituido dependencias de planificación en los diversos ministerios y otros organismos públicos.

23. En el campo industrial, en 1966 se creó el Centro de Estudio y Desarrollo Industriales como órgano independiente regido por una junta de directores que preside el Ministro de Industria y Comercio. Este Centro se estableció con las

finalidades siguientes: i) levantar censos industriales y efectuar estudios de preinversión; ii) asesorar sobre la formulación de políticas, planes y programas industriales y sobre la ejecución de proyectos industriales; iii) prestar asistencia técnica a empresas industriales ya existentes; y iv) participar, juntamente con el Ministerio de Industria y Comercio, en la planificación, construcción y explotación de parques industriales.

24. En la esfera de las industrias basadas en el petróleo y otros minerales, la responsabilidad principal incumbe al Ministerio de Petróleos y Recursos Minerales; existe un organismo público, la Organización General del Petróleo y de los Minerales (PETROMIN) que dirige la labor correspondiente. La PETROMIN fue creada por el Gobierno en 1962. Entre sus funciones figuran las de ejecución y administración de proyectos relacionados con el petróleo y con los minerales en los que interviene el sector público, incluidos los de naturaleza industrial, como son la producción de productos petroquímicos y de fertilizantes.



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de développement industriel dans les petits pays

Vienne, 26-30 novembre 1973

RESUME

STRATEGIE ET POLITIQUES DE DEVELOPPEMENT INDUSTRIEL

L'expérience de l'Arabie Saoudite, 1950-1972<sup>1/</sup>

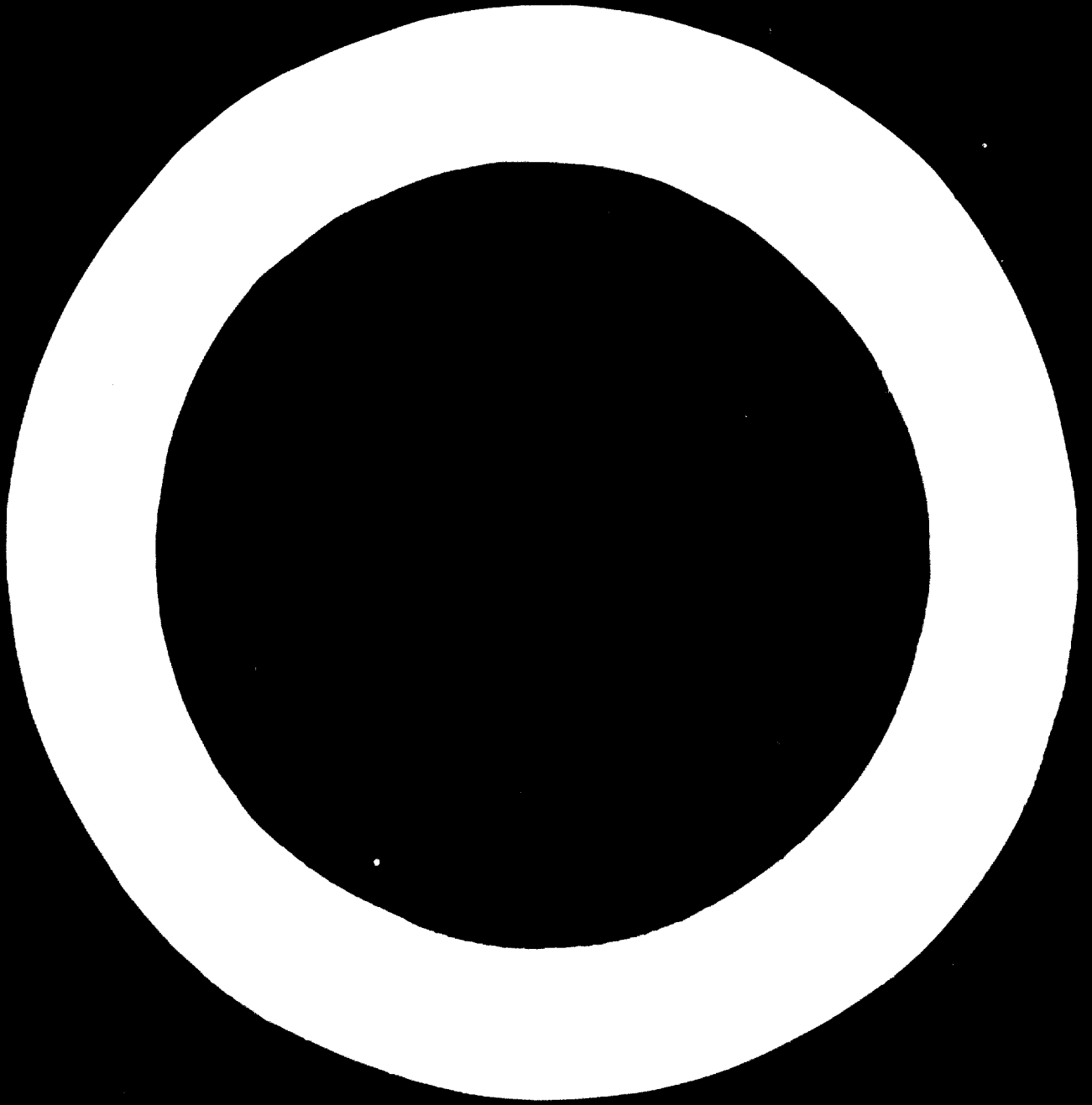
par  
Ahmed S. Twaijri\*

Conditions préalables à l'industrialisation

1. Le territoire de l'Arabie Saoudite, qui occupe plus de 2 millions de km<sup>2</sup> de la péninsule arabique, est en majeure partie constitué par des terres arides ou désertiques. La population compte 7 millions d'habitants, pour la plupart nomades. D'importantes réserves de pétrole ont été découvertes en 1938 dans la Province orientale et l'Arabie Saoudite est l'un des principaux producteurs mondiaux de pétrole. D'ambitieux programmes de développement ont été entrepris à la fin des années 50 dans le domaine des transports, de l'approvisionnement en électricité et en eau et de la construction d'écoles et d'hôpitaux; à la fin des années 60, la plupart des obstacles physiques au développement industriel étaient éliminés.

<sup>1/</sup> Le présent résumé a été établi par le Secrétariat de l'ONUDI à partir de l'étude présentée par M. Twaijri. Les opinions exprimées ne reflètent pas nécessairement les vues de l'ONUDI.

