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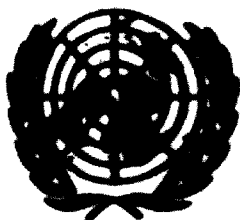
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INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:
THE EXPERIENCE OF IRAQ, 1950-72 ✓

by

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STUDIES OF INDUSTRIAL DEVELOPMENT STRATEGY
AND POLICIES IN SMALL COUNTRIES

CHAPTER I - PRE-CONDITIONS FOR INDUSTRIALIZATION

Modern Iraq, as a separate political entity has existed only since the end of the First World War. This area which was called Mesopotamia (the land between two rivers - Tigris and Euphrates) nurtured some of the earliest of the world's civilisations.

The Republic of Iraq was established in 1958 after overthrowing the Monarchy in the July 14th Revolution.

Iraq⁽¹⁾ one of the countries of the Middle East and part of the Greater Arab Nation, is surrounded by Turkey and Syria on the north and north-east, Iran (Persia) on the east, Syria and Jordan on the west and Saudi Arabia and Kuwait on the south. The length and the breadth of the country are approximately 1000 kms and 750 kms respectively. The total area of land is nearly 440,000 sq.km. As regards the topography of Iraq, in the North there is a high region of the Kurdish mountains, in the Centre are the river basins of the Tigris and Euphrates sloping down south to the head waters of the Arabian Gulf. The Western and Southern parts consist of deserts which join the high plateau of Syrian and Arabian deserts.

The alluvial plain of lower Iraq, in which most of the irrigated areas of cultivation lie, occupies the floor of a great depression. In the lower part of the plain, there are extensive areas of shallow marshes. To the north-west of Baghdad, in the area between the two rivers lies a tract of desert known as Jazirah. The two major rivers of Iraq are the Tigris and Euphrates both of which rise in the eastern mountainous region of Turkey and enter Iraq on its north-western border. The country has been divided into 16 Muhafadhas which are the administrative units under the Central Government. The area of each Muhafadha differs and is mostly determined by the administrative requirements of the region.

(1) Iraq lies between longitudes 38° 42' and 48° 23' East and latitudes 29° 27' and 37° 23' North.

Iraq's population in 1947 was 4.8 million rising to 6.3 million in 1957 and then to 8.1 million in 1965, and is more than 10 millions today. With a rate of increase of over 3% annually, the population is estimated to reach 11.1 million in 1977 and over 13 million in 1980. The table below gives the population of Iraq and its distribution between urban and rural areas during the period 1947 and 1970.

Table No. I.1
Distribution of Population of Iraq
(During the Period 1947-1970)

Year	Population (In thousands)		
	Urban	Rural	Total
1947	1,734	3,082	4,816
1957	2,445	3,854	6,299
1965	4,112	3,936	8,048
1970	5,452	3,988	9,440

Figures for the years 1947, 1957 and 1965 are from population census. Figures for the year 1970 are estimates.

Source: Statistical Pocket Book 1960-1970, C.S.O., Ministry of Planning, Baghdad, 1972.

Iraq has abundant natural resources which gives it a great potential for development. The two major rivers - the Tigris and Euphrates - flowing through the middle of the country irrigate a large expanse of land and this gives Iraq a distinct advantage over other countries in the Middle-East. The area of cultivatable land is about 4.8 million hectares out of which only 1.5 million hectares was cultivated in 1970. Compared with the vast area of cultivatable land available, the pressure of population on land is not as great as it is in other developing countries. Iraq has also an abundant wealth of oil, natural gas and many other mineral deposits.

A. The Market

In the early 1950's Iraq did not have many exportable goods and its exports have largely been of crude oil and dates. Most of the commodities required by the inhabitants for their consumption were imported and in the case of important agricultural commodities the country has been somewhat self-sufficient except in a few bad agricultural years.

The per capita income has generally shown an average increase of about 5% per annum as per table below :

Table No. I.2
Per Capita Income of Iraq

Year	Per Capita Income at Constant Prices ID	Increase over 1950 (Per Cent)
1950	49.0	Base Year
1955	50.0	2.0 %
1960	60.0	22.4 %
1965	83.6	70.6 %
1970	92.6	89.0 %
1972	107.2	118.8 %

The population of Iraq, which was only 5 millions in 1950, was widely dispersed over an area of about 440,000 sq.km. Except for some concentration of population in the capital city of Baghdad, Port town of Basrah and some other places which have had their own historical importance, such as Mosul, Kirkuk, there are hardly many centres with large density of population. In the 1950's and subsequent years, the limited population and its wide dispersal did not provide sufficient scope for the establishment of industrial projects. Even in Baghdad and Basrah, the increase in population has been largely due to the rural exodus during the last few years which is a recent phenomena world over. In the absence of a substantially big market for manufactured products and lack of

technical knowledge and know-how required for large industrial projects, there was hardly any motivating force for the establishment of modern organised industries.

This position has been gradually changing and with the increase in the population of the country, rise in educational and living standards and growing urbanisation, opportunities have been emerging for the establishment of new large industrial projects. The country is now interested to take up manufacture of as many of the consumer items as possible. It is also planning to utilise its resources to build up export-oriented industries, industrial raw materials and intermediates. Earlier there was more emphasis on development of agriculture which is the primary and important source of employment for people in Iraq, but now there is equal importance given to development of industries.

Presently, an idea about the internal market is gathered from the import and production statistics. This does not, however, indicate the total potential of the absorption capacity of local markets for various products. A survey of the market potential of Iraq for about 50 commodities has been initiated in order to determine the industrialisation possibilities during the next Plan 1975-1980. Such a survey shall be useful for planning the establishment of sophisticated industrial projects where scale of production is vitally important.

B. Transport

In Iraq the population and production centres are mostly concentrated in the North, East and the South. This is the area which can be termed as the basin of the two rivers. Transport and communication facilities have been developing fast in this part of the country and all the major towns and habitated places are connected with adequate means of transport. Iraq is utilising all the modern means of transport, namely, modern paved roads, railways, river transport, oil and gas pipelines and air transport.

Roads: In 1951 there were 2,732 kms of paved and 3,906 kms of unpaved roads which had increased by 1970 to 4,792 kms and 4,568 kms respectively. In 20 years, the paved roads had, therefore, increased by 72% and the unpaved ones by 17%. The principal trunk roads of Iraq connect:

- 1) Baghdad with Northern part of the country, namely, Mosul, Arbil, Kirkuk and Sulaimaniyah
- 2) Baghdad with Southern part of the country, namely, Kut, Amarah, Basrah, Fao and Um Qasr (and Kuwait boarder)
- 3) Baghdad with Hamadh and then to the Syrian and Jordanian border
- 4) Baghdad with Baquba, Khaniquin and then the Iranian border
- 5) Baghdad with Hilla, Diwaniyah, Nassiriyah, Basrah
- 6) Baghdad with Kerbala and Najaf

The roads in Iraq generally run parallel to the two rivers. Road communication is the principal means of transportation for agricultural output, industrial raw materials, and manufactured products. Large traffic is handled by trucks and lorry-tankers.

Railroads: Iraq has both metre and broad gauges operating in different parts of the country. The length of the railroads was 1,670 kms in 1960 which increased to 2,235 kms in 1970. The three main railway lines running across the country are:

- 1) Baghdad-Mosul-Syrian Border
- 2) Baghdad-Basrah-Um Qasr
- 3) Baghdad-Kirkuk-Arbil

River Transport: River transport has been one of the oldest means of transporting men and materials in Iraq. The perennial rivers Tigris and Euphrates have been the most valuable assets of the country in this regard. The Basrah Port has been developed in the back waters of Shatt al Arab, the river formed by the confluence of Tigris and Euphrates. In spite of the recent

development of railways and roads, water transport still handles substantial traffic and is the mainstay for people living in villages near river banks.

Oil and Gas Pipelines: With the development of oil resources of the country, Iraq established pipelines connecting the main crude oil producing regions with export ports and oil refinery centres. The oil producing belt of the North in Kirkuk has been connected with two pipelines with the Mediterranean - through Syria and Lebanon. The Kirkuk oilfields have as well been connected through a pipeline with the Refinery at Baghdad. Similarly, a pipeline has been established connecting the oil producing regions in the South at Humala with Fao and Deep Sea Terminal on the Arabian Gulf. These pipelines handle most of the transport of crude oil for exports as well as to the refineries in the country. Pipelines have also been established for the transport of natural gas to the points of their industrial utilization. The length of the oil and gas pipelines are about 3,600 km and 875 km respectively.

