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Review of the experience of countries
with oil or mineral resources

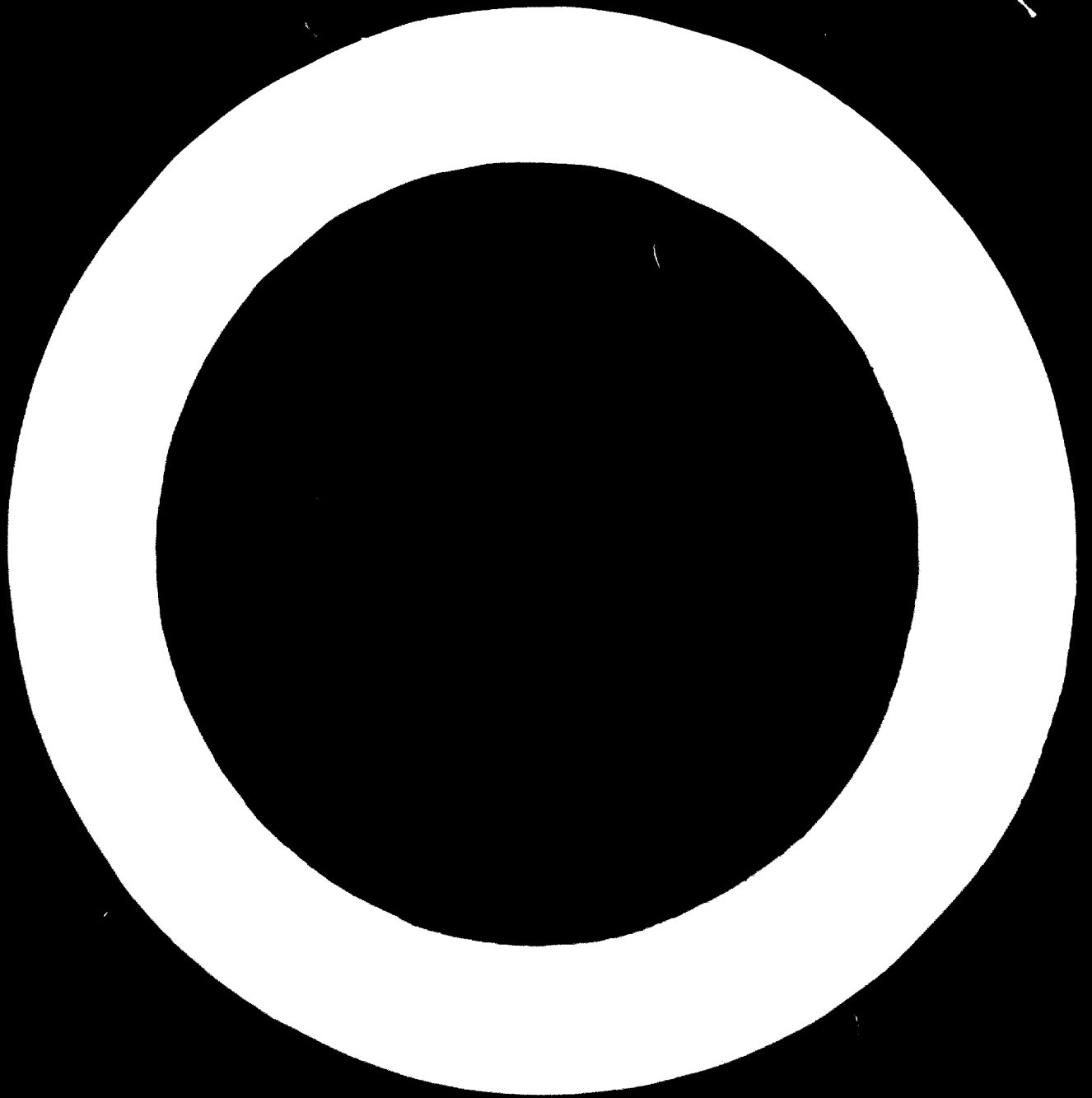
Gabon, Saudi Arabia; 1/
Guinea, Mauritania

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The experience of economies with oil or mineral resources

With oil resources: Gabon, Saudi Arabia

With mineral resources: Guyana, Mauritania

The experience of Gabon and Saudi Arabia

In Gabon, oil was discovered in commercial quantities in 1956. Oil and Gabon's traditional export of mahogany wood from its rich forests each contributed 36 per cent of export earnings in 1970; manganese contributed 20 per cent and uranium 8 per cent. Rich iron ore deposits in the north await exploitation. With a small population (500,000) these activities give Gabon a very high per capita income. Growth of the economy averaged 6.1 per cent a year in the 1960s and employment in the modern economy doubled. Only a few consumer goods industries, cement and other building materials are manufactured locally. The principal "industries" in terms of value added are oil refining and timber-processing and are so large that statistics of manufacturing output may convey the wrong impression.