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2. Grâce à un audacieux programme de construction de routes entrepris dans les années 60, un réseau de routes macadamiques relie à présent les principaux centres de peuplement qui sont également desservis par des lignes aériennes. La distribution, dans l'ensemble du pays, des produits de fabrication locale est donc aisée. L'approvisionnement en énergie électrique s'est rapidement amélioré au cours de cette même décennie et les tarifs appliqués aux consommateurs industriels ont été fixés à un faible taux pour encourager le développement industriel. L'approvisionnement en eau ne demeure difficile que dans quelques régions. Des domaines industriels ont récemment été achevés aux abords des trois principales villes et l'on prévoit d'en créer à proximité d'autres agglomérations.

3. Cependant, il reste encore quelques entraves au développement industriel. Pour la plupart des produits le marché est étroit et dispersé. La majorité des industries sont tributaires des importations de matières premières. Certaines industries (productions de ciment, de gypse, de marbre, fabrication de bouteilles en verre et de briques, produits alimentaires, etc.) utilisent toutefois des matières premières locales. Un ambitieux programme d'exploitation des ressources minérales, telles que le fer, l'or, le cuivre, l'argent, le zinc, la barytine, les phosphates, le kaolin, le feldspath, est projeté.

4. La principal obstacle à l'industrialisation est la pénurie de personnel qualifié. Bien des postes de directeurs, d'administrateurs, de techniciens et d'ouvriers qualifiés sont encore occupés par des étrangers. Cependant, le nombre des établissements d'enseignement technique et de formation professionnelle est en augmentation et certains établissements sont tenus d'organiser des stages de formation à l'intention de ressortissants saoudiens.

#### Réalisations industrielles

5. Au cours de la période 1960-1971, le volume de la production du secteur manufacturier a augmenté de 11,5 % environ par an. En 1970, la part du secteur pétrolier dans le produit national brut (PNB) dépassait 50 %, les chiffres correspondants étant 8,5 % environ pour le secteur manufacturier (2 % environ si l'on exclut le raffinage du pétrole) et 5 % pour l'agriculture.



6. Le nombre des entreprises industrielles nouvelles (près de la moitié du nombre total) est passé de 36 en 1955 à 76 en 1960, 164 en 1965, 292 en 1970 et 374 en 1972. La plupart des entreprises industrielles du pays entrent dans la catégorie des petites et moyennes entreprises et ne peuvent subvenir qu'aux besoins du marché local. Il ressort d'une enquête industrielle faite en 1971 sur 293 établissements industriels que la valeur ajoutée par l'ensemble du secteur manufacturier, soit 1 milliard 268 millions de riyals, se répartit de la manière suivante : industrie du pétrole et industrie chimique : 1 milliard 97 millions de riyals, produits alimentaires et boissons : 44 millions de riyals; industries des produits minéraux non métalliques : 88 millions de riyals; sidérurgie : 14 millions de riyals; industrie du papier et imprimerie : 21 millions de riyals\*.