Air Transport: In recent years air transport has been fast developing in Iraq. Air terminals have been established at almost all the important cities of Iraq, namely, Baghdad, Basrah, Mosul and Kirkuk.

Development of transport has been planned according to the requirements of different areas and there have been no difficulties or complaints of transport facilities. In fact, the allocations for transport during the different plans have taken substantial portion of the total development funds. It has been the policy of the Government to adequately develop infra-structural facilities in all parts of the country, so that development is not hindered. Although not many industries have yet been developed in Iraq, the transport system has been fairly successful in distributing the products whether indigenously produced or imported to all parts of the country.

C. Power and Water

Power: Government has given prime importance to the development of electric power in Iraq. The generation capacity has increased from 28.5 MgW in 1950 to 681.0 MgW in 1973. The rate of growth of power generation is given in the table below :

Table No. I.3
Development of Power Generation in Iraq

Year	Generation Capacity (MgW)
1950	28.5
1955	41.0
1960	238.5
1965	238.5
1970	561.0
1973	681.0

Most of the power generated in Iraq is thermal power from gas or oil. The main cities and densely habitated areas have been connected with the national power grid managed by the National Electricity Administration (N.E.A.). Some municipalities, which do not get electricity from the national grid, have their own small generating systems which supply power to local areas. Except for some local difficulties, availability of power has not been a bottleneck in the expansion of industries or their working to the desired level. Power rates for industries are as under :-

Fixed charge LD. 0/333 per kW per month for loads of more than 600 kW.

- 4 Fils per kWh for the first 150 kWh per month
- 3.5 Fils per kWh for the next 150 kWh per month
- 2.5 Fils per kWh for over 300 kWh per month

With the easy availability of natural gas and oil, an extensive programme for power generation and rural electrification to cover all parts of the country is under preparation and this will be included in the next 5 year Development Plan. This would help the country in dispersal of industrial growth to rural areas.

Besides, Iraq is planning to generate cheap power for bulk electricity, consuming industries like aluminium, steel and steel-rolling. These proposals are at investigational stage.

Water: Availability of water has not presented any major problem for industries in Iraq. Most of the industrial units, particularly large ones, have been located near the banks of rivers so that they are able to obtain their water supplies from these sources. Sub-soil water is either not easily available or it is not of the required standard. However in most of the industrial projects water treatment plants had to be installed to obtain water of the requisite purity.

D. Industrial Sites

The country has passed an Industrial Development Act which authorises the Government to give land to the new industrial projects either at concessional rates or free of charge as may be warranted by the individual merits of each case. Iraq has not yet implemented any schemes to develop industrial sites and industrial estates. These questions are under examination and proposals for development of industrial areas and estates may be taken up in the near future.

E. Local Raw Materials

Iraq is abundantly rich in oil and natural gas. Oil proved reserves are estimated at 4.7 billion metric tons and gas at 38×10^{12} cu.ft. The production of crude oil is over 100 million metric tons annually, most of which is exported. The production of natural gas associated with crude oil extraction is more than 250 billion cubic ft. per year, out of which only about 15% is utilized and the rest burnt.

Apart from the gas and oil resources, mineral deposits, such as, sulphur, phosphates, salt, limestones, gypsum, marble, bentonite, sand stones and others exist in abundant quantities. There is a possibility of other mineral occurrences, like iron ore, copper, chrome, zinc, etc.

The industrial system of Iraq has, therefore, to be primarily based either on oil or on non-metallic minerals which are easily available. Mechanical and electrical industrial projects, which require iron and steel and other metals as their principal raw materials can at present be developed with the help of imported raw materials only. These important facts determine the structure of industrial programming of the country.

In order to meet the difficulties of industrial raw materials which are not locally available, the Government allows to the licensed projects the facility to import raw materials freely and without taxation. This helps the projects to run profitably and undertake production warranted by local demand and their capacity.

M. Human Skills

Industrial growth is a recent phenomena in Iraq. Lack of properly qualified human skills with requisite experience has no doubt been the main constraint in the industrialization of the country and help of expatriates had to be sought. The country is in the process of building up the requisite man-power which may be required for the future industrialization programmes. Iraq has set up technical colleges and institutions to provide education in different disciplines but the young graduates and diploma holders emerging from these institutes have yet to get sufficient experience to fill the requirements of skilled workers, supervisors and middle management cadres.

The pattern of industrialization in Iraq has been that most of the large scale industries are managed and owned by the Government while only the small and medium scale supporting industries are in the private sector. These industries have largely been based on the locally available talents. In any case, availability of technical man power is not yet in plenty in the country. Most of the technical personnel working in the different industrial projects had to be built up locally with the help of in-plant training imparted to progressive and intelligent persons selected from different institutions.

G. Available financing

In view of the increasing oil revenues since the early 1950's, the Government has not faced any serious difficulty in finding finances for new projects. In fact the position has been otherwise, namely, the Government did not have adequate readily available projects on which appropriate investments could be made. The Government now is fully conscious of this fact and every effort is being made to develop a large number of viable projects so that the pace of investment in industries can be accelerated.

For helping the private sector, the Government established in 1946 the Industrial Bank whose main function is to lend finance to new industrial projects for their establishment and working. In view of the favourable balance of payments position, there has been no shortage of foreign exchange and import of machinery and equipment have been liberally permitted in all deserving cases. However, there is no denying the fact that the concept of development finance as distinct from the commercial or banking finance, has yet to be introduced in the country in a big way, so as to give a greater incentive to industrialization.

H. Entrepreneurial Initiative

Up to 1950 all industries of Iraq were entirely in the private sector. After 1950 and particularly since 1958, the Government has been setting up industries in the public sector and about 190 industrial units have been established. The table below gives the progress of public investments in the industrial sector :-

Table No. 1.4

Government Investments in Industrial Sector

Period	Investment ID (Millions)
1951-55	2.6
1955-59	32.3
1959-61	11.9
1961-65	38.3
1965-70	103.9
1970-72	68.3
(Two years of 1970-75 Plan)	

The financial and plan year in Iraq covers the period April to March.

1950 therefore marks the beginning of the mixed sector in the country when both the public and the private sectors had scope for making their own progress. In 1964, some large private industrial enterprises were acquired by the Government. This was the beginning of a new economic era in Iraq according to which all initiative for the establishment and running of large projects lay in Government hands. There is no doubt that some private medium and small-scale industrial units have been established and are working satisfactorily even after the nationalization of 1964. Generally the climate for private investments was thereafter shy but has been gradually picking up.

The country by its basic principals of Revolution is committed to the development of a socialistic pattern of society with equal opportunity to every national and under such conditions it cannot permit large concentration of capital investments and industrial power in the hands of a few individuals. The subject of developing private initiative and entrepreneurship for the industrial sector has been under serious consideration of the Government. Industrial policy to provide adequate scope for private investments with a rational control by the Government

was first initiated in 1970. More positive steps in this direction have been taken with the issue of amended Industries Development and Regulation Act in 1973, which provides for a number of incentives and concessions to new projects.

It will, therefore, be observed that so far as the infra-structure for development of industries in Iraq is concerned, there has been adequate development of transport, power, and other facilities. The non-availability of metallic minerals has been the principal constraint in the development of mechanical and electrical industries in a big way. The country has to depend on foreign supplies of raw materials and intermediates. On the other hand, availability of oil, natural gas, sulphur, gypsum, limestone and other non-metallic minerals has been the main asset of the country and programmes have been prepared and executed in the past, and new ones are under preparation for the most beneficial exploitation of these natural resources.

Iraq is still in the process of organizing adequate institutions for the building up of its own technical man-power and engineering skills so that it can undertake to do things on its own and its dependence on expatriates is reduced to the minimum. Building of man-power is however a time consuming and dilatory process. In spite of these difficulties it is hoped that during the 1970's Iraq will have sufficient developed technical personnel.

The concept of growth points, industrial areas, industrial estates, and provision of developmental finance and other facilities which can encourage the private initiative to undertake industrial projects have not yet been introduced in a big way. Proposals in this regard are under consideration and are expected to find a place in the next 5 Year Development Plan.

