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PROBLEMS AND PROSPECTS OF INVESTMENT CO-OPERATION WITH THE ARAB REGION

Report for the United Nations Industrial Development Organization, Vienna

--Pamela Ann Smith
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I. Introduction:

The International and Regional Environment

Investment flows and technology transfers between the OECD and the Arab region have fallen since the early 1980s in line with the general reduction in aid and investment flows to the developing countries as a result of the international debt crisis. Provisional OECD figures for 1987, the latest year available, show that total net resource flows from the OECD's Development Assistance Committee (DAC) member states (1) amounted to only $89.1 billion in 1987. (See Table I.) While this was 8.5 per cent higher than in 1986, it represented a 35.6 per cent fall since 1981, just prior to the onset of the debt crisis, when the total flow reached $138.3 billion. More importantly, in real terms, the 1987 figure represented a fall of 5 per cent over the 1986 figure and of 52.6 per cent since 1981. (See Table II)

While no detailed breakdown is available specifically for investment in manufacturing industry in the developing countries since 1981, the OECD figures do show that private financial flows for direct investment have been increasing substantially since 1985 in contrast to the general downward trend. Direct investment to the developing countries, including investment in real estate as well as in industry, rose to $20 billion in 1987, threefold more than in 1985, when the figure totalled only $6.7 billion. However, even the record 1987 level is still only $2.8 billion, or 16.3 per

cent, higher than the peak level of direct investment, $17.2 billion, reached in 1981, six years earlier.

Moreover, the rise in direct investment has not offset the sharp decline in international bank lending, bond lending and other private flows since 1981. Taken together, private flows have declined from $74.5 billion in 1981 to only $30.5 billion in 1987. (See Table I.) Expressed in real terms, i.e. in 1986 prices and exchange rates, private flows in 1987 were less than one-fourth the amount registered in 1981, mainly because of the sharp fall which occurred in international bank lending. (See Table II.) As a percentage of total resource flows, private flows, including both direct investment and lending, fell from 53.9 per cent in 1981 to only 34.3 per cent even though the percentage for direct investment alone rose from 12.4 to 22.4 per cent of the total over the same period. (See Table III.)

In terms of geographical distribution, OECD figures through 1987 show an even more pessimistic picture in the case of North Africa and the Middle East. Excluding export credits and official bank lending, OECD net financial transfers (which record actual, rather than committed, inflows) fell from $16 billion in 1979, and an average of $9 billion in the period 1980 to 1982, to only $4 billion in 1987. (See Table IV.) And, while these flows remained steady over the period when expressed as a percent of the region's combined GNP,

this was achieved only because the fall in real oil prices which occurred during the early and mid-1980s had a severe negative impact on the GNP side of the equation for North Africa and the Middle East. (See Table V.)

Arab aid flows

Aside from the OECD flows, North Africa and the Middle East have benefitted from substantial aid and loans from the Arab countries themselves; specifically, from the oil producing countries of the Gulf. Bilateral flows to the region, mostly in the form of general support assistance from the governments of Saudi Arabia, Kuwait and, to a lesser extent, Qatar and the United Arab Emirates, amounted to $1.3 billion in 1987, despite the fall in oil revenues. (See Table VI.) While this represented a fall of $400 million since 1985, some countries, such as Syria, Jordan, North Yemen and Egypt have become dependent on these aid flows to maintain domestic expenditure and to finance imports of vital raw materials and foodstuffs.

Multilateral Arab aid flows, again mainly from the Gulf governments, have also provided substantial support for the region both for general assistance in balance of payments support and for financing industrial manufacturing projects. Figures provided by seven Arab aid funds, including the Islamic Development Bank, the Abu Dhabi Fund for Arab Economic Development, the OPEC Fund for International Develop-

ment; the Saudi Fund for Development; the Arab Fund for Economic and Social Development, the Kuwait Fund for Arab Economic Development and the Arab Bank for Economic Development in Africa, show that total Arab multilateral aid to the Arab countries of North Africa and the Middle East rose from $11.2 billion in 1985 to $13.3 billion in 1987, again despite the fall in Arab oil revenues during this period. (See Table VII.) Of this, the amount provided to the industrial and mining sectors of the Arab countries rose from $2.1 billion in 1985 to $2.6 billion in 1987, about 19.7 per cent of the total provided.

Regional debt problems

While the debt crisis has particularly affected the Latin American countries and others in Eastern Europe, some Arab countries have also been adversely affected, particularly those with either large populations or with few natural resources. World Bank figures show that the combined external debt of the ten major Arab debtor countries rose from just under $57.9 billion in 1981 to almost $87.6 billion in 1986. (See Table VIII.) Total debt service for these countries over the same period rose from $7.2 billion to $9.4 billion a year.

Of the ten, Algeria, Egypt and Morocco alone together accounted for almost three-fourths of the total external debt by 1986. Algeria's total debt service that year was more

than half the combined total for the ten countries, amounting to just over $5.1 billion, while Egypt, which has the second largest burden in this regard, accounts for another $1.9 billion.

While both countries, along with Tunisia, Oman and North Yemen, would benefit substantially from a rise in world oil prices given their potential hydrocarbon exports, the same cannot be said of the other major Arab debtors. Jordan suffers from a lack of natural resources in general, while Lebanon's industrial and commodity exports, particularly of fruits and vegetables, have been severely affected by the ongoing civil war. Morocco has suffered from a fall in world phosphate prices, while the cost of exploiting its existing oil shale deposits depends on a substantial rise in world oil prices in general. Syria, North and South Yemen, however, are already benefitting from recent discoveries of crude oil deposits, although rising domestic consumption could limit export revenues.

Meanwhile, the rise in debt which these countries have experienced in the past decade has continued to affect their growth rates and levels of gross domestic investment. World Bank figures again show that both indicators have fallen considerably during the 1980s for most of these countries, despite some notable fluctuations. (See Tables IX and X.) For Algeria, Egypt and Jordan, the average annual growth rate

fell threefold between 1981 and 1988. In the case of North and South Yemen, the annual rate halved; for Tunisia, it stood at only one-fifth the level in 1988 that it had recorded in 1981, while for Oman, the rate was only one-eighth the level in 1986 that it had been in 1981, i.e. down from 16.7 per cent to only 2.3 per cent. Only Morocco and Syria managed to show an improvement over the period, Morocco's rate rising from -2.6 per cent in 1981 to 5.5 per cent by the end of 1988, while Syria's rose from 8.4 per cent in 1981 to 11.8 per cent in 1986, the last year for which figures are available in this case. However, both countries have experienced severe fluctuations in their average annual growth rates and the 1988 figure must not be regarded as indicative of a reliable trend.

Eight of the main Arab debtor countries have witnessed sharp falls in the level of their gross domestic investment, expressed as a percentage of gross domestic product (GDP), over this period as well. (2) In the case of Jordan, for example, gross domestic investment halved between 1981 and 1987, while for North Yemen the rate in 1987 was less than one-third the figure recorded in 1981. Only Oman managed to improve its performance in this regard, with gross domestic investment as a percentage of GDP rising from 23 per cent in 1981 to 27.4 per cent in 1987.

Oil revenues and prices

Although the main Arab oil producing countries in the Gulf have not experienced problems with rising external debt, the fall in worldwide oil prices during the mid-1980s has severely curtailed their domestic expenditure and turned substantial budget surpluses into deficits that in several cases have been financed by drawing down income on their foreign assets and/or the floating of treasury bonds and other savings instruments at home. However, continued economic growth in the main industrialised consuming countries, the end of the Iran-Iraq war and OPEC's agreement on price and production quotas at the end of 1988 have helped to boost oil prices and, as a result, oil revenues in most of the Gulf producing countries were expected to improve by the end of 1989. (See Table XI.)

Despite this, with the exception of Iran and Iraq, both of which have increased their exports since the end of the war in August, 1988, the increase in oil revenues expected in the short-term remains quite modest even on the most favourable projections and does not represent a substantial rise above figures for 1985, when the world oil price hit new lows for the decade. Oil production figures, which have remained static or improved only slightly for most of the countries in the Gulf, excepting Iraq and Iran, confirm this trend, and little change is expected despite OPEC's decision in June, 1989 to raise its combined quota to 19.5 million barrels a

day for the second half of the year.

Overproduction by certain Gulf producers, notably Kuwait and the UAE, had already led to a larger overall OPEC output after the 1988 meetings, and the June 1989 move, industry experts reported, merely had the effect of confirming the existing situation. Therefore it is likely that any substantial increases in either the Arab oil producers' output or in oil prices will have to await a further decline in non-OPEC deliveries to the consumer countries or a further growth in worldwide demand in the 1990s. (See Table XII.)

On current projections, and assuming that OPEC production discipline continues, Saudi Arabia can expect its oil export revenues to reach just over $19 billion by the end of 1989, about $1.1 billion less than the amount earned in 1986. (See Table XI.) The UAE, in contrast, is expected to earn $7.5 billion by the end of 1989, a substantial improvement on the $6 billion earned in 1986. Oil export revenues for Kuwait and Qatar are expected to remain at about the 1986 level, while those for Iraq will more than double as a result of the ending of the Gulf war. As a result, no great turnaround in terms of official investment domestically can be expected in the Gulf countries, Iraq excepting, in the near future especially given the large current account deficit which still exists in Saudi Arabia, and the expected decline in the surpluses in the case of Kuwait and the United Arab Emirates.

(See Table XIII.)

For the Gulf states as a whole, given the continued heavy reliance of these economies on their oil and gas sectors, the decline in oil prices and in oil production has severely affected the rate of growth of GDP even though, as mentioned earlier, several of these states still enjoy substantial foreign assets and, unlike several other Arab countries, do not have difficult debt problems. The combined GDP for Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Oman and Bahrain--all members of the Gulf Co-ordination Council (GCC)--almost halved in the six years from 1982 to 1986, falling from $224.6 billion in 1982 to only $129.2 billion over the period. Annual growth rates in turn fell by 17.2 per cent in 1983, 6.6 per cent in 1984, 10.1 per cent in 1985, 17.2 per cent in 1986 and--for Saudi Arabia, Kuwait and the United Arab Emirates--by 4.2 per cent in 1987. (See Table XIV.) Expressed in terms of constant 1985 prices, only Bahrain, which has a larger non-oil share of GDP than the five other states, saw its GDP grow over the period, rising from $4,208 million in 1982 to $4,362 million in 1986. (See Table XV.)

II. Investment Trends

The decline in Arab oil revenues, coupled with the growing debt burden of the more populous or poorer Arab countries, has led to a greater emphasis on industry and manufacturing

throughout the region. In the larger countries, like Algeria and Egypt, this reflects not only a determination to increase industrial output and to reduce costly imports, but also to decrease the high level of unemployment, particularly among the young. However, the trend is also apparent in the less populous, oil dependent countries such as Libya and the Gulf states, where the need to reduce this dependency has grown more urgent as oil revenues have declined.

Within the Arab region as a whole, the Gulf Co-operation Council (GCC) states have taken a pronounced lead in measures to encourage private industry and efforts to obtain the maximum value added from their resources of both oil and gas. As a result, Saudi Arabia alone is now estimated to produce more than 20 per cent of total Arab manufacturing in value terms. (3)

Within the Gulf, however, the contribution of industrial production to GDP, varies considerably. While Saudi Arabia's share of the Arab value added as a whole may be relatively high, at home the share of industrial output relative to total GDP is among the lowest in the Gulf states, amounting in 1986 to only 6.7 per cent. (See Table XVI.) While this reflects in part the extremely large share of GDP taken by Saudi Arabia's hydrocarbons production, it also indicates that the Kingdom has a long way to go to meet its target of a 15 per cent contribution by industry and manufacturing to

total GDP within the next few years.