The main obstacles to the growth of manufacturing has been the small market and consumers' preference for imported goods; a free trade policy has meant that local industries were generally not granted tariff protection. The other major constraint is human resources. Most of the educated Gabonese readily find very well-paid jobs in mining enclaves or Government service. The development strategy has therefore been to develop the country's infrastructure and improve education, health and other social services. The author sees opportunities for developing more resource-based industries in the future. Only 20 per cent of the value of timber exports were in processed form; pulp and paper can be manufactured; fishing can be expanded; and fertilizer can be produced from natural gas which is flared at present. Given the acute shortage of labour and heavy dependence on foreign managers and technicians, capital intensive industries will be preferred for many years to come. All major resource based projects established, so far, have benefitted from Investment Code concessions which not only provide a tax holiday but freeze tax rates for a period of up to 25 years.

In Saudi Arabia, oil was discovered in 1938. For many years the largely nomadic population (an estimated 7 millions in 1970) were not affected much by this enclave industry. But ambitious development

programmes were launched in the late 1950s in the fields of transport, education, health etc. By the end of the 1960s, the modern economy represented quite a sizeable market and the physical constraints on industrial development (transport, sites, water and power) had been removed. Skilled labour and management, however, remained in short supply and industry still relies very heavily on foreign workers. Economic growth averaged 9.7 per cent in the 1960s; petroleum refining provides 75 per cent of value added in the manufacturing sector; including this, manufacturing output rose by 11.5 per cent a year in the 1960s and contributed 7 per cent of GDP.

The Government established a fertilizer and small steel plant in the 1960s, but its basic strategy was to encourage the private sector to provide the main thrust to industrialization. Foreign investment has been encouraged but has not so far invested in many industries. A major goal in the 1970s is to increase Saudi participation in management and the labour force of manufacturing plants. Potential Saudi managers are being trained abroad, vocational and technical training is being expanded, and certain enterprises are being obliged to impart organized training to Saudi nationals. An Industrial Studies and Development Centre has been established to assist the Ministry of Commerce and Industry. Its activities and those of PETROMIN (the State body responsible for oil and some industrial activities) are likely to expand in the 1970s as the domestic market grows in importance and new oil and mineral based industries are developed.

The experience of Guyana and Mauritania

In Guyana, the mining sector (mainly bauxite) accounted for 18 per cent of GDP in 1970; sugar processing contributed about 3 per cent of GDP and other manufacturing industries 7.5 per cent of GDP. Employment in manufacturing totalled 28,400 in 1972 or 15 per cent of total employment in the economy. Sugar played an important part in the initial economic development of the country and sugar processing accounted for almost 40 per cent of manufacturing output in 1960; by 1970 the proportion had fallen to 25 per cent. Between 1960 and 1970, the economy grew by 3.9 per cent a year and value added in the manufacturing sector increased by 7.7 per cent per year compared with 2.2 per cent a year in the 1950s; excluding sugar, the growth rate was 10 per cent.

The strategy and policies used have changed since Guyana achieved

Independence in 1964. In the 1950s the emphasis was on developing agriculture, the infrastructure and social services. In the late 1950s and early 1960s, reliance was placed on private initiative to develop industry; the largest plants were initiated by foreign investors. However, in terms of volume it was the extractive industries (bauxite, manganese and timber) that received the main bulk of foreign investment in the period up to 1970. In recent years, Government policy has been to own and control all public utilities and gradually obtain majority ownership and control of ventures exploiting Guyana's natural resources; the largest foreign-owned bauxite company was nationalized in 1971 and a major foreign-owned timber company in 1972. The Government established a few priority manufacturing industries itself in the Development Plan period 1966-72; for the period 1972 to 1976, the Plan specifically states both the location of the project (to implement the new emphasis on decentralization) and the type of ownership (public, private or co-operative; or a combination of these). The Guyana State Corporation (GUYSTAC) which was established in 1971 has become the agency responsible for implementing the industrialization programme; it has been given overall control of the public sector enterprises and is responsible for implementing incentives offered to private and foreign investors; these incentives are now approved by an Incentives Committee.