CHAPTER II - INDUSTRIAL DEVELOPMENT

Industrial development of Iraq can be divided into three ear-marked periods as follows :-

1. Up to 1950
2. 1951 to 1958
3. 1959 to 1972

Up to 1950:

The economic and political conditions which existed in Iraq prior to 1950 were not conducive to industrial development on a large scale. The economy was fundamentally agricultural. Oil exploration, its extraction and export were in the hands of foreign companies. The administration did not have a progressive outlook. Industrial development was left entirely to the private sector. Governmental efforts were limited to providing certain infra-structural and financial facilities. The Industrial Bank was established in 1946 and it provided finance to industrial projects both long-term and short-term. Industrialization was confined to basic consumer industries, like, grain-milling, textiles, bricks, small mechanical items - utensils, buckets and other commodities of day-to-day use.

1951 to 1958:

There was a sudden spurt in Government revenues from oil royalties in the 1950's due to increase in production of crude oil and the 50-50 Agreement of 1952 with the Oil Companies.

The crude oil production of Iraq before 1950 was less than 5 million tons per year. In 1950 it increased to 6.5 million tons and reached 30 million tons in 1954. By 1958, the output of oil was 35 million tons. Government revenues increased in the same proportion. Before 1950, they were no more than ID. 3 million, which increased to ID. 52 million in 1953 and to ID. 50 million in 1958.

There was a change in the Government policy and it was decided to utilize these resources for the development of the country. In 1950, the Development Board was set up to formulate economic development plans for Iraq which might be a potential source of employment, raising the per capita income and standard of living of the people. The Government also decided to establish some public sector industrial projects.

Initially it was decided that all oil revenues would be utilized for development expenditure but in view of other administrative necessities, the share was reduced to 70 per cent in 1952 and to 50 per cent in 1959. In 1953, the Ministry of Development was established and the Third Technical Section of this Ministry was given the responsibility of implementing the Development Board's decisions in respect of industrial and power programmes. The First Five Year Plan of Iraq was prepared in 1951. It covered the period 1951-55 and made a provision of ID. 14 million for industry and power out of the total Plan provision of ID. 90 million. The Second Plan covered the period 1955-59 and the allocation for industries and power was ID. 57 million in the total Plan of ID. 217 millions.

During the 1950's, the Development Board's actual spending on industrial projects was comparatively small in relation to other sectors. The important projects taken up for the first time in the public sector were the Nitumen plant in Qayara, the Oil Refinery in Baghdad, the Cotton Textile Factory and the Sugar Plant in Mosul, and 2 Cement Factories in Hammam Al-Alil and Sarchinar respectively. Although in absolute terms the above public sector investments were not of a very large magnitude, they were important since they marked the beginning of this sector in Iraq and they provided stimulus to the private sector. During this period the policy of the Government was not to establish a powerful public sector but due to national political pressure the Government had to include some public sector industrial projects in the development plans.

With the increase in public investments and consequent upon the large demand for various inputs required for housing and construction activity, the private sector found it an opportune time to establish new cement, brick and lime factories and other construction material industries. During this period metal industries to manufacture air coolers, kitchen utensils, spare parts of some engines and food processing industries (fruit preservation, dairy products, grain-milling and beverages) also developed fast in the private sector.

In 1950 and subsequently in 1955, the Government amended the Industrial Development Law of 1929, to provide for more incentives and concessions to new industrial projects in the private sector.

An important event of this period was that the First Industrial Census was organized in 1954 which revealed the following facts :

Table No. II.1
No. of Employed Workers, Value Added, Value of Output in the Industrial Sector

Industrial Groups	No. of Workers	Value Added (000) ID	Value of Output (000) ID.
Agro Industries	55456	13302	24206
Building & Construction Industries	15982	6354	8579
Metal Industries	14202	2092	3617
Electricity	3558	1909	2473
Unclassified Industries	1093	-	863
Total	90291	23658	39739

Table No. II.2
 Size of Industrial Undertakings in 1954
 (Industrial Establishments according to
 Number of Persons employed)

No. of Workers in the Establishment	No. of establishments	Total Number of Workers.
1	10157	10157
2	5651	11302
3	2805	8415
4	1383	5532
5	504	4020
6-9	933	6455
10-19	433	5718
20-99	199	6185
100 and above	95	30507
Total	22460	90291

The period 1954-58 has therefore been characterised by the development of both the public and private sectors in the economy of Iraq. The Government investments in industries and power were about L. 35 million.

A well conceived and ambitious plan for the development of industries could not be prepared since enough attention was not given to development of industries based on oil and other locally available natural resources. Most of the surveys conducted during this period were either for development of power and other infra-structural facilities or for geological research and finding commercially exploitable resources. There was great emphasis on agriculture and it was felt that unless agriculture developed to a sufficiently large extent, the economy of Iraq could not develop. In the industrial sector, neither many public sector projects were included in the Plans, nor there were proposals for better utilisation of the existing capacities. The industrial sector therefore suffered at both ends. These and some of the other difficulties were set to be removed during the subsequent period 1959-72.

1959 to 1972:

On the 14th July, 1958 there was Revolution in Iraq which ended the Monarchy and established the Republic of Iraq. This marks the beginning of a new era of economic development. The new regime concentrated on 3 major fields - agrarian reform, increased oil production and accelerated industrialization.

The country depended for its budgetary and development resources largely on royalties from crude oil. Increase in oil production was therefore of utmost importance. Oil production was still controlled largely by foreign companies, and during the 1960's, its output in Iraq was not increasing at the same rate as it achieved in the neighbouring Arab Gulf oil producing countries. Crude oil production increased only from 45 million tons in 1960 to 60 million tons in 1964 and stayed about at that level till 1968 when it rose to the 73 million tons. In 1970 the production was only about 75 million tons.

In 1959 the Development Board and the Ministry of Development were superseded by the Planning Board and the Ministry of Planning. A separate Ministry of Industry was created to look after the industrial development of the country. The new Ministry of Planning became responsible for formulating economic development plans in consultation with the different Ministries. Previously planning as well as execution of projects were centralised in the Ministry of Development whereas after the reorganization of 1959, planning continues to be centralised and remains the responsibility of the Ministry of Planning while the execution of projects has been decentralised and given to different Ministries and their attached organisations.

Since 1959, 3 economic plans have been formulated. In December 1959, a Provisional Economic Development Plan for the years 1959-61 was introduced with a total allocation of ID. 328 million in which the share of the Industrial Sector was put at ID. 32.8 million. This was followed by the 1961-65 Plan with an investment of ID. 445 million. The share of industry and electricity in this Plan was raised to ID. 122 million. In the next Five Year Plan for the period

1965-70, the total plan investment was increased to ID. 668 million and the share of industries and power to ID. 187 million. The important feature of this Plan was that in view of the increasing importance of industry and power, the allocation to this sector was the highest, namely, 28 per cent and its actual execution during the plan period was also the highest amongst all sectors.

Iraq is presently executing the 1970-75 Plan. This Plan originally provided for an investment of ID. 536.9 million but this was subsequently revised to ID. 952.5 million which was a substantial increase over the earlier plans. In June 1972, the foreign oil companies in the North were nationalised, and the Government expected to have substantial increases in oil production to provide resources for new development. In the revised allocations, the share of the Industry and Power Sector has been placed at ID. 207.25 million - 21.7 per cent of the total allocation. In addition to this central plan allocation, the industrial programmes include self-financed investments by the State Organizations and companies amounting to more than ID. 350 million for the period 1970-1975.

The position in respect of the various Plans for the Industry and Power Sector is summarised below :

Table No. II.3
Industry and Power Programmes in Different Plans
for the period 1951-1972

Plan Period	in Million ID.		
	Investment Target ID	Investment Achieved ID	% Execution
1951-1955	14.0	2.6	18.6 %
1955-1959	57.1	32.3	56.6 %
1959-1961	32.6	11.9	36.3 %
1961-1965	121.7	38.3	31.5 %
1965-1970	187.2	103.9	55.5 %
	412.8	189.0	45.8 %
1970-75	28.0	26.7	95.4 %
1971-72	50.0	41.6	83.2 %
<u>1970-75 (First two years of the current Plan)</u>			

The brief history of industrial development given above will indicate that although the country had to face very many difficulties and odds, Iraq has established adequate machinery and organization to plan its future industrial development and to execute the projects. Given adequate resources, it is hoped that the rate of growth in the Industry and Power Sector shall be much accelerated in the years to come. The table in Appendix I gives details of some major industrial projects established during the last two decades.