Outside the Gulf states, the trend toward encouraging industrial production and manufacturing has also led to the adoption of new initiatives in other countries, notably, Egypt, Tunisia, Algeria, Morocco, Syria, Iraq and North Yemen, aimed at attracting more foreign investment to finance industrial development. (See below.)

Unfortunately, the lack of a region-wide reporting system makes it virtually impossible to determine the level of foreign investment in Arab manufacturing industry as a whole. Where statistics do exist, as for particular countries, they are generally compiled without regard to any regional standards, making comparisons difficult.

Saudi Arabia and the Gulf States

Figures compiled by the Gulf Organisation for Industrial Consulting (GOIC) show that there are currently 95 joint venture industrial projects in the six GCC states, with a total paid-up capital of $2.07 billion. Of these, 38 per cent are located in Saudi Arabia, 29 per cent in the United Arab Emirates, 11 per cent in Bahrain, 8 per cent in Oman and the rest in Kuwait and Qatar. (4)

However, Saudi Arabia's own figures, which distinguish foreign from Arab investment in industry, show that a total

of 429 factories with total capital of SR 49.2 billion ($13.2 billion) had been established involving foreign investment by the end of 1987. (5) A more detailed breakdown, available for 1985, shows that of the 389 factories with a total capital investment of SR 28.9 billion ($7.7 billion) that had been established in the Kingdom under its foreign investment laws by the end of 1985, foreign partners contributed capital worth SR 10.8 billion ($2.9 billion) of the total. (See Table XVII.)

Foreign participation as a per cent of the total ranged from a high of 60 per cent in storage industries and 58.6 per cent in wood products to a low of 17.9 per cent in the metal industries and only 14.3 per cent in the manufacture of china, earthenware, pottery, porcelain and glass products. Of the total foreign investment, 71.1 per cent went to the chemical industries sector (including petrochemicals) alone. (6)

Other figures on foreign investment in the Kingdom, available from the Saudi Industrial Development Fund (SIDF), show that the U.S. was the most heavily involved in terms of the number of projects funded by SIDF in which foreigners invested in 1986. (See Table XVIII.) These totalled 55, with 27 alone in the engineering products sector, followed by 28 for the United Kingdom (10 in building materials, 7 in engineering and another 7 in consumer products); 24 for Switzerland,

mainly in chemicals; 22 for West Germany (8 in building materials and 6 in engineering); 17 for France (9 in engineering and 4 in building materials); and 11 for Italy (4 each in engineering and building materials).

Altogether, the 12 members of the European Community (EC) invested in a total of 103 projects, of which 36 were in engineering products, 29 in building materials, 19 in consumer products and 17 in chemicals. Significantly, Japanese investment was involved in only 7 projects, 4 in engineering products; however, this is expected to have increased markedly since 1986, while the number of projects in which the U.S. has invested may have declined, especially in relation to the United Kingdom which is benefitting from a new $7.6 billion offset investment programme covering the sale of military aircraft to Saudi Arabia. (See below.)

Although figures are not readily available for other countries in the GCC, the varying conditions regarding foreign investment have tended in general to limit it to those sectors which are likely to use either advanced technology or be regarded as important to national economic development. Unlike Saudi Arabia, where the Foreign Capital Investment Code provides various incentives to foreign investors (see below) and which allows foreign participation of up to 75 per cent of a joint venture, Kuwait generally allows foreign capital to hold only a minority share of up to 49 per cent.

In the UAE, the figure is also 49 per cent, while in Qatar foreign capital is not allowed at all in the case of small and medium-sized industries. In other cases, as stipulated under the 1963 law governing foreign investment, non-Arab shareholders are allowed a maximum participation, again, of 49 per cent. In the case of Bahrain, however, while the Companies Law in the past limited foreign participation to 49 per cent as well, recent amendments to the law have limited this figure to only 25 per cent, except where specific exemptions have been granted by the Ministry of Commerce and Agriculture. These are primarily given only for joint ventures involving Bahraini and other shareholders from the neighbouring Gulf states. (7)

Nevertheless, foreign investment in industry and manufacturing in the Gulf region is significant, although it is concentrated mainly in those sectors which rely on petrochemicals as feedstocks or which require high energy inputs. Bahrain--which has the largest share of manufacturing relative to GDP of all the Gulf states--has substantial foreign investment in its growing aluminium industry, for example. (See Table XVI.) Kaisertech Ltd. of the U.S.A. holds 17 per cent of the shares in the Aluminium Bahrain (ALBA) smelter, which is being expanded to take capacity up to 400,000 tons a year, with Breton Investments of West Germany holding another 5.1 per cent. The latter also holds 49 per cent in Bahrain Atomizers, with the remainder of the shares being owned by

the government.

Qatar is seeking foreign investors for its plans to expand into aluminium as well, with Pechiney of France, Eisenbau Essen of West Germany and Davy McKee of the U.K. reported as interested in plans for a $1.2 billion plant capable of producing 180,000 tons a year by 1993. To date, although Qatar has moved to encourage its own private industrial sector, foreign investment has been limited.

Kuwait has tended to buy complete turnkey industrial projects, set up under government ownership, or to invest its substantial capital surpluses, both official and private, in industry located abroad, although there is evidence that private Kuwaiti investors are seeking more foreign participation in projects producing consumer and light industrial goods for the local market. (8)

In the United Arab Emirates, C. Itoh of Japan has set up a joint venture with the Abu Dhabi National Oil Company (ADNOC), the Abu Dhabi National Plastic Pipe Fabrication Company (NPP), to manufacture PVC pipes for the irrigation, sewerage, water and general industrial sectors of the country. (9) C. Itoh, along with another Japanese company, Tokyo Boeki, and AMOCO Sharjah Oil--a subsidiary of Standard Oil of Indiana--also holds a minority shareholding in the Sharjah Liquified Petroleum Company which produces propane, butane

and light oils for export.

Three U.K.-based firms, Brown and Root, Hawker-Siddeley Power Engineering and Balfour-Beatty Ltd., along with Ferrostaal of West Germany, have minority shares in the Umm al-Quwain Aluminium Company (Umalco) while BP Arabian Agencies, an affiliate of British Petroleum, is involved in a factory to blend lubricants located in Dubai's Jebel Ali Free Zone. (10) In addition, another 13 U.K. companies have established facilities in the Free Zone, mainly in the lubricarts, concrete, chemical and engineering products sectors. Their total investment is estimated at 150 million pounds sterling. Altogether, some 180 foreign companies have set up operations in the Zone, either independently or with local joint venture partners. (11)

Finally, some 30 factories have been set up in Oman's Rusail industrial estate, with several joint ventures involving U.K. and local Omani firms involved. Plans by the Oman Chamber of Commerce and Industry to attract foreign investment in industry are also well advanced, as are plans to develop additional industrial estates for private companies at Raysut in Dhofar, at Sohar and at Sur and Nizwa. (12)

The Arab Co-ordination Council States

Foreign investment in industry is a particular priority for the four Arab states--Egypt, Jordan, Iraq and North Yemen--

which agreed to form the Arab Co-ordination Council (ACC) in February, 1989. Unlike the GCC countries, they share the problem of having weak currencies, of holding substantial foreign debt and, except for Iraq, of depending on remittances from their nationals working abroad to fund a substantial portion of their earnings in hard currency. However, on the plus side, they have a combined population of some 80 million people, five times as large as that of the GCC states, while their total GDP of some $78 million amounts to about 60 per cent of that of the GCC. (13) (See Table XIX.) Prospects that a fifth state, Syria, will join the grouping later will add to the ACC's importance as a regional Arab market and as a supplier of skilled and highly trained manpower to the Gulf.

With the exception of North Yemen, industrial production and foreign investment in the ACC countrieshas been adversely affected in the mid and late 1980s by severe shortages of foreign exchange and, in the case of Iraq, by the Gulf war. Egypt and Iraq, in addition, have tended to discourage the growth of private industries in key sectors until very recently, and although policies more favourable to foreign investment are now being adopted, actual investment flows have continued to be affected by the low rate of returns experienced in manufacturing industry, by bureaucratic delays in project approval and funding and by competition in local markets from subsidised industries.

In Egypt, for example, a $700 million plan by General Motors of the U.S. to establish a joint venture with the state-owned NASCO car factory to assemble cars and to produce automotive spare parts was abandoned in August, 1987. G.M. said the proposed project, which was to be called the General Misr Car Company, became uneconomic when the value of the Egyptian pound depreciated substantially against the Deutschmark, thereby increasing the cost of importing the necessary car kits from G.M.'s Opel subsidiary in West Germany. The lack of interest among private entrepreneurs in Egypt regarding spare parts production to supply the assembly plant was also given as a reason for the project's cancellation, as was the size of the overall funding involved. GM's existing light truck plant in Egypt is also experiencing some difficulties: it is operating well below design capacity due to lack of market demand and to problems in obtaining government permission to vary its output to produce more luxury cars. (14)

However, another joint venture, involving several Japanese firms as well as a number of government and locally owned companies such as the Egyptian General Petroleum Company, the National Investment Bank, the National Bank of Egypt, Bank Misr, Bank of Alexandria, Misr Insurance Company, the Executive Organisation for the Industrial and Mining Complexes, the Egyptian Steel and Iron Company, the National Metals Industries Company, the Delta Steel Mill Company and the Egyptian Copper Work Company, has been more successful.

Set up in 1982 with a total capital of 201.6 million Egyptian pounds, it has built the El-Dikheila steel complex to produce 745,000 tons of steel bars and rods a year, primarily for the local market. Commissioned in December, 1986, the complex is now being expanded to produce 1.1 million tons of raw steel annually and this output, together with that from the government-owned Helwan steel works, should help reduce the need to import steel substantially. Aside from the Japanese shareholders, which include Nippon Kokan, Kobe Steel and Toyo Menka Kaisha, additional funding for the complex and for a related industrial port at El-Dikheila has come from the World Bank, the International Finance Corporation and Japan's Overseas Economic Co-operation Fund. (15)

The current development plan, which runs from 1987/88 to 1991/92, aims at increasing private investment in industry to reduce imports of both raw materials and consumer goods and to promote industrial exports. However, no major increase in the industrial component of GDP, which amounts to about 20 per cent including power generation and mining (See Table XX.), is expected in the short term. While the plan calls for investments of 10 billion Egyptian pounds in the private sector, compared to 8 billion pounds in public sector industries, officials have admitted that this target is unlikely to be achieved due to the country's chronic balance of payments deficit, the burden of foreign debt (about $50 billion in 1988) and the endemic shortage of foreign exchange

needed for repatriation of profits as well as for imports of raw materials. (16)

In Iraq, foreign debt is equally a problem, with the total estimated to have reached $30 billion. While the private sector is being encouraged to set up new industries to produce consumer goods, now that the Gulf war has ended, the state will continue to play a major role in vital industries such as oil refining, petrochemicals, iron and steel and building materials. Arab investors, particularly from the Gulf states, are being given special incentives under an investment law passed in April, 1988, but the tax exemptions and repatriation of profits allowed under this scheme have not yet been extended to investors from other countries. However, Soviet and East European countries have been active in providing both technical expertise and funds for the construction of light industrial factories and in expanding Iraq's power generating facilities.

Plans to privatise some 47 of the country's consumer goods and light industrial factories, now state-owned, should open up additional opportunities for private investment in the 1990s. The government is also increasing its own investments in manufacturing and mining, with a target of 234 million Iraqi dinars listed in the current (1986 to 1990) five-year development plan. (17) This should help increase the industrial contribution to GDP during the next decade; it 1986,

the latest year for which figures are available, it amounted to just over 10 per cent. (See Table XX.)