7. On s'attend à une augmentation annuelle de 14 % du volume de la production du secteur manufacturier au début des années 70; le taux de croissance enregistré de 1970 à 1972 a dépassé 12 %. Les investissements dans le secteur manufacturier prévus au Plan de développement (1970-1975) s'élèvent au total à 305 millions de riyals. Entre 1970 et 1972, près de la moitié des projets inscrits au Plan ont été achevés ou entrepris, ou ont fait l'objet d'une autorisation d'exécution.

### Stratégie d'industrialisation

8. Avant la fin des années 60, la stratégie d'industrialisation était axée sur la mise en place d'une infrastructure matérielle et sociale. La planification industrielle n'était pas systématique et la nature des nouvelles industries à créer était déterminée par les investisseurs privés ou par les pouvoirs publics, ou par les uns et les autres. Le gouvernement s'estimait avant tout chargé de mettre en oeuvre certains projets prioritaires dans le domaine de l'industrie pétrochimique, de l'industrie des engrais et de l'industrie métallurgique de base, les autres industries manufacturières étant laissées à l'initiative du secteur privé. Il a favorablement accueilli la participation d'investisseurs privés dans beaucoup de projets du secteur public et sa politique est de se préparer à céder par la suite, en temps opportun, sa part dans des projets à des investisseurs privés.

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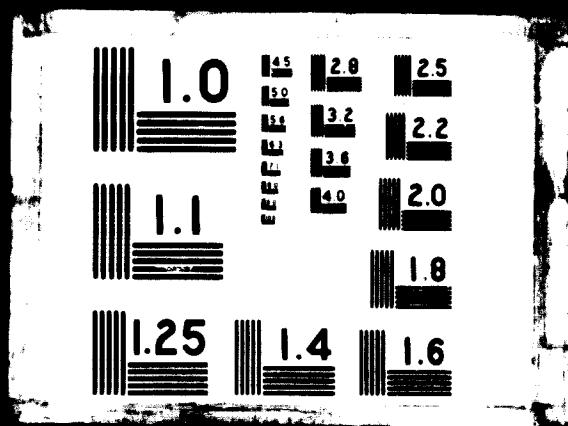
\* 4,50 riyals = 1 dollar des Etats-Unis (en 1971).



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9. Le Plan de développement en vigueur actuellement, qui couvre la période 1970-1975, énumère les objectifs d'industrialisation suivants :

- a) Rendre l'économie moins tributaire du secteur pétrolier;
- b) Réaliser un développement industriel équilibré sur le plan régional;
- c) Diminuer les importations en développant la production manufacturière locale;
- d) Utiliser davantage la capacité du secteur manufacturier;
- e) Augmenter la productivité en portant la capacité à un niveau optimal;
- f) Favoriser les liaisons interindustrielles et l'intégration des structures industrielles;
- g) Rendre l'économie moins tributaire de la main-d'oeuvre étrangère en développant la formation théorique dans des établissements d'enseignement et la formation pratique en cours d'emploi.

10. Le nouveau plan identifieit une série de projets qui devaient permettre d'atteindre ces objectifs. Dans la mesure du possible, chaque projet était évalué d'après les critères suivants : i) intérêt pour l'économie nationale compte tenu des priorités fixées; ii) viabilité commerciale; iii) faisabilité physique et technique; iv) avantage relatif du point de vue des coûts.

11. Certains grands projets, par exemple dans le domaine des engrais, ont été créés en vue de l'exportation, mais la plupart des industries ne desservent que le marché local. Cependant, les exportations vers les pays voisins ont été développés avec succès dans certains domaines tels que la confiserie, les articles en cuir et les chaussures, les articles en caoutchouc etc. d'autres industries envisagent de s'orienter vers l'exportation et de nouvelles mesures d'encouragement des exportations sont étudiées par le gouvernement.

12. L'Arabie Saoudite manque de main-d'oeuvre et les statistiques récentes montrent que plus de la moitié des travailleurs industriels sont des étrangers. Autrefois, les industries étaient pour la plupart à forte intensité de capital. A présent, le gouvernement a pour politique d'employer davantage de main-d'oeuvre saoudienne (de façon à assurer la continuité du processus d'industrialisation) et il a choisi pour y parvenir, de mettre en oeuvre un vaste programme de formation professionnelle et technique.