Pattern of Industrial Growth:

As already stated, Iraq is making its initial strides for industrialization and the emphasis is mostly on the manufacture of consumer goods or basic inputs for agriculture and other sectors. In keeping with this policy, Iraq has concentrated on establishing projects to manufacture items, like, cement, sugar, textiles, vegetable oils, paper, pharmaceuticals, fertilizers, agricultural implements, assembly of refrigerators, bicycles, air coolers, water coolers, and simple electrical items. Iraq has not yet taken up the manufacture of either intermediates or capital goods except for some electric motors and transformers. Proposals for manufacture of iron and aluminium are under consideration and in the years to come Iraq proposes to take up manufacture initially of the basic raw materials and intermediates and thereafter machine tools and capital goods.

Resource-based Industries:

The industrial development of the country has largely been resource based. Since the main emphasis has been on consumer industries, Iraq has given importance to the establishment of agro-industries, namely, grain-milling, fruit preservation and canning, vegetable oils, date processing, sugar, cigarettes, and textiles. Iraq is also establishing industries like cement, glass, oil refineries, sulphuric acid, caustic soda, fertilizers, which are based on locally available resources and raw materials. Of late the country is anticipating to enter into the secondary stage of its industrialization programme when it proposes to establish industrial projects based on imported raw materials like iron, ore, bauxite, etc.

Construction and Housing Industries:

In view of the various development programmes and heavy investments involved, there has been a spurt in the demand for building and construction materials. Consequently, these industries have been developed. Largest progress has been in the case of cement industry. There was not even one cement factory in the country in 1948, whereas Iraq has now 6 cement factories with a capacity of 1.8 million tons and 3 are under construction with a capacity of 900,000 tons. Development of cement industry has also helped the growth of asbestos pipes, asbestos sheets, tiles and other cement based products. Construction activity in the country has also provided encouragement for the establishment of supporting industries, like, manufacture of paints and varnishes, metallic frames, doors, windows and wood-based industries. Although all these items have essentially depended on imported raw materials and components, their assembly and finishing have substantially developed in Iraq.

Supply to Domestic Market:

Since the industrial development of Iraq is largely consumer-oriented, a major part of industrial output is being utilized for internal consumption. The table below indicates the growth of some consumer and construction material industries in Iraq and the extent to which they have increasingly met the domestic demand and even started exports.

Table No. 11.

Increasing share of domestic production in domestic demand.

Commodity	Year	Estimated Domestic Demand	Internal Production	Per cent of Domestic Demand Int. Prod. (Per cent)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
Textiles (cotton) (million s.p.m.)	1960	83	29	40 %	
	1970	92	42	48 %	
Sugar (000 Tons)	1951	76	0	0 %	
	1959	172	12.0	7 %	
	1970	272	60.0	22 %	
Vegetable Oils (000 Tons)	1960	22	22	96 %	
	1970	56	57	102 %	
Toilet Soap (Tons)	1961	5620	5509	98 %	
	1969	6843	7311	107 %	
Detergents (Tons)	1961	10225	7066	65 %	
	1969	11547	12272	106 %	
Cement (000 Tons)	1960	736	813	110 %	Surplus Exported
	1970	1210	1543	128 %	

Exports:

Iraq's largest export has always been crude oil which occupies the premier place in the country's exports. Besides oil, Iraq is now endeavouring to export other industrial items. Good success has been achieved in the exports of cement and fertilizers. Another important item exported is the processed dates for which this country is the largest exporter in the world. Some success has also been achieved in the export of items, like, textiles, detergents, soap, shoes, leather goods and other products.

Regional Market:

The question of establishing industries on regional basis in different Arab countries was considered by ILOCA3 some years ago. The UNESOB had also proposed to carry out some surveys of resources and markets of Arab countries to find possibilities of establishing industries in the Middle East on regional and sub-regional considerations. All these efforts are still at investigational stage and no firm decisions for establishing industrial units from the point of view of the Arab region have yet been taken. It may, however, be added that in case this question is considered scientifically and in greater details, there is vast potential for the establishment of industries in the different Arab countries from the point of view of the Arab region. Industries thus set up shall be able to have the advantages of large scale production and assured markets.

Arab Common Market:

Iraq is a member of Arab Common Market, whose other members are Egypt, Kuwait, North Yemen, Jordan, Syria and Sudan. The Arab Common Market permits freedom of movement of people, capital and commodities, residence, employment and undertaking economic activities. Tariffs have been proposed to be reduced in stages and would be abolished by 1974. Agricultural products have been exempted from tariff since 1965.

There is another agreement on Economic Unity of Arab Countries which permits integration of policy and setting up of industrial projects and scientific organizations on regional considerations.

Statistical Indicators:

The contribution of industries to the national output (GDP) is given below :

Table No. II.5
Contribution to GDP
(at current prices)

Sector	Contribution in					
	1955		1960		1970	
	Million IL	%	Million LD	%	Million ID	%
Industry (manfre)	19.74	6.1 %	54.40	8.5 %	116.00	9.8 %
Agriculture	71.50	22.1 %	97.84	15.9 %	219.00	18.4 %
Transport & Communications	21.37	6.6 %	39.72	6.5 %	71.20	6.0 %
Building & Services	28.10	8.7 %	64.45	10.5 %	127.50	10.7 %
Others	162.25	56.4 %	358.65	58.3 %	655.00	55.1 %
Total	322.96	100 %	615.06	100 %	1188.7	100 %

Source: Annual Abstract of Statistics - 1970
National Accounts - C.S.O - 1970

It would, therefore, be seen that the contribution of industry to the GDP of Iraq has been constantly increasing.

The table below indicates the progress of public and private, large and small-scale industrial sectors in Iraq.

Table No. II.6

Sector	1965			1969		
	No. of Projects	Employment No.	Output 000 ID	No. of Projects	Employment	Output 000 ID
LARGE						
Public	158	33863	67543	179	44073	96046
Private	981 ⁰	39720	43199	1045	40204	59736
Total	1139	73583	110742	1224	84277	155782
SMALL						
Public	Nil	Nil	Nil	Nil	Nil	Nil
Private	25129	53290	60464	27214	50931	60755
TOTAL (Industry)	26268	126873	171206	28438	143208	224537

Small-scale projects are those which employ less than 10 persons.

Table No. 1117
 Increase of Industrialization in Iran;
 (Output of some Industrial Products)

Ser. No.	Product	Units	1960	1965	1969
<u>Food, Beverages and Cigarettes:</u>					
1	Dairy Industry - Processed Milk	000 Lit.	1495	7442	14781
2	Vegetable Oil Industry	Tons	21685	47043	56635
3	Beer Industry	000 Lit.	5143	4525	6867
4	Cigarette Industry	Million	6510	7271	7724
<u>Textiles:</u>					
1	Cotton textile Industry	000 m ²	29030	31314	36099
2	Blankets Industry	000 Nos.	255	462	611
3	Shoe Industry	000 Pairs	3891	6914	8545*
<u>Chemicals Industries:</u>					
1	Detergents Industry	Tons		8986	12272
2	Matches Industry	000 Boxes	131334	158756	242846
3	Oil Refining Industry Oil Products Lube Oil	000 Galln. "	510893 5573	684086 6560	838875 8627
<u>Building & Construction:</u>					
1	Bricks Industry	Millions		1214	1245
2	Cement Industry	000 Tons	813	1345	1403
3	Asbestos Sheets Industry	Tons	2821	1659	1893
<u>Electricals:</u>					
1	TV Assembly	Nos.	811	3172	4984

* Estimated

Iraq is presently at a very crucial stage of its industrial development. The work done during the last 20 years has made the people industry conscious and the Government has built capabilities to manage large industrial projects. This should contribute to accelerate the industrial growth of Iraq. Although Iraq lacks metallic mineral resources, it is rich in oil and non-metallic minerals so that it can develop the petro-chemical complex, cement, glass and other ceramic industries. It also has abundant supply of natural gas which is being presently wasted. This can be harnessed into electric power which can be utilized for industrial purposes particularly for power intensive industries.

CHAPTER III - THE STRATEGY OF INDUSTRIALIZATION - 1952-1972

A. Selection of Priority Industries

The era of planned development started in Iraq in 1951 and a number of plans have been prepared since then. The industrial programmes of different Plans, as they were formulated, amended and implemented were summarised in Chapter II. Implementation in the industry and power sector has generally been 50% of the target. This has been due to various reasons - larger gestation period of the projects than originally anticipated, lack of detailed preparation of projects before inclusion in the Plans, delays in appointment of contractors, civil construction and procurement of machinery and stores, difficulties in obtaining know-how and technology, and training the local personnel.