Unlike Iraq, Jordan has always favoured private investment in industry and actively promotes foreign investment as well. Its Investment Law of 1984, for example, offers a wide range of tax concessions and liberal terms for repatriating capital and profits. (See below.) However, like its fellow members of the ACC, the government has experienced severe shortfalls in government revenues and has had to cutback on expenditure for industrial development. The trade balance has recorded a deficit of $2 billion or each year since 1980, and this has worsened as Arab aid and remittances from Jordanians working abroad have fallen in the wake of the recession in the neighbouring Gulf states during the second half of the decade. Real GDP fell by 2.4 per cent in 1987 and the current account deficit rose to 350 million Jordanian dinars. The dinar itself lost a third of its value against the U.S. dollar in 1988 alone, exchange controls were introduced, customs duties raised and, and in early 1989, the country was forced to negotiate a rescheduling of its estimated $1.5 billion in medium- and long-term commercial bank debt, as well as the $4 billion to $5 billion it owes in short-term credits. (18)

The industrial sector in Jordan is dominated by the minerals and chemicals sectors, notably the Jordan Phosphate Mines

Company (JPMC), the Arab Potash Company (APC), the Jordan Cement Factories Company (JCFC) and the Arab Pharmaceuticals Company, in which the government has substantial shareholdings, the remainder being held primarily by either private or other Arab shareholders. However, the government is encouraging joint ventures involving foreign firms in the engineering industries, manufacture of paper, cardboard and packaging materials, batteries, petroleum products and in the development of renewable energy sources such as solar power and wind generation. Industries producing products for export are also being given special incentives. Moreover, the existence of substantial, but untapped, oil shale deposits in the Dead Sea, the confirmation of a significant gas field discovery in the northeast and encouraging signs of potentially huge crude oil resources are also helping the government's plans to attract more foreign investment in local industry in general, and this should lead of a considerable increase during the next few years in the share that manufacturing contributes to GDP. (19) In 1987, the figure totalled 10 per cent, excluding mining and energy. (See Table XX.)

Aid for the development of industry has come from the U.S. Agency for Industrial Development (AID), West Germany's Kreditanstalt fur Wiederaufbau, the World Bank and International Development Association (IDA), the European Investment Bank and the European Community (EC), as well as from other

official donors in Ireland, Canada, Scandinavia and Eastern Europe and from Arab aid funds, notably the Kuwait Fund for Arab Economic Development, the Kuwait-based Arab Fund for Economic and Social Development, the Saudi Development Fund and the Islamic Development Bank. U.S. and Italian private interests have been involved in the development of phosphate resources in the Wadi Hasa area south of Amman, a Finnish company is helping APC expand potash extraction in the Dead Sea region and the Soviet Union has provided technical assistance for the development of the country's oil shale reserves. An Australian company is setting up a joint venture to produce agricultural machinery, with assistance from the Australian International Development Bureau, and private investors from Taiwan are planning to develop an export-oriented textile joint venture as well as other projects producing processed foods and electronics goods for export to the Gulf states, Egypt and North Africa. Foreign investors are also being welcomed in plans to privatise several public companies, notably the Royal Jordanian Airlines - Alia, as well as in the establishment of new factories in the Sahab industrial zone southeast of the capital and others planned for Irbid, Salt and Aqaba by the EC-funded Jordan Industrial Estates Corporation (JIEC). (20)

The discovery of substantial crude oil deposits in the North Yemen and the confirmation in 1987 of the commercial viability of these deposits has given a major boost to plans to

develop petrochemical industries in the country. Mobil International Petroleum Corporation is setting up a joint venture in Hodeidah to blend lubricating oils and Japanese aid is being provided for another, similar venture now in the planning stage. Discussions on setting up a liquid petroleum gas (LPG) plant and another to produce ammonia are well advanced, and foreign investors from West Germany, the Netherlands and France are reported to have expressed interest in providing project finance for these ventures. (21)

The government continues to be the main shareholder in the largest industries, especially in textiles and in cement, but private investors are involved in smaller, mixed entreprises producing pharmaceuticals, tobacco and cigarettes. Altogether, industry contributes only about 12 per cent of total GDP, and growth in manufacturing--9 per cent in 1987--has been adversely affected in recent years by restrictions on the import of raw materials and a low level of capacity utilisation in certain manufacturing sectors, such as in beverages and building materials, as well as a shortage of hard currency. (22)

However, industry's contribution to GDP is expected to rise in the 1990s as the petrochemical projects get under way and as a result of the government's efforts--channelled in part through the Industrial Development Bank of Yemen--to encourage foreign investment in light manufacturing industries,

particularly in food processing, beverages, clothing, leather goods, plastics, wood products, jewellery, glassmaking and building materials. (23)

The Maghreb states

The historic meeting in Algiers in June, 1988, in which the heads of state of Algeria, Libya, Tunisia, Morocco and Mauritania agreed to form a "Arab Maghreb Union (UMA)" is being followed by concrete measures to integrate the five states politically, economically and culturally. Agreements on setting up a unified parliament were being drafted in the first half of 1989, and work is progressing in five key committees, including one to promote economic and trade integration, which should produce new combined legislation governing the development of joint venture industrial and manufacturing projects in the five states by the year's end. (24) (See below.)

With extensive oil and gas reserves in Algeria, Libya and Tunisia, and a combined population of some 60 millions, the new union is already attracting huge capital inflows from European governments, while some private firms see the region as a main centre of "offshore" industrial production for the European Community in the 1990s. The five states, concerned that the creation of a Single European Market in 1992 could lead to a reduction in their exports to the EC and in the demand for North African labour, are equally anxious to forge

both new trade links with their Arab neighbours and to attract foreign investment which, for Algeria, Tunisia, Morocco and Mauritania in particular, will allow them to reduce their high rates of unemployment and also alleviate the substantial burden of foreign debt they face. (See Table VIII.)

In Algeria, new constitutional changes are being made in the wake of the severe political disturbances which erupted in October, 1988. These include the shift to a more mixed economy, in which the virtually total economic domination of the huge state entreprises is expected to give way to more incentives for both private and foreign investment in industry, including measures to remove existing credit ceilings on bank loans for the establishment of privately owned factories in the hydrocarbons, food processing and manufacturing sectors. (25) Other measures, to promote joint ventures involving foreign participation, are expected to be approved in the new five-year plan, which is due to run from 1990 to 1994. (26)

Foreign support for these changes has been considerable, with the IMF agreeing in May, 1989 on a new loan rescheduling package that will provide some $619.2 million in new standby credits and in the form of a new compensatory and contingency finance facility (CCFF). The World Bank is also providing three sectoral loans, totalling $211 million, under the terms of a financial aid package agreed in April, 1989. (27)

These funds will help alleviate the country's huge debt service burden, which is expected to require interest payments to foreign debtors of some $1.7 billion in 1989 alone. Total foreign debt is estimated to have reached some $21.5 billion by the end of September, 1988. (28)

Huge sums are also being provided by several governments and government agencies, including $1.15 billion by France, $380 million by Spain, $320 million by Italy, $87 million by the United Kingdom, and $33 million by the U.S. suppliers credit agency, Eximbank. Japan has agreed to provide Algeria $157 million in soft loans and grants in a joint package with the World Bank. (29) While a substantial share of these credits will be used to finance bi-lateral trade with the respective countries, private industrial projects, particularly those in light industry and which further the government's aim of substituting imports with products produced locally, will also benefit through loans provided to the Banque Algerienne de Developpement. These projects include a joint venture involving Fiat of Italy to produce cars and other vehicles for the local market and plans to set up new Franco-Algerian joint ventures in engineering, automotive spare parts and electronics to supply the public sector entreprises. (30)

As in Algeria, most heavy industry, including oil refining and petrochemicals, is state-owned in Libya and, as in Algeria, government spending on this sector has been severely

affected by the fall in oil export revenues which Libya experienced in the second half of the 1980s. In an attempt to counter the fall in government spending, measures to encourage private Libyan investors to set up factories producing consumer goods for the local market were announced in March, 1987. Loans for these industries have been provided by the Libyan Development Bank, but considerably delays in project implementation have been reported. (31)

Foreign joint ventures are limited to those industrial areas considered of vital strategic interest to the economy. Efforts by a joint Libyan-Yugoslavian company, the Libyan Aluminium Company (Libal), to set up an aluminium complex in Libya ended in 1986 due to a lack of government finance and delays experienced in obtaining suppliers credits and bank loans from Japan, South Korea, the U.S., UK, France, West Germany and Italy. However, a joint venture between the Heavy Industry Secretariat and Massey-Ferguson of the U.S. has been assembling tractors for the local market since 1979. Another joint venture, involving Iveco of Italy, has been set up to produce buses in kit form, while a third, involving Italian company Calabrese, has been producing truck bodies and trailers since 1985. Discussions are currently underway with Algeria to set up a number of joint venture projects as well, including plants to make cars, Saharan vehicles, gear boxes, diesel motors and aluminium for the North African market. (32)

In contrast to Algeria and Libya, both Tunisia and Morocco have long encouraged the establishment of private industry and both have specific incentives for foreign investors as well. Tunisia has expanded these incentives even more in the past two years as its traditional revenues from the export of crude oil, gas and phosphates have diminished due to falling world prices for these commodities. (See below.) Manufacturing industry now accounts for about 14.1 per cent of total GDP, and within this sector, production of textiles, clothing, shoes and processed foods is particularly important. (See Tables XXI and XXII.) (33)

Tunisia's Agence de Promotion de l'Industrie (API) has been in the forefront of measures to attract foreign firms and joint ventures in textiles, plastics, electronics and other light industries producing goods for export, primarily to Western Europe and the U.S. Aid to set up these factories has been provided by the World Bank. (34) UK firms involved in these ventures include Courtaulds and Lee Cooper as well as Coats Viyella and Unilever, but investment in this sector by West German and French firms has been even greater. (35)

Production of cars by the state-owned company, Societe Tunisienne d'Industrie Automobile (STIA) under license from a number of foreign firms has, unfortunately, declined since 1986 as a result of the devaluation of the Tunisian dinar and the resulting higher cost of importing car kits for assembly.