13. Des instituts de formation professionnelle et technique fonctionnent déjà dans les cinq provinces principales. Entre 1970 et 1975, ces instituts devraient avoir formé environ 7 000 travailleurs qualifiés et spécialisés. Six nouveaux centres pouvant accueillir chacun 100 stagiaires seront en outre créés dans des villes de moindre importance.

14. En 1972, plus de 2 000 ressortissants saoudiens poursuivaient leurs études à l'étranger dans des établissements d'enseignement supérieur. Avec ceux qui étudient actuellement dans le pays, ils viendront s'ajouter aux spécialistes et aux cadres dont le pays dispose déjà. L'Institut technique de l'Université de Riyadh et le Collège des pétroles et des minéraux de Dhahran ont une réputation déjà bien établie.

15. Ces programmes de formation ne tiennent pas compte des programmes prévus par d'autres organismes par l'industrie privée ou par les sociétés pétrolières. La réglementation du travail et celle qui régit les investissements étrangers imposent à certains établissements de prendre les mesures voulues pour dispenser une formation au personnel local.

#### Politiques et mesures intéressant l'industrie

16. L'Arabie Saoudite applique une politique libérale en matière de commerce et les droits de douane servent surtout à alimenter le trésor public. Il se peut pourtant, après examen de chaque cas particulier, que le gouvernement décide de protéger les industries locales soit en limitant les importations de produits concurrents soit en élevant les droits de douane (maximum 30 %).

17. Les autres privilèges conférés par le statut pour la protection et l'encouragement des industries nationales (1961) sont les suivants :

- i) Exonération de droits de douane pour l'importation de machines, de matériaux d'emballage et de matières premières;
- ii) Location symbolique de terrains pour usines et logements ouvriers; contre une redevance;
- iii) Assistance financière aux entreprises industrielles;
- iv) Exonération de droits de douane à l'exportation.

Pour avoir droit à ces privilèges, il faut remplir les conditions suivantes :

- a) Fournir tous les renseignements demandés et accepter le contrôle d'inspecteur du Ministère du commerce et de l'industrie;
- b) Utiliser les machines et les matières premières aux fins et dans les usines pour lesquelles les exonérations ont été accordées;
- c) N'employer que des travailleurs et des techniciens saoudiens, dans la mesure où le Ministère du travail et des affaires sociales l'autorise.

18. Les investissements étrangers sont régis par le Code des investissements étrangers promulgué en 1963. (Les investissements concernant les pétroles et les minerais sont régis par des contrats de concession spéciaux à négocier avec le Ministère des ressources pétrolières et minérales.) Ce Code étend aux entreprises à participation étrangère tous les privilèges dont jouissent les entreprises nationales. Il exonère également ces entreprises d'impôt sur le revenu pendant les cinq premières années de production.

19. Un certain nombre d'autres mesures ont été prises pour encourager l'industrialisation. Avant d'autoriser l'installation de nouvelles entreprises, le gouvernement tient compte de la capacité existante et de la nécessité de réaliser des économies d'échelle si tel est l'intérêt du pays. Dans les achats du gouvernement, un traitement préférentiel (achat à un prix qui peut être de 10 % supérieur au coût des produits importés) est accordé aux produits industriels de fabrication locale. Le gouvernement encourage l'industrie nationale en passant des accords bilatéraux avec les pays étrangers, en participant à des foires et à des expositions commerciales et internationales et en procédant à des échanges de délégations d'hommes d'affaires et d'industriels.

#### Institutions et développement industriel

20. La responsabilité de la formulation et de l'application de la politique de développement industriel incombe essentiellement au Ministère du commerce et de l'industrie, où un Bureau technique est chargé de l'octroi des licences aux entreprises industrielles, des concessions tarifaires à l'importation, etc.

21. Le Ministère du commerce et de l'industrie est aidé par un certain nombre de services, notamment un Département général de l'industrie, un Département de l'électricité, un Département des sociétés, un Bureau des investissements étrangers et divers comités pour l'étude des demandes concernant les licences et les investissements étrangers.