In Mauritania, the mining of rich iron ore deposits contributes about one third of GDP. Gross national product increased by 6.4 per cent per annum in the 1960s; output of the manufacturing sector made virtually no contribution to GDP in 1960 and 4 per cent in 1970. In 1970, there were 98 enterprises in the mining, manufacturing, construction, trade, and public works sectors; together they employed 10,500 persons including 1,100 other African and 1,500 foreign persons. The majority of the population of 1.17 million are nomadic; the urban population of 150,000 is growing by about 6 per cent per year. Although the modern sector grew rapidly in the 1960s, income per capita of the rest of the population declined.

The small scattered domestic market, inadequate transport system, lack of suitable water supplies and, above all, the shortage of trained manpower have acted as major constraints on industrial development.

The principal industries developed in the 1960s were fishing, processing and sale of fish, distilling, a flour mill and plants manufacturing simple consumer products such as matches, soap, etc. The mining industry is concentrated in four main industries (industrial minerals). A few roads, railways were followed and local industries have had difficulty overcoming consumers' preferences for imported products. The Government has established a Development Bank, an agency to promote banking, and an organization to promote small-scale industries. As financial resources become available more industries will be established in the 1970s; emphasis will be given to fishing, livestock and other resource-based industries.

The experience of these four countries, where oil or mining makes a major contribution, raises some special issues. The Discussion at the Meeting might include coverage of the following issues:

- (1) What factors have made these four countries as determined to promote industrialization as countries less richly endowed with oil or other mineral resources?
- (2) Are these four countries as developed as their higher per capita income would suggest? Or are they as little developed as many apparently poorer developing countries in terms of infrastructure, trained manpower, and other pre-conditions for development?
- (3) Has the infrastructure developed by oil or mining enclaves been effectively integrated with the infrastructure development of the economy as a whole?
- (4) Have the oil or mining enclaves stimulated the development of supplier industries? Have they assisted in promoting development of the agriculture and construction sectors?
- (5) Have the oil or mining enclaves made a contribution to the development of management and labour skills beyond their own requirements?

ECONOMIES WITH OIL OR OTHER MINERAL RESOURCES

Some comparative statistics

		Gabon	Guyana	Mauritania	Saudi Arabia
1. Population (millions)	1970	0.48	0.74	1.17	7.36
2. GNP per capita (US \$)	1970	60	370	140	440
3. GNP (US \$ millions)	1970	310	280	170	3220
4. Increase in population per year (per cent)	1960-70	1.0	2.8	1.9	1.7
5. Increase in GNP per capita per year (per cent)	1960-70	5.1	1.1	4.5	8.0
6. Growth of GNP per year (per cent)	1960-70	6.1	3.9	6.4	9.7
7. Sector contributions to total GDP	Year Indicated	1970	1972	1969	1970/71
- Agriculture		9.0	19.9	31.4	4.7
- Manufacturing		14.2 ^{2/}	12.4	3.6	6.8 ^{1/}
- Mining		30.0	13.6	30.1	-
- Oil		- ^{3/}	-	-	53.3
- Construction		7.5	n/a	7.2	4.2

* Estimate by UNIDO Secretariat.

1/ Petroleum refining 5.3 per cent plus other manufacturing 1.7 per cent.

2/ Timber processing about 7 per cent plus other manufacturing 7 per cent.

3/ In the case of Gabon, "mining" includes oil exploitation.