Volkswagen and Daimler-Benz withdrew from joint projects in mid-1987 and Renault closed its project shortly afterwards. The high cost of some other cars produced locally, such as Peugeots and Citroens, also made them less attractive to the Tunisian consumer, and the STIA plant at Sousse was forced to close as a result in 1988. Plans to produce cars jointly with Algeria, under license from European and U.S. firms, are reported to be still going ahead, however, and it is thought that production for the Maghreb market as a whole could introduce economies of scale that would make local vehicle production more commercially viable. Peugeot, for example, already has completed a study for an assembly plant in Tunisia that would supply up to 30,000 small vans a year to the North African states. (36)

In Morocco, the Office pour le Developpement Industriel (ODI) has promoted joint ventures involving foreign participation in textiles and leather goods, electronics, food processing and fish canning plants. By the end of 1988, there were more than 1,200 textile and leather goods companies alone in Morocco, almost all of which were in the private sector. Excluding mining and other extractive industries, manufacturing accounts for about one-fifth of total gross domestic product, with textiles dominating the sector. Of the 1,189 new industrial projects approved by the authorities in 1985--the last year for which figures are available--foreign investment accounted for about 16 per cent of the total

investment involved of 2.8 billion Tunisian dinars. (37)

As in Tunisia, Morocco also assembles cars and vehicles for the local market under license from European and U.S. manufacturers. Factories set up for this purpose include Renault Maroc, SOPRIAM (Peugeot-Talbot), SOMACA (Fiat) and SMEIA (Land Rover). Berliet Maroc makes heavy goods vehicles and buses under license while Somami-Rahali, a Casablanca-based company, manufactures bus bodies for Daf chassis imported from the Netherlands. Vehicle tyres are produced locally under license from Goodyear and General Tyre. (38)

Manufacturing industry in Mauritania is limited a few small plants which exist alongside the big iron ore mines and oil refinery which are dominated by the government and other Arab investors. Fish processing and canning account for the bulk of manufacturing: since 1980, any foreign government or company wishing to fish in Mauritania's extremely fertile fishing grounds has been obliged to set up a joint venture in Mauritania in which local participants have at least a 51 per cent shareholding. Moreover, the law stipulates that the entire catch must be landed in Morocco for processing and export, and while there have been many fleets that have successfully evaded these provisions, the value of fish and fish products produced in Mauritania has risen fourfold since 1980 to a total of 312,000 tonnes a year. (39)

Plans for joint ventures with the other Maghreb states should increase manufacturing output over the next decade, but most foreign investment in these new industries is expected to come from other Arab investors in North Africa and in the Gulf states, particularly Kuwait. The Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC), for example, already has a joint venture with the Mauritanian government in a scrap metal rolling mill in Nouadhibou. (40)

III. Constraints on Investment Co-operation

Aside from the international environmental constraints resulting from a decline in OECD aid and investment in the developing countries, the uncertain prospects for oil prices and the burden of debt borne by some of the more populous Arab countries, investment co-operation between the OECD countries and the Arab world is also affected by certain constraints which exist in the Arab region itself.

While these constraints can be mentioned only briefly, they can be summed up in terms of those which result from 1) the disparities between natural resources, labour supply and markets within the region; 2) capital flight and the lack of sophisticated regional capital markets suitable for channelling investment to local manufacturing industries within the area; 3) payment delays to local industries and to foreign suppliers; 4) duplication of existing industries; 5) business attitudes which hinder the development of modern indigenous

technology, research and industrial entreprise; and 6) an insufficient data and regional information network suitable to the creation of new market-oriented industries.

Resources, labour and markets

Within the Arab region, the wide disparity between market size and the lack of an integrated, region-wide market poses problems for potential investors. While the GCC states enjoy high per capita incomes, for example, the establishment of private sector, market-oriented manufacturing industries has been hindered by the relatively small market involved, even allowing for moves by the GCC to remove customs barriers and to promote investment across their mutual borders.

Population figures for the six states involved--Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman--show that in 1985 the combined total amounted to only about 15.5 million people, even on the best estimates. While this figure is expected to rise to just under 23 million by the year 2,000, it must also be remembered that a substantial share of the population consists of expatriates from the U.S., Europe and Asia. In 1985, this share was estimated to total as much as 45 per cent of the total population and although governments in each of the six states are seeking ways to reduce their reliance on foreign labour, the share will still be considerable in the next decade. (41) (See Table XXIII.)

The reliance on expatriate and migrant labour in the Gulf states is also a major factor adding to the cost of labour in manufacturing industries. While the managerial and executive level includes expatriates from the U.S. and Europe, the industrial work force consists to a high degree of immigrant labourers brought in under short-term contracts from other Arab countries, the Indian sub-continent, the Philippines and Thailand. Government attempts to reduce the dependence on expatriate labour mean that work permits are often difficult to obtain while requests to the authorities for permission to bring in a work force of a specific size can be denied if the authorities feel that the applicant can operate with a smaller number.

Finally, while wage costs for Asian labourers in particular are competitive, the cost of paying a labour contractor and of housing a migrant labour force, in addition to the costs of complying with government regulations regarding immigration, can be prohibitive. In the case of expatriates from the U.S. and Europe, there will also be additional costs for medical services and for providing company transport as well as for holidays abroad.

While the markets in the ACC countries and in the Maghreb states are considerably larger and there is now a plentiful supply of skilled industrial labour in countries such as Jordan, Lebanon, Egypt, Tunisia and Morocco, the smaller per

capita earnings and lack of disposable income can be a constraint on prices and on the ability to market certain manufactured products. Per capita annual incomes, for example, range from $420 in Mauritania, $470 in South Yemen, $550 in North Yemen, $590 in Morocco and $760 in Egypt to $1,140 in Tunisia, $1,540 in Jordan and $2,590 in Algeria. This stands in sharp contrast to the situation in the Gulf states, where per capita incomes can be ten- or even 20-fold higher: in the U.A.E., for example, the 1986 figure was $14,680, in Kuwait $13,890, in Qatar $13,200 and in Saudi Arabia $6,950. (See Table XXIV.)

Reduced purchasing power and the lack of local credit facilities, for example, has played a role in the decline of the North African indigenous car industry. Ceilings imposed by the International Monetary Fund have also prevented debtor countries like Tunisia from expanding credit for car purchases against the security of state pensions. (42)

The need to service foreign debt in the more populous countries can also create shortages of foreign exchange and lead to restrictions on vital raw material imports, particularly in countries like Egypt, Algeria, Morocco, Lebanon and Jordan where the local currencies have often been subject to devaluations and/or extensive black market trading. As a result, while their governments may encourage foreign investment in local industry as part of a larger import substitution

programme, the combination of reduced purchasing power in the domestic market and delays on imports can often reduce the commercial viability of a particular project even if the market demand for a product is potentially great.

Capital flight and capital markets

Although Kuwait has almost fully recovered from the crash of the unofficial stock market in 1982, and new measures have been taken to facilitate GCC-wide investment by residents of the six Gulf states involved, the growth of the Gulf capital market as a whole is still severely restrained. Stock exchanges have been opened in Bahrain and in Oman, as well as in Kuwait, but efforts to create a trading floor in Saudi Arabia have been hindered by the government's determination to control trading and speculation in the riyal as well as by the need to re-schedule the debts of several big family-owned Saudi companies. (43) Throughout the GCC, the limited number of publically traded companies and GCC restrictions on share ownership by non-GCC citizens acts as a further deterrent to foreign investment. (44)

Elsewhere, civil unrest--as in the case of Lebanon, economic recession and currency devaluations have led to stagnation and/or falling share prices in local markets, and have prevented the implementation of plans to create region-wide capital and money market trading facilities. Egypt's attempts to unify its exchange rates and to liberalise its

interest rate structure in line with recommendations issued by the International Monetary Fund, for example, have actually increased the cost of local funds, particularly for long-term lending. (45) In Jordan, strong selling pressure led to sharp falls in the dinar in 1988 and share prices suffered accordingly, a trend that was further aggravated by the severe fall in the amount of funds repatriated by Jordanians working abroad and by the uncertainties surrounding the future of the West Bank. (46)

Although some of the Gulf states now issue government debt that can be traded on the secondary market, the lack of opportunities for both Arab and foreign investors in local capital markets and exchange rate volatility in certain Arab states has led to an undue emphasis on overseas investments and, especially in the debtor countries, to a flight of capital abroad. The private sector in the Gulf countries alone is estimated to have invested some $162 billion abroad since 1973, while the amount of capital that has left Egypt, the Yemens, Jordan, Sudan, Lebanon and Syria since 1981 is estimated to total some $8 billion. (47)

While the stock market crash of October, 1987 has encouraged many private Arab investors in the Gulf states to reduce the amount of their investments abroad, preliminary evidence suggests that the capital that has been returned home has been invested in property, gold or in commerce and trade

rather than in local equities or in longer-term manufacturing projects, even though the attitude of businessmen to making longer-term investments in manufacturing industry is becoming more positive. (48) Measures in Egypt and Jordan to curb the activities of money changers and to raise local interest rates could help retain more capital in the country, but efforts by other Arab states to introduce exchange controls have often simply served to encourage the black market, especially if these controls have not been matched by sensible interest rate policies and other reforms to encourage sound macro-economic policies aimed at encouraging local investment.

Payments delays

Economic recession in the Gulf states and the growing shortage of foreign exchange in other Arab countries has also led to problems in payments made to both local manufacturing concerns and to foreign suppliers, a trend which in turn has further discouraged private investment in Arab industry. Within the GCC countries, for example, payments delays by the Qatari government to local contractors and suppliers has led to cash flow problems that have hindered expansion plans, a problem which in the case of Qatar is compounded by the small size of the local market. (49) Elsewhere in the GCC countries, the decline of oil revenues in the second half of the 1980s has led to a growing dependence on government orders, thereby compounding any problems which may arise when govern-

ment payments are late. Additional difficulties centring on the need to re-schedule the debt of some big Saudi companies has also affected local companies dependent on these firms for orders.

Payment delays to foreign suppliers in turn can lead to a shortage of raw material imports and hold-ups in local production lines as a result. This has been a particular problem in countries such as Egypt and Morocco which are involved in extensive negotiations with the IMF to re-schedule their foreign debts, but such delays are not uncommon elsewhere in certain sectors. Delays due to a shortage of foreign exchange, for example, have recently ranged from three months in Egypt and Morocco to up to 5 months in Iraq, 6 month in Syria and 8 months in Libya. In Lebanon, due to the civil war, the delays have ranged as high as 35 months for payments due before recent devaluations of the Lebanese pound. In Qatar, despite government pledges to the contrary, the delays in contract payments to private firms can still last up to a year or more. (50)

Industrial duplication

Throughout the region, the duplication of industries due to the separation of the regional market by national development policies has constituted a major constraint to the expansion of manufacturing industry. However, this problem has been particularly pronounced in some of the Gulf states, where

government's expenditure on industry during the 1970s, when oil revenues were at their peak, was often made without regard to the policies of neighbouring states. The Gulf cement industry is a case in point.

Within the U.A.E. alone, where the problem of internal industrial duplication is compounded by the division of the country into seven separate emirates, each with their own development policies, there are nine cement plants, with a total capacity of some 9.2 million tonnes a year. The emirate of Ras al-Khaimah, which has abundant reserves of limestone (which constitutes 80 per cent of the final product), has three plants and there are one each in the other six emirates--Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah and Umm al-Qaiwain. Yet the combined domestic demand in the U.A.E. as a whole is estimated to total only some 1.5 to 1.8 million tonnes. Efforts to impose a country-wide policy aimed at reducing foreign imported supplies have also failed, thereby adding to the problem of local oversupply. (51)

Similarly, efforts by some U.A.E. producers to export their high quality output to other Gulf states have been ineffective given the existence of other local suppliers, and the lack of import restrictions, in these states. Saudi Arabia, for example, had seven plants with a total capacity of 9.2 million tonnes a year in 1987, a figure that was expected to rise to 4.2 million tonnes by the end of 1989 as new planned

new factories are brought into operation. At the same time, local demand has fallen as a result of the economic recession and the decline in new infrastructural projects. The government's policy of encouraging local producers to export their surplus production, rather than raise tariff barriers to supplies coming from outside the GCC area, has reduced profit margins severely and decreased the possibility of other suppliers selling in the Saudi market once demand improves. (52)

While the problem of industrial duplication is particularly severe in the case of the Gulf cement sector, other sectors experiencing problems of duplication include ship repair, chemicals, fertilisers and aluminium. However, in the latter case, the sharp rise in world aluminium prices in the late 1980s and the comparative advantages which the Gulf states enjoy due to the indigenous supplies of cheap energy have prevented the problem of duplication from hindering foreign investment in this sector to date.