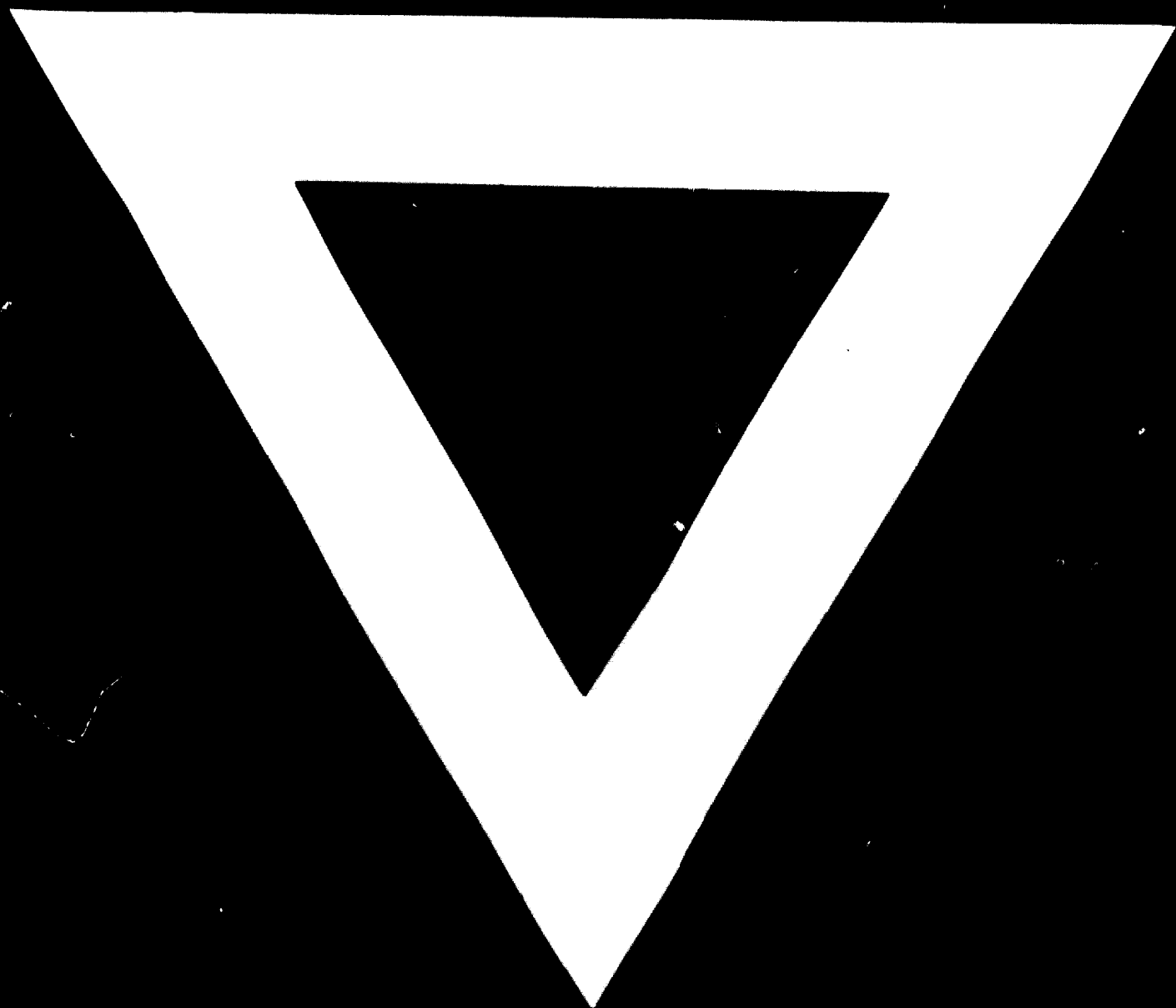
22. Le gouvernement a reconnu que la planification était indispensable pour la mobilisation et la répartition ordonnées et efficaces des ressources disponibles en vue du développement économique. Il a donc créé en 1964 un organisme central de planification qui a été chargé de coordonner et d'intégrer la planification de tous les secteurs de l'économie. Des groupes de planification ont également été créés au sein des divers ministères et institutions.

23. Dans le secteur de l'industrie, un Centre des études industrielles et de développement a été créé en 1966, en tant qu'organisme autonome dirigé par un conseil d'administration dont le président est le Ministre du commerce et de l'industrie. Ce Centre a pour tâche : i) de faire des études industrielles et de préinvestissement; ii) de donner des avis touchant la formulation des politiques, des plans et des programmes industriels ainsi que la mise en oeuvre des projets industriels; iii) de fournir une assistance technique aux entreprises industrielles existantes; iv) de collaborer avec le Ministère du commerce et de l'industrie en matière de planification, d'implantation et de fonctionnement des domaines industriels.

24. Dans le domaine des industries du pétrole et des minéraux, le premier responsable est le Ministère des ressources pétrolières et minérales et l'organisme le plus important est un organisme d'Etat, la PETROMIN (Organisation générale des ressources pétrolières et minérales) créée en 1962, qui est chargée notamment de la mise en oeuvre et de l'administration des projets du secteur public concernant le pétrole et les autres ressources minérales et, en particulier, de tous les projets de caractère industriel, tels que ceux qui concernent les produits pétrochimiques et les engrais.

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