The plans particularly after 1959 have been specific and given proper priorities not only to the development of new industries but even to projects on which investments were to be made. The projects were selected after scientific study of

the demand patterns of the country, capitalization, the picking up and running of the projects, the availability of raw materials and other resources, which would serve as inputs. Accordingly, priorities were given for the development of sugar, textiles, oil refining, paper, fertilizers, leather and leather products, shoes, cement, bricks, and other consumer industries.

Development of Private Sector:

As regards development of the private sector, all proposals are considered by the Licensing Committee, which accepts them provided they meet the Plan objectives and the Government policy. Up to 1958, the Plans did not mention any priority items and it was left to the initiative of the private sector to determine industries which had bright prospects and where investments could be appropriately made. The private sector was mostly guided by the increasing demand for consumer and housing construction items and as such it preferred to put investments in food-processing, beverages, textiles, cement, bricks and the like industries.

After the nationalization of some large industries in 1964, the private sector has been somewhat shy and has not displayed any tangible initiative in the industrial sector. Mostly the proposals received have been for small and medium scale projects for either establishing servicing units or manufacture of some simple consumer items. The Government has been making endeavours to provide substantial assistance to the private sector so that it develops faster than hitherto. This position has been further clarified in the Presidential Statement of 1970 and in pursuance of that, about 820 industrial projects were earmarked for the private sector and the Industries Development and Regulation Act has been revised in 1973, whereby more concessions and incentives have been granted to the private sector. As a consequence of these measures the private sector has now been picking up.

Development of Public Sector

Since 1959, the Government has assumed major responsibilities for the development of the industrial sector and it specifies in each Plan the new projects to be taken up. The priorities stated in the Plans are in most kept in view in the establishment of industries, but such priorities have not been absolutely rigid, and whenever it has been found that additional resources are available for taking up more sophisticated industrial projects, each case is examined in details and new proposals are included in the annual plans after the approval of the Planning Board.

Since 1964, annual plans have been given particular importance. At the time of the preparation of each annual plan, the implementation and progress made during the year are thoroughly reviewed, resources position is examined and suitable changes are made in the plan projects and implementation programme. The annual planning methodology has introduced dynamism in development of Iraq.

Sectoral planning is also an important aspect of the preparation of the overall economic development plan. Experience has shown that aggregative models without adequate work on sectoral plans and individual projects, present only a distorted and imperfect picture and can be misleading. In order to be realistic, the sectoral plans take into account the varying factors, like, changes in prices, techniques of production, locations, types of instruments, etc. and there is constant exchange of information at the micro and macro level. The sectoral plans will, therefore, assume greater importance in the overall future economic plans of Iraq.

The Government has decided to reserve some key industries like, cement, asbestos, machinery, automobile assembly, heavy chemicals, petro-chemicals, refineries, paper and pulp, large textile mills and cigarettes for the public sector.

Evaluation of Projects:

The Government has established a well-organized system of project evaluation. Any new project is first considered in the Administrative Executive Ministry. It is then sent to the Ministry of Planning where

the project is examined in the Industrial Department before a decision is taken by the Steering Committee and by the Planning Board. The Government is also taking measures to strengthen existing technical organizations in order to undertake the preparation of feasibility reports of the required standards and to implement them. Generally, the Government insists on the preparation of a feasibility report for each project which should provide adequate information on all technical and economic aspects to enable the Planning Board to take proper decision. The Ministry of Planning is currently drafting detailed guidelines for the preparation of feasibility reports on a scientific basis. As soon as these guidelines have been finalized, it is hoped, the work relating to the preparation and evaluation of feasibility reports for all projects in the country shall be streamlined and it shall be possible to optimize investments for the accelerated development of Iraq.

B. Implementation of Industrial Projects

In the last 3 Plans, 1961-65, 1965-70, and 1970-75, the approach has generally been to lay emphasis on projects and to earmark allocations to each project in every sector of the overall economic development plan. As such, the executive authorities have advance knowledge and clearance from the Planning Board of the projects to be implemented and this has helped better implementation.

Foreign Investments:

Iraq has not given any encouragement for the setting up of foreign projects in the country. The emphasis has been more on technical collaborations than on foreign financial interests and ownership. Arab nationals from other countries are permitted to have financial and investment interests in the projects in Iraq.

Industrial Policy:

The Government has indicated its industrial development policy in the development plans and in the Industrial Development and Regulation Act. This Act has been amended from time to time (last in 1973) to meet the changing situations and to accelerate

industrial growth by providing for more incentives and concessions to the private sector.

The first fundamental change in the industrial policy of the country came about in 1956, when the Government decided to set up important projects in the public sector. This policy substantially aided to the overall investments in the industrial sector and the country could undertake many large and difficult projects which normally the private sector would not have perhaps gone into. The second change in the industrial policy came in 1964 when the Government decided to nationalise some of the large private sector industrial projects. This had mixed blessings, for on the one hand, it created a certain degree of uncertainty and shyness in private investments but on the other it enabled better organization and management of industrial projects and it became possible for the Government to make the best possible use of the capital and management capabilities both for meeting internal consumer demands and for industrial development on some well conceived lines so as to serve the long term perspective of the country.

In spite of Nationalization Law of 1964, private investments in Iraq have not been banned and gradually people are understanding the real intentions behind the 1964 nationalization. Private investments have now been picking up. The Government is providing more facilities and incentives to the private sector while it is substantially increasing the public sector investments. It is hoped that the private and public sectors will play an increasingly complementary role in the economic development of Iraq.

Appendix II summarises the public and private sector investments in different years. It would be observed that the private sector investments fell to low levels after the Revolution of 1956 and Nationalisation of 1964 but picked up in subsequent years, while the public sector investments have been steadily increasing.

As a conclusion from the above paragraphs it will be seen that (a) till 1958, all industrial investments were in the private sector. (b) The main thrust of investments in the industrial sector between 1958-1959 were from the private sources with few investments in the public sector, (c) Between 1959 and 1964 it was almost equal both from the private and public sectors, and (d) Since 1964 the industrial investments are largely from the Government. Foreign investments and foreign projects have not played any perceptible part in the development of Iraq since 1964.

C. Promoting Exports of Manufactured Goods

During the initial stages of its industrialization, Iraq has been laying emphasis on manufacture of consumer goods and processing of agricultural produce. One of the main items is processed dates and extensive efforts have been made to encourage exports of high quality processed dates. There has been good success in this respect and Iraq has been able to build an international market for its processed dates.

The other manufactured items in which Iraq has been able to make good progress are cement, fertilizers, woollen blankets and cloth, leather and leather products, shoes, and others. The exports in the above items are mostly dependent on the surpluses available after meeting the internal requirements. In the plans which are under formulation, Iraq is considering development of industries based on natural gas and oil mainly from the point of view of exports. If these programmes are successfully implemented, Iraq shall be able to export many industrial products.

D. Promoting Employment

Iraq is not one of the densely populated countries, and there has not so far been any major problem of unemployment. In fact if the rate of growth of the country reaches about 10 per cent, the problem of unemployment will not arise.

Under these circumstances, Iraq is always interested in finding modern technologically developed and sophisticated machinery and equipment for its industrial plants subject to the condition that it should be matching with the scale of production needed for the country. In the selection of technology and projects, the benefits of employment are not lost sight of and this is also one of the considerations in the setting up of new projects.

E. Location of New Centres in Rural Areas

The Government is fully aware of the difficulties of excessive concentration of industrial projects in some selected cities, like, Baghdad, Basrah and Mosul. These are presently the most attractive centres where industrial investments flow. In order to keep a balance between the different regions of the country the Government is preparing a regional development plan for Iraq so that, other things being equal, new projects can be set up in rural and under-developed areas of the country. Keeping in view this policy the Government does not generally now issue licenses for the setting up of new industrial projects in Baghdad.