Business attitudes, technology and research

The success of manufacturing projects requires the adoption of attitudes and approaches that are innovative, capable of responding to changing situations--both locally and internationally, and flexible. While the relatively cohesive patterns of company ownership in some Arab states, such as in the Gulf, can promote swift and effective decision-making,

large and diffuse bureaucratic structures elsewhere can lead to delays and indecision. Equally, the small number of decision-makers in a Gulf company can create conflicts of interest inimical to the adoption of sound policies, while the longer time scales involved in bureaucratic systems can ensure lower levels of risk, even if stagnation often results.

These patterns of ownership and of decision-making are particularly important with regard to the choice of appropriate technology and to the development of suitable marketing strategies designed to enhance the long-term commercial viability of a particular industrial venture. To date, the choice of technology has to a large degree been conditioned by the ability to pay, and this has meant that industries in the more populous, poorer Arab countries have suffered from a loss of competitiveness due to the lack of up-to-date equipment, research and skills. Where the ability to pay has not been a problem, as in the case of some of the Gulf states during the 1970s and early 1980s, the choice of technology without regard to local conditions and the impact it may have on local attitudes, has also led in some cases to financial loss or to the build-up of expectations that cannot be fulfilled.

University graduates seeking employment in countries like Kuwait and Saudi Arabia, for example, have come to expect

access to the latest equipment, whether this be a powerful mainframe computer for scientific or banking applications or a turnkey petrochemicals production line imported directly from the West. Yet the lack of indigenous technicians capable of repairing and maintaining such equipment, or of using it to its optimum advantage, may in fact mean that lower-level or alternative technology may have been more appropriate for the particular application involved. (53)

Existing attitudes therefore need to be changed if these constraints on industrial development are to be removed. Similarly, the lack of marketing expertise and of an attitude which values such expertise needs to be overcome as well. An awareness that the consumer needs after-sales service for his or her new car or washing machine, for example, is only now becoming conventional wisdom in many parts of the Gulf states, where the emphasis heretofore has been simply on the sale itself. Packaging, presentation and credit terms also need to be re-evaluated and co-ordinated in a post-recessionary atmosphere where purchasing power has declined and the competition of both locally-produced and imported products has increased.

Production-oriented strategies that take advantage of local resources or manpower need to be supplemented by market-oriented policies that are based on sound consumer research and an analysis of market potential whether the final product

is seen as part of an import substitution or export policy. In the case of consumer products, for example, the needs of retailers and distributors must be borne in mind particularly if, in the case of the Gulf states, the potential market consists of consumers of various nationalities with different tastes and buying habits. Similarly, the demographic changes taking place in countries such as Jordan, Algeria, Tunisia and the Yemens, which involve both high birth rates--and so a consequent high proportion of under-15s in the population--and the prospect of a larger share of un- or under-employed returning migrant workers with less disposable income need to be borne in mind at the planning stage of a project, not after the plant is built and commissioned. (54)

Finally, the existing business climate throughout the region which tends to neglect the pressing importance of adequate data and information on the manufacturing sector and on regional markets needs to be changed radically if this sector is to develop with the assistance of foreign investors. At present virtually no region-wide comparative data exists, for example, on industrial output by sector, pricing or company ownership. While organisations such as the Kuwait-based Arab Fund for Economic and Social Development (AFESD) and the Gulf Investment Corporation (GIC), Doha-based Gulf Organisation for Industrial Consulting (GOIC), the Gulf International Bank (GIB) and the various Arab Chambers of Commerce, as well as the Abu-Dhabi based Arab Monetary Fund (AMF) are attempting

to create new information services to provide basic statistical data, agreement is needed both of adequate funding and staffing and on suitable region-wide methods of reporting and dissemination of such information. (See below)

IV. Prospects 1989 to 1993

Foreign investment interest in Arab industry during the next few years is likely to be concentrated in the Gulf states, particularly in Saudi Arabia, but the middle income more populous countries of the Maghreb are also expected to attract considerable new investment as a result of moves to co-ordinate their regional economic policies with the creation of a Single European Market in 1992.

In Saudi Arabia the petrochemical industries are expected to benefit from foreign investment in particular, with additional interest being shown in setting up defence-related manufacturing projects funded through offset agreements with major weapons suppliers in the U.S. and Europe. The Kingdom's strong financial and legal incentives are a major factor in promoting such investments, including its low corporate tax rate, low-cost loans to industry--through the Saudi Industrial Development Fund (SIDF), subsidised utility rates and access to appropriate infrastructural facilities. Plans by the state-owned Saudi Arabian Basic Industries Corporation (SABIC) to privatise its shareholdings in several major joint venture petrochemical and refining operations

will also create new opportunities for both private Saudi and foreign investment during the early 1990s. (55)

At present, joint venture partners in Saudi petrochemical projects include Mobil, Shell and Exxon of the U.S., Mitsui, C. Itoh and Mitsubishi of Japan and the Taiwan Fertiliser Company, to name just a few. (See Table XXV.) Most of these projects are located in the new industrial cities of Yanbu or Jubail and involve the production of ethylene and polyethylene products as well as fertilisers using the Kingdom's supplies of both associated and natural gas as feedstocks. New projects under way or planned, that are likely to include foreign investors, include the expansion of the Saudi Methanol Company's 600,000-tonne-a-year plant, the establishment of a new 1.2 million-tonnes-a-year nitrogenous fertiliser complex at Jubail and completion of the 1.3 million-tonnes-a-year expansion project at the National Chemical Fertiliser Company, also in Jubail. (56)

Aside from these heavy industries, the Saudi government and SIDF is also encouraging foreign investment in companies set up by the privately-owned National Industrialisation Company (NIC). Twelve joint venture projects have already been completed and another 12 are under way, including plants to produce pharmaceuticals and medical appliances, batteries, paper products, furniture, wire products, scrap metal, taps and cuttings and a company for industrial services. NIC is

also setting up a titanium dioxide plant in Yanbu in which the foreign partners include the Kuwait-based Gulf Investment Corporation and Kerr-McGee Chemical Corporation of the U.S. SIDF provided a loan worth $65 million to help fund the $128 million project. Moreover, both local and foreign investors are being encouraged to invest in smaller scale "secondary" plants producing plastics and other derivatives using the output of either the Sabic or NIC plants. (57)

Huge joint ventures involving British companies are also expected to be set up in Saudi Arabia during the next few years as the Al-Yamanah Economic Offset Programme between the two countries gets officially under way. The programme, which involves offsetting an unspecified proportion of the cost of Saudi Arabia's $15 billion order for Tornado aircraft and other military weaponry from Britain, was launched in both London and Riyadh during the first half of 1989 and initial plans call for the establishment of an independently managed investment company to act as a catalyst for the formation of private sector joint ventures involving companies from the U.K. and Saudi Arabia. In addition to ventures in manufacturing industry, the Programme is also seeking to encourage partnerships in technical training, licensing agreements and the expansion of Saudi Arabian industrial exports.

Current proposals call for possible British Aerospace involvement in a proposed $747 million aluminium smelter to be set up in Yanbu as well as the establishment of a missile engineering facility in Saudi Arabia involving British Aerospace and the U.K. firm Dowty Rotol. These ventures will supplement the estimated 170 UK-Saudi partnerships currently operating in the Kingdom. Additional efforts to attract foreign investors from other countries as well are to be outlined later in the year by the Saudi Ministry of Defence, Ministry of Commerce and Ministry of Industry. (58)

These plans follow a similar agreement arranged with the U.S. in the early 1980s covering the Peace Shield early warning radar and aircraft sales to the Kingdom. The agreement has led to the establishment of nine potential joint venture civilian and military industrial projects involving the Boeing Company and other U.S. firms. Five of these projects are now being implemented in the Kingdom, and the combined potential investment is estimated at $700 million. Projects set up under these arrangements include an aircraft modification centre at Riyadh's King Khaled International Airport worth an estimated $127 million, in which the Boeing Industrial Technologies Group is taking part.

Funding for the project is being provided in part by GIC as well as by Saudia, the national airline and the Riyadh National Industrialisation Company. GIC is also helping to

fund another project at the airport under the offset arrangements, in which General Electric of the U.S., Saudia and other Saudi firms are taking part. Additional offset programmes are being considered with French firms following the Kingdom's agreement in June, 1989 to purchase up to $2.7 billion worth of anti-aircraft missiles and other weapons from France. (59)

Elsewhere in the Gulf, major multi-national involvement is also expected in plans by Bahrain to expand its Aluminium Bahrain (ALBA) smelter (see above) and in another aluminium project being set up in Qatar. Several consortia and companies have submitted plans to the Qatari government for the $1.2 billion project, including the UK-based London Consortium, another British group led by Davy McKee of the UK (along with Pechiney of France and Dravo Corporation of the U.S.) and Norsk Hydro of Norway. Pechiney is also involved in the provision of suitable technology for the planned Saudi smelter at Yanbu and for the Alba expansion. (60)

Most of these projects will involve multi-national companies working in partnership with the Gulf's largest family-owned corporations and with funding provided by the relevant national export credit agencies, Arab aid funds and international commercial banks, as well as the privately-owned Saudi Venture Capital Group (SVCG) which represents some 50 of the Kingdom's most prominent businessmen. However, smaller

projects are being developed throughout the Gulf states, particularly in Bahrain and Oman, aimed at providing for the local consumer market and as a substitute for imports. Individual entrepreneurs, both local and foreign, are expected to take an interest in setting up these companies, many of which will benefit from substantial government incentives.

Areas of particular interest include food and fish processing, beverages, automobile spare parts, batteries and tyres, household detergents, p.v.c. pipes and polyester fibres, household utensils, cans, furniture, glass products, toys, toiletries and paper products. Finally, companies specialising in operations and maintenance (O & M), including those involved in machining and light engineering, will be especially encouraged in order to help fill the growing need for both spare parts and repairs to consumer, scientific and industrial appliances and equipment.

Plans by the GCC to provide more tariff protection for local industries will help increase the potential profitability of some of these projects, and could pave the way for an increase in foreign investment in them as well. To date the tariff on imported products ranges from 4 to 20 per cent, but very few products are affected by the higher rates. While individual companies will still have to apply for protection to their Ministry of Industry, prove that their plant is

viable and that the product is available in sufficient quantities to avoid higher costs to local consumers, the new GCC-wide tariff regime would regard their applications more sympathetically in the past, Bahrain's Minister of Development and Industry, Yousef Ahmad al-Shirawi said in May. While any producers of any product can seek such protection, locally manufactured and packaged food products are expected to benefit in particular. (61)

Plans by private businessmen in the Gulf to set up a $100 million Gulf Company for Industrial Investment are also expected to help promote joint ventures involving foreign investors. Funding for the new company was expected to be raised by the end of 1989, and initial proposals call for it to set up two manufacturing plants, one for petrochemicals and another for metal ingots. (62)

In the Maghreb, foreign investment is expected to increase as negotiations gather pace to develop new areas of co-operation with the European Community. Small and medium-sized European firms are being encouraged to join projects with their counterparts in Morocco, Tunisia and Algeria to help the Maghreb states maintain their markets in the EC. This follows the establishment of several joint ventures in textiles, clothing and shoes involving companies in West Germany, France and Italy in preparation for the establishment of a Single European Market in 1992. (63)

Despite fears within North Africa that the onset of the Single Market will damage the prospect for industrial exports, EC officials are confident that the removal of national customs barriers among the 12 European members and the streamlining of customs and credit procedures will facilitate an increase in trade with North Africa, particularly as European firms seek to establish "offshore" manufacturing in the Maghreb states. Recent measures by Tunisia and Morocco to promote foreign investment are seen as a confirmation of this trend. They include Tunisia's signature in March of an agreement with the UK offering protection for British investors in Tunisia, including clauses covering the transfer of profits, and the passage of recent legislation in Morocco allowing the establishment of companies and subsidiaries wholly-owned by foreigners. (64)

While some sectors, notably textiles and shoes, will still be subject to tariff barriers aimed at keeping "sensitive" goods from flooding into the EC, local banks and businessmen in Tunisia and Morocco report that the development of products for "niche" export markets is expected to accelerate. These include the establishment of new specialised food processing plants providing goods such as tinned "exotic" fruits and vegetables as well as designer fabrics and clothing. Funding for these projects could continue to come from the private sector in EC member states, but there are fears that assistance from the European Investment Bank (EIB) could decrease

as the Bank comes under pressure to fund projects closer to home, either in the poorer EC states such as Portugal, Ireland and Greece or in Eastern Europe. (65)

V. Recommended Policy Reforms

Increased investment co-operation between the OECD countries and the Arab world depends to a large degree on both the reform of policies within the individual Arab states and on an increase in support by the industrialised countries for industrial development in the Arab region in general. While there is ample evidence that the Arab states, whether rich or poor, free market-oriented or state-controlled, are seeking to respond to the new challenges posed by falling oil revenues and rising debt by opening their doors to outsiders, there is as yet less evidence that the majority of the OECD countries are placing adequate emphasis on expanding their co-operation with the developing countries in a way that will encourage indigenous manufacturing and production as well as a rise in foreign investment in these countries.