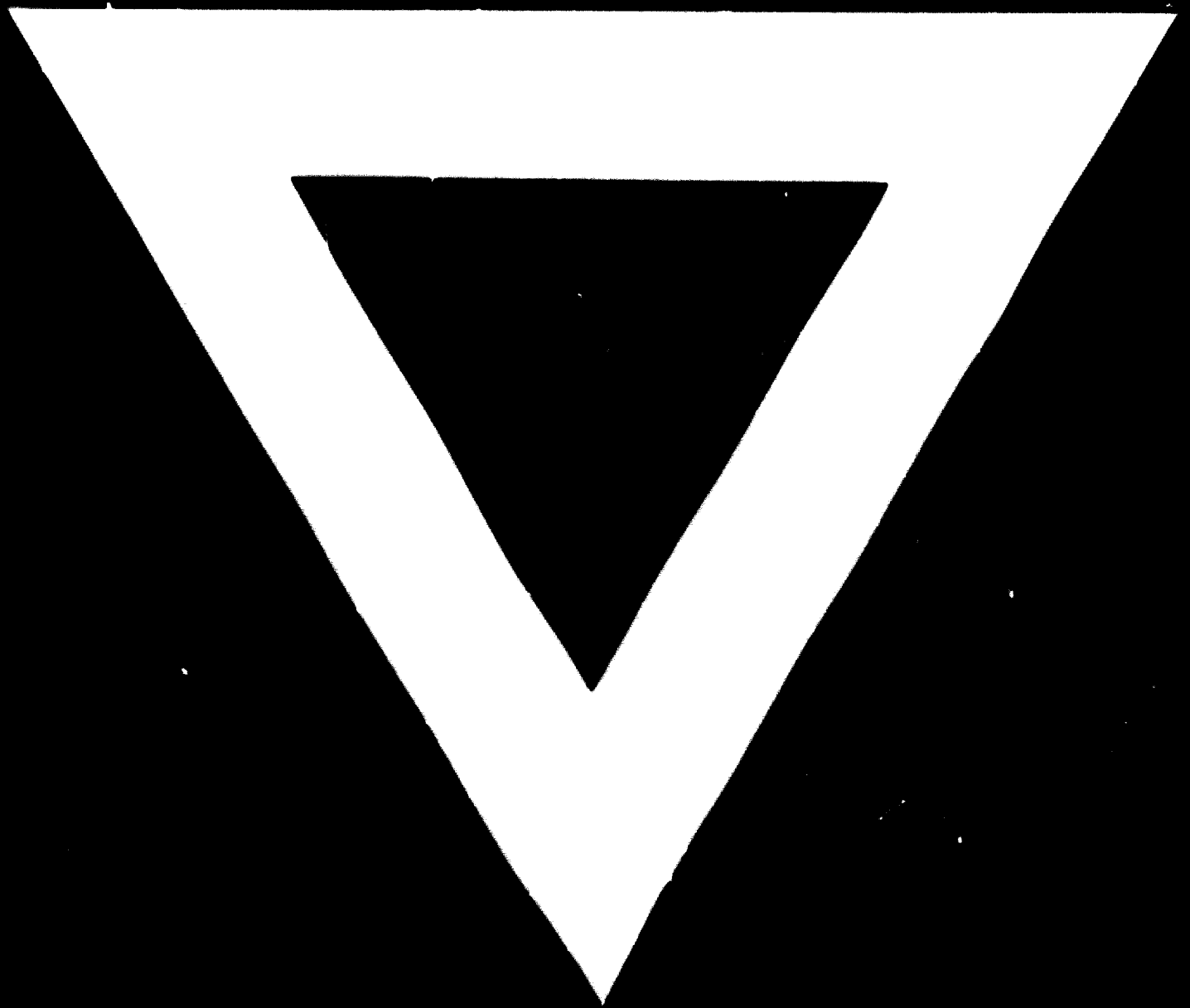
ECONOMIC SURVEY OF SAUDI ARABIA

		Sudan		Yemen	Mauri- tania	Saudi Arabia
		TP ^{1/}	OM ^{1/}			
8. Value added in the manufacturing sector (US \$ millions)	Year					
	1959			10.9		
	1960			17.5		
	1967	2.4*	5.3*			
	1970			26.5		50* ^{2/}
	1970	7.6*	9.7*			
9. Index of growth of manufacturing output	Period Indicated	1965-72		1960-70		
		173	187	211		
10. Export of manufactured goods (US \$ millions)	1970			4.3		
11. Proportion of output of manufactured goods exported (per cent)	1970			7		
12. Employment in the manufacturing sector (thousands)	Year Indicated	1969		1972	1970	
		TP ^{1/}	OM ^{1/}			
		4,000	6,000	28.4	1.7	
13. Number of enterprises employing	Year Indicated			1969		
- More than 100 workers				40		
- More than 10 workers				452		

* Estimates by UNIDO Secretariat.

1/ TP - Timber processing OM - Other manufacturing.

2/ Excluding petroleum refining.



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