F. Development of Manufacturing Technology

Iraq has largely been dependent on foreign technology and know-how for most of its industrial projects in the past. For example, the Rayon Manufacturing Plant at Hadiyah and the Pulp and Paper Mill at Martha were set up with the help of West German technology, the Fertilizer Plant at Basrah took the help of Japanese technicians, the Agricultural Implements Plant at Ikenudaria and the Electrotechnical plant at Baghdad were established with the help of the Soviet Union, the textile mills with the help of French and British technology, the oil refineries with the assistance of American and British technicians and so on. Gradually the country's own technicians are able to handle these plants and are able to implement their expansion and diversification. The Government explores possibilities of obtaining technology and know-how from alternative sources in different countries, and finally after considering all aspects, it accepts the most favourable offers from reliable and best known and reputed organizations in the world.

Iraq is making efforts to develop organizations which can undertake to do things of their own. A State organization for Industrial Design & Construction has been set up to undertake preparing designs for industrial projects and supervising their construction. A similar organization has been set up under the Ministry of Minerals & Oil for the planning, design and supervising construction of oil and mineral projects.

G. Training of Local Labour and Management

The Government has set up a National Centre for Consultancy and Management Development with the assistance of ILO to train the local personnel in industrial management.

The Government has also set up four technical training centres for textiles, mechanical, electrical and oil disciplines. Measures are also being taken to establish technical high schools in all major cities in the country. These training facilities are in addition to the on-the-job training which is carried out during the construction of the projects with the assistance of the contractors and suppliers of machinery and equipment.

CHAPTER IV - INDUSTRIAL POLICIES & MEASURES - 1950-72

The evolution of active industrial policy in Iraq dates back to 1950, when the country initiated its development programme. For the first time, the Government considered measures which aimed to accelerate industrial growth. The public sector also came into existence at that time and investments were provided for projects mostly related to consumer items, like, textiles, sugar and cement. It was not difficult or much of a problem to evaluate these projects. The Government was only particular to see that the technology adopted was suitable for the country and investments were reasonable keeping in view the overall standards of other developing countries.

In the selection of projects especially after 1959 the investment in the public sector has increased substantially increasing the government's role in project formulation and evaluation is becoming more and more important. The Government has been taking help in this regard from the U.N. organizations as well as from many foreign countries in the form of experts who have developed sound procedures and methods for project formulation and evaluation. Mention may particularly be made of the UNDP/UNEP/IMU Project Assistance in Development Planning and Execution under which the U.N. provided a team of experts with a Project Manager to assist the Ministry of Planning in project formulation and evaluation. This project has substantially helped the building up of local expertise in this field. Iraq has also entered into bilateral technical collaboration agreements with other developed countries to provide experts to help in the preparation and execution of projects. Some time back the Planning Ministry issued interim instructions for preparation of projects to all executive Ministries. Currently, the Ministry of Planning is preparing a Manual on Project Development which will provide detailed guidelines for preparation of projects right from the stage of their inception till they reach commercial production. This Manual will include the latest and up-to-date methodology applied for development of projects in different countries.

The history of planning and industrial development outlined in Chapter II would indicate that ever since 1964 the Government has been relying mostly on public sector for the industrial growth of Iraq. With such a basic approach, tariffs did not play any significant role by way of incentives for industrial investments. The policy of tariffs in the country has therefore been largely decided keeping in view the larger aspects of the well being of the country from political and economic stand point. Of course the Government has been very conscious of the need to protect infant industries. Neither import of the indigenously manufactured commodities is not allowed or is subjected to quota and tariff restrictions. A question may arise that under such conditions,

what protection is given to the consumer, the exploitation by the indigenous projects? Since all the major industrial projects are in the public sector, the pricing policies of these projects are determined keeping in view the price position and interests of the consumers even at the cost of any of these projects incurring losses or taxing longer period to reach the take-off stage. For example, Iraq has set up a well organized modern pharmaceutical and drugs project which undertakes manufacture of antibiotics and other drugs. The project has not been permitted to increase the prices of its products in spite of its suffering marginal losses and taxing longer period to reach the break-even point.

While deciding the tariff and import policies, due account is taken of the fact that the resources of the country are not spent over luxury and wasteful items and imports are minimized. It has been possible to regulate imports since the majority of imports are through State-owned organizations.

Besides tariffs and import regulations, the Government provides incentives to the private sector to set up industries. Such incentives include allotment of land free or at concessional prices, reduction in lease rents, duty free imports of machinery and equipment, components and parts, raw materials, packaging materials, relief from income-tax and property tax and other Government levies and facilities of soft loans from the Industrial Bank. Of course, all proposals to get entitled to these concessions must be approved by the Government and should be in keeping with the plan and development objectives. There is no denying the fact that the private investment has been somewhat shy in Iraq after the nationalization of some projects in 1964, but gradually there is better understanding now amongst the people and it is being appreciated that the Government is not opposed to private investment in industrial projects; it only wishes to direct it to the desired lines of production.

Foreign investments are to be encouraged provided they follow the country's legislation on this subject. Foreign participation in the industrial projects cannot exceed 49 per cent of the total investment although government should be allowed 20 per cent. Any foreign company must obtain a license from the Ministry of Economy which can be renewed each case on its own merits. All Arab nationals can participate and make investments in Iraq. However, during the last 10 years there have been only a few projects with mixed foreign and Iraqi ownership. Usually Iraq either purchases the technical know-how or employs foreign experts for the establishment and running of industrial projects and this policy has been fairly successful. Within 2 years of the setting up of the most sophisticated fertilizer producing project in collaboration with Japanese experts, Iraq has been able to take complete charge of that factory and run it satisfactorily. Similarly the Kayon factory could be managed and controlled by Iraqi personnel within three years of its being set up with the help of West German experts. The same thing could be said about the other projects in the country.

Iraq is currently preparing its next 5 year plan in which it proposes to give specific role to the public and the private sectors. Many projects are under formulation based on a scientific study of the demand pattern and projection up to 1960 of about 50 commodities. Investments to meet these demands are proposed to be made during the next plan. The Government would reserve some key industries and large investment projects for the public sector and leave the field open to the private sector to select new items for manufacture with the added facility of specifically earmarking some projects for this sector. Emphasis is on the coordinated and complementary development of both the sectors. The Government will approve all proposals for new industrial projects provided they are in keeping with the basic objective of the Republic of Iraq, namely, they subscribe to the socialistic pattern of development and do not lead to concentration of wealth and economic power in a few hands.

Although it may in some respects prove a hindrance for the overall development of the country, adherence to this principle will have manifold effects on the distribution of GNP and raising of the per capita income of the poorer and weaker sections of the society.

CHAPTER V - INSTITUTIONS AND INDUSTRIALIZATION 1950-72

Up to 1950 development was left largely to the private initiative and the Government did not play any active role in the industrial growth of Iraq. Organised industrial projects were confined to extraction of mineral oil by foreign owned companies mostly for exports or to some consumer and construction goods industries owned by private sector. With the increase in oil revenues, the Government became conscious of proper utilisation of these funds for development purposes. The Development Board and the Ministry of Development were set up in 1951 to carry on the functions of planning and implementation of industrial and other projects. The Third Technical Section of this Ministry looked after industries. There was no separate Ministry of Industry and this position continued up to 1958.

After the Revolution of 1958 and with the increasing importance given to public sector, the Development Board and Ministry of Development were superseded by the Planning Board and the Ministry of Planning. The III Technical Section of the Ministry of Development was reorganised into a separate Ministry of Industry.

Ever since 1959, the Ministry of Industry has been the principal organisation to look after the industrial development of Iraq. It formulates the projects which are evaluated and included in the Plans after approval of the Planning Board. Since the public sector is now the main thrust of industrial development of Iraq, a major responsibility has devolved on the Government to

continued efforts for expansion and develop new projects necessary to meet the economic development requirements of the country.

The Government has been following a dynamic policy for establishment of projects from the simple sanction of public sector projects. After a decision has been taken for the setting of a particular project, the Ministries of Industry and Planning consider as to which organization can best undertake implementation and management of the said project. During the last 12 years, a number of organizations have been established for running different public sector projects, namely :

- 1) State Organization for Knitting & Textiles
This organization looks after the management of 17 different industrial units engaged in spinning, weaving and dress-making as well as 13 small units for making hand-woven carpets.
- 2) State Organization for Leather & Cigarettes
This Organization looks after 11 projects undertaking leather tanning, manufacture of leather products and shoes, cigarettes and matches.
- 3) State Organization for Constructional Industries
This looks after 6 cement factories, one asbestos and 3 cement products making units, one glass project and 3 projects manufacturing bricks. It is also supervising the construction and expansion of 3 cement factories.
- 4) State Organization for Engineering Industries
This Organization looks after 4 projects manufacturing mechanical and electrical items as well as 3 assembling units for trucks and tractors.