The domestic policy reforms required in the Arab world vary from state to state, but the region as a whole would benefit substantially from measures to 1) upgrade and promote its own skilled labour force in a way that promotes the transfer of suitable technology; 2) ensure that privatisation programmes are carried out effectively and in a way that encourages foreign participation in new industries; and 3) the estab-

lishment of proper data banks and sources of the economic, scientific and marketing information needed to promote development in general and industrialisation in particular.

The OECD countries in turn could benefit by shifting their main emphasis from encouraging their national industries to regard the Arab region (and other developing countries) simply as a market for the export of capital and/or consumer goods to focus more on the potential the Arab region has for economic growth in general if its firms are allowed to benefit from providing value added to the goods they must import. Only in this way can the long-term future of the industrialised world's export markets, and of the companies supplying them, be assured. Model industrial investment programmes such as the offset programme developed in the case of Saudi Arabia are being well received, but other programmes which are more suited to the needs of poorer Arab countries could also be developed and encouraged by OECD countries. Finally, multi-national and bi-national programmes involving the U.S., Japan and the European Community to provide private companies with suitable incentives and guarantees for investing in the developing countries would greatly enhance mutual co-operation, especially in the case of the Arab countries where the perception of war and political risk in the West is often unrelated to the actual risks involved.

Labour and technology

During the 1970s and early 1980s, the governments of the richer producing countries in the Arab Gulf, with the exception of Bahrain, tended to emphasize the importance of high-level, advanced technology. In part this reflected their concern to purchase the most up-to-date plant available; however, the attitude was reinforced by the shortage of skilled manpower and by a desire to emphasize capital-intensive industries as a result.

While the purchase of such technology in the form of turnkey installations has now been de-emphasized, the problem of a shortage of skilled manpower remains. Moreover, the prevailing attitudes of the 1970s and early 1980s have produced a general climate of expectations among young Kuwaitis, Saudis, Qataris and others in the Gulf that employment is worthwhile only if the latest machines and equipment is available. Manual labour, or jobs providing access to outmoded forms of technology, are regarded as undesirable and, given the possibilities of setting up their own businesses or of obtaining a secure, well-paid position working for the government instead, are eschewed by young graduates, many of whom have been educated at considerable expense by the government.

Moreover, highly trained and skilled labour from the populous but poorer Arab countries, such as Egypt, Jordan, Tunisia and

Lebanon, as well as from the Indian sub-continent is either increasingly denied entry as immigration is tightened up in favour of employing nationals, or relegated to routine, less desirable work. As a result, the contribution these professionals, technicians and workers could make both to their host countries and to their country of origin upon their return, is neglected.

While some advanced technology will undoubtedly always be needed, as for example in the medical and scientific fields or in telecommunications, manufacturing industries, particularly for consumer products, could easily and profitably take advantage of lower-level, more simplified techniques that are easily assimilated among a local population that has little practical experience or training in the use of sophisticated equipment. The completion of essential infrastructural projects in the Gulf also means that those turnkey projects which have been deemed essential, as for example in the establishment of petrochemical and refining plant or in heavy industry, have already been ordered or constructed. Government emphasis on the importation of lower-level technology should therefore not harm the national interest nor preclude the purchase of more advanced equipment and services once an industrial base is widely established in the private sector.

Government incentives and support for the introduction of both more vocational training and the use of simplified

technology could therefore greatly enhance the prospect of setting up small-scale, import substitution industries in fields such as food processing, household goods, plastics and clothing while at the same time reducing the need to rely on either highly trained local graduates or on expensive, Western-trained expatriate professionals. At the same time, changes in immigration policies and in attitudes toward the use of foreign labour, particularly of other Arab nationals or of those from other Muslim countries such as Pakistan and Malaysia, could provide a source of manpower that in turn would make local industries more profitable and more productive.

Both the U.S. and the European Community, it should be remembered, have in the past encouraged the immigration of manual workers and even of professionals when shortages arose during key periods of their industrial development process. Within the Gulf, for example, the use of a multi-national labour force at the free zone in Jebel Ali in the United Arab Emirates, has helped to encourage the establishment of joint industrial ventures in which both Arab and foreign capital have been mobilised for the benefit of the host country, particularly insofar as such industries have helped to expand the export base and technological development of Emirates industry as a whole.

International organisations such as UNIDO can play a vital role in supporting the establishment of region-wide vocational training facilities, centres for the introduction and dissemination of low-level technology and programmes that encourage both OECD governments and corporations to provide on-the-job experience and training in the use of suitable technology.

The development of Arabic-language software for personal computers capable of providing desk top publishing or image processing systems in co-operation with U.S. firms such as Microsoft as well as the adaptation of imported hardware to local needs is a case in point. While in countries such as the Emirates, Kuwait and Qatar, a handful of small private firms have been working in this field with the assistance of English-speaking professionals from Egypt, Pakistan and India, there is no reason why a regional centre in the GCC countries could not be set up to accelerate this process and to provide information on how such applications can best be used by the private sector, as well as by government agencies and institutes.

Contractural arrangements with foreign corporations that guarantee specific access to training services in such technology could also be enhanced by the establishment of regional agencies or institutes capable of drawing up model programmes and of working both with foreign suppliers and

with local professional and business associations as well as with specific indigenous companies seeking to import technological services for new projects. Such arrangements could also help to give vocational training a better image among young graduates insofar as such training could be provided by seconded professionals from well-known multi-national companies as well as by the staff of local institutes.

Privatisation plans

Throughout the Arab world, the inflow of capital investment funds from the OECD countries would be enhanced by the opportunity to invest in publically-traded companies whose shares are quoted on local stock exchanges. However, while this is possible in some countries such as in Jordan, Egypt and Morocco, the small number of publically-quoted companies and the lack of depth in the local market has prohibited the use of this avenue as a major means to encourage foreign investment.

Several Arab countries have announced major policy changes aimed at encouraging the privatisation of public sector companies and at obtaining a listing for them on local exchanges. Iraq's privatisation programme, for example, began in 1985 when 42 companies and organisations with a combined turnover of $394 million were sold. Another 47 companies were privatised in 1987, including many in agricultural-related industries and additional steps toward this end

are now being taken in the tourism, textiles and building materials sectors. Libya's General People's Congress has announced that it will transfer some medium-sized industrial concerns to the private sector and re-open privately-owned small workshops specialising in maintenance and repair. Morocco's programme, which also began in 1985, has involved the privatisation of three sugar refineries and, under pressure from the IMF, additional measures are expected in the food processing, textiles and tourist sectors by the end of the year. Syria is privatising a tomato paste plant, as well as public transport services, while some 30 textiles, tourist, building materials and trading companies are due to be turned over to the private sector in Tunisia within the next two to three years. Egypt's moves in this direction have met with significant opposition to date, but plans are going ahead for privatising several entities in the tourist and transport sectors. (66)

In the Gulf states, Saudi Arabia has already successfully offered shares in several public entreprises owned by the Saudi Arabian Basic Industries Company (Sabic) to the public. Additional candidates for privatisation include the state oil company, Petromin; Saudia, the national airlines, the General Railway Company and other ventures still held by Sabic. In Kuwait, plans to privatise several big public sector companies as well as others taken over by the government in the wake of the 1982 stock market crash have been held back due

to the impact such largescale floatations would have on the local financial market, but the Ministry of Finance remains committed to such a course of action over the medium-term. Similar programmes, albeit on a smaller scale, have been proposed in Bahrain, the Emirates and Oman. (67)

Unfortunately, while such measures may broaden the range of companies publically traded, foreign investors are generally still precluded from owning shares in these companies by national legislation, and there appears little likelihood that such legislation will be changed in the near future. Nevertheless, the creation of a GCC-wide market in shares and share ownership is now well advanced, and the further broadening of private share ownership on a regional basis should pave the way for a more sympathetic attitude toward foreign ownership in the longer term, particularly in sectors and industries that are seen as strategically vital or which are dependent on the use of advanced, sophisticated technology.

A policy of encouraging the privatisation of stated-owned Arab companies need not add to unemployment and create monopoly conditions and higher prices for local consumers--as some critics have charged--if the result is more efficiency and profitability. Advice on the possible opportunities which privatisation presents, and an awareness of both the political and economic pitfalls involved, may best be provided by an international organisation which is seen to be

neutral and to have access to the relevant consultants who could liase with both public officials and private entrepreneurs in the countries involved. Given public opposition in countries such as Egypt and Morocco to the role played by the IMF in rescheduling debt, a United Nations organisation which represents members in both the developing and developed world may be best placed to fill this role. This is particularly the case insofar as such an organisation could also facilitate the transfer of technology to such newly privatised companies.

Data and information

While organisations such as GOIC, AFESD and GIB provide an important source of data on manufacturing industries in the Gulf states, there is very little information on industry and markets within the Arab world as a whole. In the future the creation of successful Arab manufacturing industries will be vitally dependent on matching the right product with the right market and the right price. As the move toward regional joint ventures gathers pace not only in the GCC states but also in the ACC countries and in the Maghreb, the possibility of creating sub-regional markets has widened.

In the longer term, the creation of Arab-wide markets spanning the 22 countries of the Arab League, or even the wider Islamic market of some 750 million people, could help eliminate the problems caused by inefficient economies of scale

and or a lack of venture capital. Working with existing organisations or with institutes such as the Kuwait Institute for Scientific Research (KISR) and the Jeddah-based Islamic Development Bank, an international organisation such as UNIDO could help establish the criteria for the successful gathering of relevant information and the creation of a programme aimed at ensuring its comparability and statistically significance across national borders. It could also help to dissemimate information currently available, such as that provided by SIDF and the Arab aid funds, in a variety of languages to private investors and government agencies in the OECD countries.

Project finance

The implementation of the offset programmes in Saudi Arabia has greatly facilitated the transfer of technology to the Kingdom, and this is likely to continue in the decade ahead. However, while such programmes may be inappropriate for other Arab countries which do not have the capital or desire for such large scale military purchases, other nation-wide purchasing programmes that can combine suppliers credits with project evaluation and which can facilitate the transfer of technology can be developed on a national or regional basis. This in turn, like the Saudi offset programme, would facilitate the marketing of such opportunities to potential foreign investors, bankers and contractors.

In particular, the adaptation of Turkey's "Build-Operate-Transfer (BOT) model may be appropriate for some of the poorer Arab states which have access both to considerable natural resources and sizeable indigenous markets. Plans by Turkey to acquire a large coal-fired power station project by this method, for example, involved the provision earlier this year of equity finance worth $200 million and $1 billion worth of export credits from Japan, the U.S. and France, with guarantees from the World Bank and the International Finance Corporation, as well as commercial bank syndications arranged by the Chase Investment Bank and Mitsubishi Bank. (68) The construction work will be done by Chiyoda of Japan and Westinghouse of the U.S.

The BOT model is aimed at helping foreign contractors maintain their positions in key markets while allowing for the fact that many developing countries do not have the hard currency to upgrade their infrastructure given their burden of public and foreign debt. The contractors arrange for the finance, with the help of their government agencies and commercial banks in the OECD countries, and then operate the complex for specified period of time, after which it is turned over to the government.

While in the case of Turkey's power station, the government will be the ultimate beneficiary, a variation of such a programme could help facilitate the construction of major

manufacturing projects which could eventually, through the government, be turned over to the private sector. Morocco has already evinced interest in adopting this programme to its own needs, and the World Bank is reported to be considering assisting similar plans in Pakistan.

Similarly, the co-ordination of government agencies, banks and contractors within a particular OECD country, such as Japan, or within the European Community states, can greatly help facilitate the development of overseas investment programmes suited to the needs and attitudes prevailing in a particular industrialised country. Japan's intention, for example, to recycle some $20 billion to the developing countries, and proposed debt/equity swaps in the U.S. provide opportunities for Arab states to explain the opportunities they provide for foreign investment in Arab industry. Sponsorship by an international organisation and/or the arrangement of suitable seminars and conferences by a neutral third party such as UNIDO could help add credibility to these presentations and promote their publication and dissemination in the OECD country involved.

Finally, given the importance of legal guarantees for international investment in industry, the role of such agencies as the Multilateral Investment Guarantee Agency (MIGA) and of bi-lateral arrangements between various OECD countries and Arab states to protect foreign investments need to be

explained to potential private investors who may be unaware of the protection available. (69) Equally, the co-ordination of needs by both the OECD investor and the Arab recipient in what is a relatively new field can contribute substantially to the development of these institutional guarantees and to the creation of a climate of opinion in which OECD governments can create or expand agencies providing such guarantees. Kuwait's agreement with the Overseas Private Investment Corporation (OPIC) of the U.S., signed in May, 1989, for example, will provide U.S. investors with concessionary insurance rates covering war, political and expropriation risks, as well as guarantees on bid bonds and contract arrangements. (70) The coverage of such risks at relatively lower costs is still relatively unusual and the implementation of similar bi-lateral accords, combined with an enhanced awareness of the possibilities of obtaining such protection by potential investors, would greatly facilitate investment in the developing countries in general, and in longer-term industrial projects in the Arab states in particular.

(end)

Footnotes

1. DAC members include Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States and the Commission of European Communities. See Development Co-operation: Efforts and Policies of the Members of the Development Assistance Committee, OECD, Paris, December, 1988.

2. Figures on average annual growth rates and on gross domestic investment are not available for Lebanon.

3. Estimate by the Saudi Minister of Industry and Electricity, Abdel-Aziz al-Zamil; Middle East Economic Digest (MEED), May 19, 1989, p. 2.

4. Dr. M. H. Khawajkiah, Director of Information, GOIC, Doha, Qatar, May 17, 1989.

5. Arab News, "Gulf Industries Supplement," November 28, 1988, page 10.

6. Ministry of Industry and Electricity, Industrial Statistical Bulletin, 1985.

7. "Joint Ventures in the Gulf," Gulf Economic and Financial Report," Gulf International Bank, Manama, III, 4, April, 1988, page 2.

8. "Kuwait '89: Building for the Future," MEED Sponsored Report, April 21, 1989.

9. "United Arab Emirates: Abu Dhabi Oil, Gas and Petrochemicals," British Overseas Trade Board, October, 1987.

10. "United Arab Emirates: Dubai and the Northern Emirates Oil and Gas," ibid, March, 1988.

11. Carolyn Townshend Associates, London, "Facts about Dubai's Jebel Ali Free Zone," no date.

12. "Oman: Building for the Future," MEED Sponsored Report, February 3, 1989.

13. MEED, February 24, 1989, page 16.

14. MEED, September 4, 1987; June 9, 1989, pages 4 to 5.

15. Annual Report, Alexandria National Iron and Steel Company, December 12, 1983; The Middle East and North Africa 1989, Europa Publications, London, 1989, page 383.

16. Debt service in 1989 alone was expected to reach $4 billion. See "Middle East and North Africa," Business International, January, 1989; Arab Industry Review, 1987/88, Manama, Bahrain, 1988, page 201.

17. The Middle East and North Africa, ibid, page 470; Crusoe, Jonathan, MEED Profile: Iraq, London, February, 1989, pages 44 to 53.

18. MEED, February 24, 1989, pages 2 and 3. Total debt was estimated to have reached $8.1 billion by June, 1989. MEED, June 2, 1989.

19. The Middle East and North Africa 1989, pages 542 to 544; "Jordan Special Report," MEED, November 21, 1988; Industrial Development Bank of Jordan, Annual Report 1987, Amman, 1987; Arab Industry Review 1987/1988; pages 167 to 168; UNIDO, Jordan: Stimulating Manufacturing Employment and Exports, Industrial Development Review Series, Vienna, 1987.

20. Arab Industry Review 1987/88, ibid; The Middle East and North Africa 1989, ibid; "The Role of the Private Sector in Development," Amman (no date); MEED, March 17 and 24, 1989.

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22. MEED, January 13, 1989; International Monetary Fund, "Yemen Arab Republic: Recent Economic Developments," Washington D.C., May 10, 1988.

23. Industrial Bank of Yemen, Annual Report, Sanaa, 1987, pages 4 to 5.

24. MEED, February 3, 1989; Agence France Presse, June 10, 1989.

25. MEED, April 14, 1989.

26. British American Mideast Bulletin (BAMB) (New York), June 1, 1989.

27. MEED, May 26, 1989; BAMB, ibid.

28. BAMB, ibid.

29. MEED, April 14, 1989; January 20, 1989; February 17, 1989; Institute of International Finance "Algeria, Country Report," Washington D.C., October 21, 1988.

30. Chambre Francaise de Commerce et d'Industrie en Algerie, Informations Economiques, Algiers, March-April, 1989, pages 29-31.

31. The Middle East and North Africa, ibid, pages 641-2; Arab Industry Review, 1987/88, ibid, pages 203-207.

32. MEED, February 3, 1989.

33. As a result, the export of textiles and leather goods now ranks second behind exports of crude oil as the country's main source of revenue. By the end of 1989, the value of these exports was expected to rise to $740 million compared to only $534 million in 1986. Economist Publications, Country Report: Tunisia, London, No. 1, 1989, page 4.

34. MEED, "Tunisia: Preparing for Life After Oil," April 7, 1989, page 22; Arab Industry Review, 1987/88, ibid, page 225.

35. "Commercial Prospects in Tunisia, Committee for Middle East Trade, Bulletin, (London) No. 28, March, 1989, page 9; Economist Publications, Tunisia to 1993: Steering for Stability, Special Report No. 1132, London, May, 1989, page 70.

36. Tunisia to 1993, ibid, pages 70 to 71; "The Maghreb, Industry - Harnessing Resources for Regional Benefit," Arab British Commerce (London), February, 1989, page 26; MEED, February 3, 1989.

37. "The Maghreb, Industry," ibid, page 27; Arab Industry Review 1987/88, ibid, page 212.

38. Arab Industry Review 1987/88, ibid; The Middle East and North Africa, ibid, page 669.

39. Arab Industry Review 1987/88, ibid, page 208-210.

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42. Paul Barker, "No Panacea for Over-Capacity," Arab Industry Review, 1987/88, ibid, page 21.

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44. "Development of Capital Markets in the Gulf," Gulf Economic and Financial Report, February, 1987; MEED, June 2, 1989, page 39.

45. Middle East Economic Survey, May 22, 1989.

46. MEED, February 24, 1989, page 3.

47. Dr. Henry Azzam, "Capital Outflows from the Arab Region," Arab Banker, London, March/April, 1989, pages 22 to 26.

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49. Author's interviews, Qatar, December, 1988.

50. Mideast Markets, February 20, 1989, page 7. The time periods are calculated according to the time it takes from the due date for the importer to deposit local currency with the central bank or other authorising body and for hard currency to be transferred to the foreign supplier. Information on Qatar is taken from the author's private interviews in the country in December, 1988.

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52. Ibid, page 51.

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58. UK Ministry of Defence, unpublished circular, London, June, 1989; Arab-British Chamber of Commerce, Trade Information Bulletin, London, June 14, 1989, page 1; MEED, June 9, 1989, page 12 and 14; and Mideast Markets, February 20, 1989.

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61. MEED, June 9, 1989, page 25; and June 16, 1989, page 12.

62. OPEC News Agency, June 19, 1989; MEED, December 9, 1989.

63. "Special Report: UK and the Middle East," MEED. June 9, 1989, page 18.

64. Ibid.

65. MEED, "Exploring the EEC Dimension," June 2, 1989, pages 4 and 5; "Special Report: UK and the Middle East," June 9, 1989, page 11.

66. Stevens, Paul, "Privatization in the Middle East," Surrey Energy Economics Centre, University of Surrey, Paper No. 45, May, 1989, pages 6 to 7; MEED, June 9, 1989, pages 4 to 5.

67. Stevens, ibid, page 7; Author's interview with H.E. Jassem Muhammed Al-Kharafi, Minister of Finance, Kuwait, 12 February, 1989 in "Kuwait: Building For the Future," MEED Sponsored Survey, April 21, 1989; MEED, June 23, 1989, page 20; Yusif Shirawi, Minister of Development and Industry, Bahrain, "Role of the GCC Private Sector in Post-War Development," Arab Banker, London, March/April, 1989, page 9.

68. "Turkish Power: BOT Firing on all Cylinders," Trade Finance, April, 1989, page 4.

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(1,500 words)

STATISTICAL APPENDIX

TABLE I

Net Resource Flows to Developing Countries
1981 to 1987

($ billion)

	1981	1982	1983	1984	1985	1986	1987
Official Development Finance	46.6	44.0	41.8	47.1	48.5	56.2	59.3
Export Credits	17.2	13.6	7.4	7.1	4.6	-0.3	-0.7
Private Flows of which:	74.5	58.4	48.0	33.5	30.9	26.1	30.5
Direct Investment	17.2	12.8	9.9	11.3	6.7	12.2	20.0
International Bank Lending	52.0	37.6	34.1	17.4	13.6	5.2	5.0
Bond Lending	1.5	5.0	1.1	1.0	4.8	1.6	0.5
Other Private Flows	1.8	0.7	0.6	1.1	2.9	3.8	1.5
Total Net Resource Flows	138.3	116.0	97.2	87.7	84.0	82.0	89.1

Source: Development Co-operation, OECD, Paris, December, 1988.

Notes: Official development finance includes bilateral and multilateral development assistance. Export credits include all countries, and direct investment flows those from all OECD countries, including their flows to offshore financial centres such as Panama, Cayman Islands and Bahrain. Other private lending includes estimated non-reported bond lending. All data exludes use of IMF credits.

Table II

Net Resource Flows to the Developing Countries
at 1986 Prices and Exchange Rates
1981 to 1987

($ billions)

	1981	1982	1983	1984	1985	1986	1987
Official Development Finance	55.3	53.3	50.8	58.4	59.5	56.2	51.8
Export Credits and Private Flows	108.8	87.2	67.3	50.4	43.6	25.8	26.0
Total Net Resource Flows	164.1	140.5	118.1	108.8	103.1	82.0	77.8

Source: Development Co-operation, OECD, Paris, December, 1988; MEED.