5) State Organization for Chemicals & Food-Staff Industries

This Organization looks after the food-stuffs and chemical industries like vegetables, fruit preservation and canning, soft drinks, and other food stuffs, soap, detergents and fertilizers. There are 45 projects supervised by this organization.

6) State Organization for Drugs

This Organization works under the Ministry of Health and looks after one large project manufacturing antibiotics, BF Products, drugs and pharmaceuticals in Samarra. Medicines imported in bulk are packed or converted into different formulations in this project.

7) State Organization for Industrial Design & Construction

This Organization provides necessary engineering and technical services initially for planning and subsequently for implementation of projects. It has a design cell, a construction department and an advisory administration, which serve as consultants to new projects. Although Iraq cannot claim to be self-sufficient in the matter of engineering and consultancy services and help is sought from foreign organizations in this important aspect of project establishment, the staff and personnel of the Iraqi State Organisation of Industrial Design & Construction serve as the local counterparts of the foreign experts.

8) Industrial Bank

Iraq has set up the Industrial Bank to provide finance to industrial projects in the private and mixed sectors. This institution was set up in 1946 but its working and regulations have been revised from time to time. It is now governed by the Industrial Bank Law No. 62 of 1961, which has further been amended in 1967 and 1973. The Bank is wholly owned by the Government and it has a paid up capital of ID. 4.75 million. The Bank has been earning good profits and its accumulated reserves by the end of December 1971 were over ID. 3 million, thus enabling the Bank to operate with funds of ID. 6 million.

... ..
to

The Industrial Bank of Iraq gives loans for the
acquisition of machinery, equipment, etc. The maximum loan is
determined on the basis of the value of the land, buildings
and machinery. The maximum loan for partnership concerns the
loans are provided, but not to 10,000,000 in the case of
share companies the maximum loan is 10,000,000. The rate of
interest charged is 6 per cent on loans in the first instance
are granted for 5 years but the period for repayment is extended
in deserving cases on service

working capital loans are given on the project on the basis of
assessment of their individual needs - on the basis of the turn-
over of the product, current carry over of raw materials, stocks
and labour charges. Working capital loans are generally granted
for one year but are renewed from time to time. The rate of
interest on short term loans is also 6 per cent.

The Industrial Bank helps the industrial projects in opening
Letters of Credit for import of foreign machinery and equipment
and arranges payment in foreign exchange once the loan is granted
in principle.

The Government of Iraq participates in the mixed sector through
the Industrial Bank which purchases shares in the mixed sector
projects, appoints directors on their boards and thus participates
in their management. There are presently 9 mixed sector projects
which cover light engineering industries, date processing,
manufacture of air coolers, bicycles, soft drinks and certain
chemicals. Most of these projects are running successfully.

The Industrial Bank also helps development of industries in the
less developed and backward areas of the country by granting
loans at lower rates of interest. For this purpose the country
has been divided into 3 regions, namely, developed areas (Basrah,
Ninawa, Sulaymaniyah) where the rate of interest is 6 per cent; less

developed areas (Tehran, Isfahan, Shiraz, Mashhad) where the rate of interest is 5 per cent, and the rest of the country where the interest charged is only 3 per cent. The tables in Appendix III give an idea about the operations of the Industrial Bank in Iran.

The Bank has not yet organized a department to provide industrial intelligence to the prospective entrepreneurs regarding industries possibilities in different areas. Nor the Bank is in a position to help the entrepreneurs in selection of proper technology, machinery and equipment and advice on other related technical matters necessary for the setting up of new projects. The question of organizing industrial intelligence services for the prospective entrepreneurs is under consideration and it is hoped that some positive steps may be taken in this regard in the near future.

Department of Industrial Development

The responsibility for encouraging and controlling all private investments is concentrated in the Ministry of Industry. All prospective entrepreneurs have therefore to maintain close contact with the Department of Industrial Development in that Ministry. The Department of Industrial Development is sometimes able to direct the investors regarding industries which the Government would like to encourage in different parts of the country and the facilities of licence etc. which the Government would provide. But there is no organized industrial intelligence system to help the entrepreneurs to choose profitable industries in keeping with their resources and technical capabilities.

For administrative purposes the Government has formed two Inter-Ministerial Committees, namely, the Licensing Committee, and the Appeal Committee, which consider all proposals for industrial projects received from the private sector. The Secretariat of both the committees is located in the Department of Industrial Development and as such the investor has not to

contact different organizations and different ministries for obtaining licenses and approval of the Government. Besides, the granting of import licenses to the private sector projects is also handled by the Department of Industrial Development. This considerably expedites their import of machinery, raw materials and other requirements.

There has been much of streamlining of the functions and procedures in Iraq since 1969 and the process is still continuing. A sound methodology has been developed for the establishment of public sector projects. Private sector is being looked after by the Department of Industrial Development and the Industrial Bank. The Government are considering new measures for the development of this sector, such as, establishing an industrial intelligence service, technical assistance with provision of more liberal finance, market surveys, development of ancillary projects, organization of industrial cooperatives, etc., which may give greater confidence and opportunity to private entrepreneurs for industrial investments. This may help the growth of the private sector at a much faster rate as complementary to the public sector and in keeping with the basic principles of the Republic of Iraq.

Appendix I

Major Industrial Projects in Iraq

Ser. No.	Name of Industrial Enterprise	Year of Establishment	Products Manufactured	Fixed Capital 1969	Sales 1969	Imports		Protective Level
						1969	1969	
				10 (000) I.R.	10 (000) I.R.			
1	Woolen Textile Co., Baghdad	1929	Wool yarn and clothes	1126	1224	N.A.		A
2	Cigarettes State Co., Baghdad	1930	Cigarettes - with and without filter	1215	2063	300		B
3	Leather Shoe Co., Baghdad (State)	1935	Leather & rubber shoes and boots	502	1363	1000	1000	Leather shoes - A Rubber shoes - B
4	Leather State Co., Baghdad	1943	Tanned leather	555	1013	-		B
5	Cotton Weaving State Co., Baghdad	1948	Cotton yarn & cloth	1015	2232	3.45		A
6	Irql Cement State Co., Baghdad (3 projects)	1948	Different types of cement	9964	6350	0.71		B
7	Beer Industry, Baghdad (2 projects)	1950	Different types of beer	1044	2490	127		Beer - B Non - B
8	Jute State Co., Baghdad	1951	Jute bags and hessian cloth	717	980	399		A
9	Vegetable Oil State Co., Baghdad (2 projects)	1953	Vegetable oils, soaps, detergents, etc.	4588	13930	6395		A
10	Asbestos State Co., Baghdad	1954	Sheets, pipes & other products	650	743	217		A
11	Beverages Industry, Baghdad (6 projects)	1954	Different types of soft drinks	3004	4249	N.A.		B

Appendix I - (Contd.)

12	Dourah Refinery in Baghdad	1955	Different oil products Kerosene, Gasoline, Lubes, Fuel Oils, and other products	26669	33423	N.A.	B		
13	Sarohinar Cement Co., Sulaimaniah	1957	Different types of Cement	3053	872	N.A.	B		
14	Cotton Textile Co., Mosul	1957	Cotton yarn & cloth	3605	4656	N.A.	A		
15	Mosul Cement State Co., Kamran al-Alil	1957	Different types of Cement	5039	2268	N.A.	B		
16	Mosul Sugar Factory, Mosul	1959	Sugar beet	2625	3585	1991	S		
17	Qayarah Refinery, Mosul	1956	Bitumen & allied products	1649	873	N.A.	S		
18	Dairy Plant in Baghdad	1961	Processed milk, cheese, cream, butter, etc.	2473	1905	374	A		Import duty also levied
19	Sulaimanian Cigarettes Factory, Sulaimanian	1961	Cig. leaves with and without filter	1129	5180	237			
20	Canning Factory, Karbala	1964	Jams, canned vegetables, tomato paste, etc.	335	249	111			

Appendix I - (Contd.)

21	Electrical Appliances Factory, Baghdad	1968	Elec. motors, fans, transformers, etc.	2261	54.7	N.A.	A
22	Synthetic fibre (Rayon) Factory, Himriya	1966	Cellulose fibre and yarn (rayon) for textile industry	11961	316	N.A.	A
23	Kut Knitting State Co., Kut	1969	Sewing & Knitting threads & knitted clothes	2434	156	N.A.	A

N.A. - Not Available.

A - Imports partially banned and regulated.

B - Imports banned

C - Import duty of ID. 4.0 per KG. on imported tobacco

D - Imports of ID. 0.350 per litre

E - Imports of only raw sugar allowed.

Appendix II

Public & Private Investments in Industry,
(Manufacturing Industries at Current Prices)

Year	Public Sector ID (Million)	Private Sector ID (Million)	Total ID (Million)	% of Total	
				Public	Private
1953	5.4	4.8	10.2	52.9	47.1
1957	10.9	5.9	16.8	64.9	35.1
1958	7.8	5.7	13.5	57.8	42.2
1959	8.7	2.7	11.4	76.3	23.7
1963	11.5	10.3	21.8	52.8	47.2
1964	19.7	7.3	27.0	73.0	27.0
1965	18.1	8.3	26.4	68.6	31.4
1968	25.6	9.2	34.8	73.6	26.4
1969	26.4	9.5	35.9	73.5	26.5

Source: Gross Local Fixed Capital Formation in Iraq (first estimate)
National Accounts Department, Central Statistical Organisation,
Ministry of Planning

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OPERATIONS OF INDUSTRIAL BANK

A. No. of Applications received

Year	Applications		Loans Disbursed	
	No.	Amount ID. (000)	No.	Amount ID. (000)
1967	285	1435	214	467
1968	244	1000	129	235
1969	431	1619	176	334
1970	380	1484	155	270
1971	554	2916	456	1129

B. Pattern of Loans Applied For

Year	ID. (000)			
	For Machinery	For Land & Building	For working Capital	Total
1970	589	106	789	1484
1971	1024	154	1738	2916

C. Sectorwise Distribution of Loans

Year	ID. (000)			
	Private Sector	Mixed Sector	Public Sector	Total
1971	2378	438	100	2916

Appendix IV

Composition of Gross Domestic Product
Local Currency, Current Prices (ID. millions)

	1950	1960	1970	1972	Growth Rates*	
					1950-60	1960-70
Agriculture		97.8	219.0	308.0	5.4%	18.6%
Mining and Quarrying						
Petroleum		206.1	362.6	415.0	3.3%	7.0%
Manufacturing		54.4	116.0	153.6	7.6%	14.9%
Other Sectors		205.1	491.1	588.4	9.1%	9.5%
Total GDP	197.0	565.4	1188.7	1465.0	11.1%	11.3%
GDP (US \$)	669.8	1922.4	4041.6	4981.0	11.1%	11.0%
Population (millions)	5.2	6.9	9.5	10.1	2.9%	3.2%
GDP Per Capita (\$)	128.8	278.6	425.4	493.1	6.0%	4.3%
					4.3%	7.6%

1 L. 1 = US \$ 3.36 (The current rate of exchange)

* Compound rate of Annual Growth

Appendix V

Balance of International Trade

(At Current Prices)

(ID. Millions)

	1950	1960	1970	1971
Exports:				
Crude Oil	23.6	222.6	368.1	523.2
Others	20.0	8.0	22.6	22.8
Total	43.6	230.6	390.7	546.0
Imports	37.6	139.0	181.7	248.0
Trade Balance (+)	6.0	91.6	209.0	298.0
Manufactured Goods:				
Exports	1.9	1.9	13.9	15.5
Imports	33.9	110.8	167.3	206.6

Current Exchange Rate ID. 1.000 = US \$ 3.38; US \$ 1 = L. 0.295

Appendix VI

Persons Actively Employed in the Economy

	1950	1960	1970	1972
Agriculture	N.A.	733.9	1365.7	1456.2
Mining				
Petroleum	N.A.	11.0	16.0	17.5
Manufacturing	N.A.	126.9	152.7	160.0*
Other Sectors	N.A.	727.9	952.3	1012.9
Total Economy	N.A.	1599.7	2506.7	2675.6

N.A. - Not Available

* Estimated

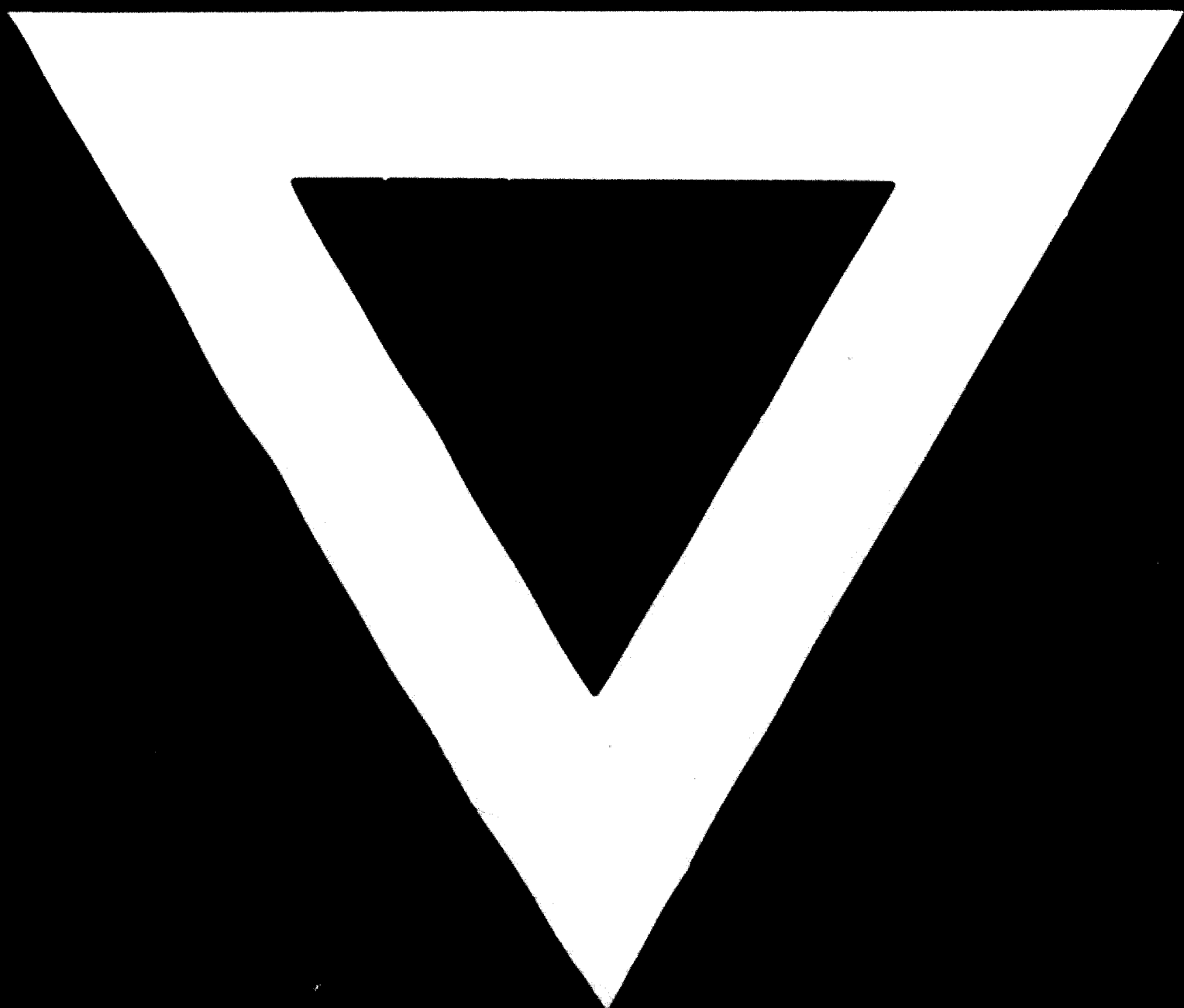
Annex VII

Persons Employed in Manufacturing Sector

	1954	1960+	1969	1970+
(Number)				
<u>Enterprises Employing more than 10 Persons</u>				
No. of Enterprises	727	1134	1224	1259
Employment	44410	84000	84277	92690
<u>Enterprises Employing 10 or less Persons</u>				
No. of Enterprises	21733	24132	27214	29000
Employment	45861	50900	58931	60000
<u>Total</u>				
No. of Enterprises	22460	25266	28436	30259
Employment in Industries	90291	126903	143208	152690

Note: In Iraq industrial enterprises are classified only in two categories as above.

+ Figures for 1960 and 1970 are estimates.



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