Notes: See Table I.

Table III

Total Net Resource Flows to Developing Countries:
Official and Private Flows
1981 to 1987

(Per Cent)

	1981	1982	1983	1984	1985	1986	1987
Official Development Assistance	33.7	37.9	43.0	53.7	57.7	68.5	66.6
Export Credits	12.4	11.7	7.6	8.1	5.5	--	--
Private Flows of which:	53.9	50.3	49.4	38.2	36.8	31.9	34.3
Direct Investment	12.4	11.0	10.2	13.0	8.0	14.9	22.4
International Bank Lending	37.6	32.4	35.1	19.9	16.2	6.3	5.6
Total Bond Lending	1.1	4.3	1.1	1.1	5.7	2.0	0.1
Other Private Flows	1.3	0.6	0.6	1.3	3.5	4.6	1.7
Total Net Resource Flows	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Development Co-operation, OECD, Paris, 1988; MEED

Notes: See Table I.

Table IV

Net Financial Transfers from OECD DAC countries
by Geographical Region

($ billions)

	1979	Average 1980-82	1983	1984	1985	1986	1987
North Africa and the Middle East	16	9	5	7	8	6	4
Sub-Saharan Africa	12	12	10	8	10	13	16
Asian low-income countries	10	12	12	14	17	17	22
Other Asia	5	6	9	1	-3	-2	-2
Western Hemisphere	28	30	-8	-8	-15	-10	-4
Other and adjustments	7	8	-2	5	3	3	2
Total LDCs	78	77	27	27	20	27	34
North Africa and the Middle East (As per cent of total aid to LDCs)	20.5	11.7	18.5	25.9	40.0	22.2	11.8

Source: Development Co-operation, OECD, Paris, December, 1988; MEED estimates.

Notes: 1987 figures are provisional; Other and adjustments includes Europe, Oceania, unallocated and other adjustments; Total LDCs excludes Gulf countries and Taiwan. All figures exclude flight capital and reinvested earnings.

Table V

Total Net Financial Receipts from OECD DAC Countries
as Percentage of GNP by Region

(Per cent)

	Average 1980-81	Average 1985-86
North Africa and Middle East	1.3	1.3
Western Hemisphere	3.7	1.8
Asian low-income countries	1.7	1.7
Other Asia	2.8	0.2
Sub-Saharan Africa	6.6	6.4

Source: Development Co-operation, OECD, Paris, December, 1988.

Notes: Data includes receipts from multilateral organizations and excludes short-term export credits and bank lending.

Table VI

Bilateral Arab Aid to North Africa and the Middle East
1985-1987

($ millions)

	1985	1986	1987
Middle East:			
Bahrain	71.6	98.2	-0.8
Iran	0.1	--	0.1
Iraq	-0.3	0.2	10.0
Jordan	453.4	434.4	395.2
Lebanon	12.2	2.7	18.2
Oman	59.4	52.7	-1.6
Saudi Arabia	--	--	0.0
Syria	559.7	631.8	588.0
United Arab Emirates	138.3	89.4	144.1
North Yemen	46.3	23.0	14.9
North Africa:			
Algeria	9.1	27.9	51.6
Egypt	-24.7	54.2	74.5
Libya	0.0	--	--
Morocco	403.9	85.6	15.5
Tunisia	5.2	39.8	30.1
TOTAL	1,735.3	1,539.9	1,339.9

Source: Development Co-operation, OECD, Paris, December, 1988.

Table VII

Arab Aid Funds: Aid to Industry and Mining
in North Africa and the Middle East

($ millions)

	1985	1987
North Africa and the Middle East:		
Total Aid	11,254.83	13,349.76
Aid to Industry and Mining	2,143.65	2,629.28
Aid to Industry and Mining (Per cent of Total Aid)	19.0	19.7
All Developing Countries:		
Total Aid	21,950.57	25,338.27

Source: Co-ordination Secretariat at the Arab Fund for Economic and Social Development, Kuwait.

Notes: Aid funds include the Islamic Development Bank; Abu Dhabi Fund for Arab Economic Development; OPEC Fund for International Development; Saudi Fund for Development; Arab Fund for Economic and Social Development; Kuwait Fund for Arab Economic Development and the Arab Bank for Economic Development in Africa.

Table VIII
North Africa and the Middle East:
External Debt of Major Debtor Countries

1981 to 1986

($ millions)

	1981		1984		1986	
Country	Total External Debt	Total Debt Service	Total External Debt	Total Debt Service	Total External Debt	Total Debt Service
Algeria	17,612.4	3,854.1	13,960.2	4,570.3	17,929.1	5,155.0
Egypt	18,972.3	2,019.0	24,657.9	2,255.5	28,555.8	1,946.1
Jordan	2,060.8	201.7	3,351.4	207.6	4,133.8	540.3
Lebanon	579.9	52.2	458.2	54.6	451.0	28.4
Morocco	9,365.0	n.a.	12,805.1	n.a.	17,825.7	n.a.
Oman	754.2	119.2	1,638.4	214.4	2,997.2	394.6
Syria	2,992.6	298.8	3,016.6	278.5	4,350.3	297.0
Tunisia	3,759.3	580.3	4,543.5	690.1	5,987.4	856.5
North Yemen	1,202.7	63.0	1,957.8	67.6	2,308.3	99.1
South Yemen	600.2	22.7	1,126.5	76.5	2,059.2	99.2
TOTAL	57,899.4	7,211.0	67,515.6	8,415.1	86,597.8	9,416.2

Source: World Debt Tables, Vol. II, The World Bank, 1987-88 Edition, Washington D.C., 1988.

Notes: Figures for Morocco exclude private non-guaranteed debt.

Table IX

Average Annual Growth Rate of GDP:
Arab Debtor Countries
1981 to 1988

(Per cent)

Country	1981	1982	1983	1984	1985	1986	1987	1988
Algeria	3.6	4.0	5.4	4.1	5.2	0.9	1.3	0.9
Egypt	9.6	7.4	6.2	6.7	2.6	2.5	3.2	3.2
Jordan	4.7	7.4	2.0	8.6	3.5	5.4	-1.4	1.7
Morocco	-2.6	7.2	2.0	1.7	4.7	6.4	0.2	5.5
Oman	16.7	10.6	18.1	16.1	14.8	6.9	2.3	n.a.
Syria	8.4	2.9	1.8	-3.6	3.0	11.8	n.a.	n.a.
Tunisia	5.5	-0.5	4.7	5.7	5.7	-1.6	5.8	0.9
North Yemen	7.5	33.0	2.1	3.3	4.6	9.4	4.7	19.2
South Yemen	6.6	13.4	0.4	8.8	-6.6	-11.8	3.2	2.0

Source: Selected Economic Indicators, International Economics Department, World Bank, December 7, 1988.

Notes: N.A. = not available.

Table X

Gross Domestic Investment as a Per Cent of GDP
Arab Debtor Countries
1981 to 1987

(Per Cent)

Country	1981	1982	1983	1984	1985	1986	1987
Algeria	37.0	37.3	37.6	36.4	33.7	32.4	28.9
Egypt	30.1	28.7	27.5	26.7	23.7	19.3	23.9
Jordan	50.5	46.9	35.9	32.4	30.5	29.6	26.4
Morocco	22.4	23.3	20.9	21.8	22.9	20.3	19.1
Oman	23.0	26.6	26.5	30.0	27.6	27.4	n.a.
Syria	23.2	23.7	23.6	23.7	23.8	22.8	n.a.
Tunisia	32.3	31.6	29.3	32.0	26.6	23.5	21.1
North Yemen	46.7	29.8	19.4	18.3	14.4	13.0	13.3
South Yemen	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Selected Economic Indicators, International Economics Department, World Bank, December 7, 1988.

Notes: N.A. = not available.

Table XI

Gulf Oil Producing Countries:
Oil Export Revenues
1986 to 1989

($ million)

Country	1986	1987	1988	1989
Saudi Arabia	20,131	17,593	17,733	19,035
Iraq	6,633	11,611	11,666	13,496
Kuwait	4,928	4,557	4,483	4,739
United Arab Emirates	6,074	7,939	6,601	7,483
Qatar	1,571	1,849	1,486	1,681
Neutral Zone	1,700	--	--	--

Source: The Petroleum Finance Company, Washington D.C., December, 1987; January, 1989; MEED, January 10, 1989.

Notes: 1989 projections assume an average price of $15 a barrel, and that the combined output by Gulf producers will exceed OPEC first half 1989 quotas by just under one million barrels a day.
Revenues from the Neutral Zone are shared between Saudi Arabia and Kuwait.

Table XII

Arab Oil Producing Countries:
Oil Production
1986 to 1989

(millions of barrels per day)

Country	1986	1987	1988	First Quarter 1989
Saudi Arabia	4.8	4.0	4.9	4.6
Iraq	1.7	2.1	2.6	2.6
United Arab Emirates	1.4	1.5	1.6	1.6
Kuwait	1.2	1.1	1.3	1.0
Neutral Zone	0.4	0.4	0.3	0.3
Qatar	0.3	0.3	0.3	0.4
Libya	1.0	1.0	1.0	1.0
Algeria	0.6	0.7	0.7	0.7
Total OPEC	19.5	19.4	21.2	21.6

Source: International Energy Agency, Monthly Oil Report, Paris, May 5, 1989.

Notes: Neutral Zone production is shared by Saudi Arabia and Kuwait. First quarter, 1989 figures are estimates. OPEC total figures include condensates and natural gas liquids as well as crude oil output.

Table XIII

Gulf Current Account Estimates
1986 to 1989

($ millions)

Country	1987	1988	1989
Saudi Arabia	-9,570	-9,600	-8,300
Kuwait	4,414	3,450	2,800
United Arab Emirates	2,120	2,200	1,500
Qatar	-132	-420	-400
Oman	590	-185	-350
Bahrain	-319	10	30

Source: Middle East Economic Digest, January 20, 1989; figures are estimates.

Table XIV

Gulf States:
Gross Domestic Product at Current Prices

($ millions)

Year	Saudi Arabia	Kuwait	U.A.E.	Qatar	Oman	Bahrain	G.C.C.	Annual Rate (Per Cent)
1982	152,318	20,783	31,817	7,597	7,568	4,549	224,632	--
1983	119,196	20,283	27,512	6,468	7,933	4,613	186,005	-17.2
1984	104,546	20,832	28,112	6,704	8,821	4,612	173,627	- 6.6
1985	90,269	18,979	26,287	6,272	10,006	4,263	156,076	-10.1
1986	76,399	16,405	21,329	4,950	6,397	3,678	129,158	-17.2
1987	71,466	14,693	23,154	--	--	--	--	- 4.2

Source: National Bank of Kuwait; International Monetary Fund; Middle East Economic Digest

Notes: Annual rate for 1987 is for combined total of Saudi Arabia, Kuwait and the U.A.E. only.

Table XV

Gulf States:
Gross Domestic Product at 1985 Prices

($ millions

Year	Saudi Arabia	Kuwait	U.A.E.	Qatar	Oman	Bahrain
1982	113,031	19,300	28,003	--	--	4,208
1983	99,296	17,638	26,587	--	--	4,206
1984	96,961	19,318	27,731	--	--	4,382
1985	89,668	17,104	27,077	--	--	4,263
1986	81,973	18,935	21,111	--	--	4,362
1987	85,760	--	--	--	--	--

Source: International Monetary Fund; MEED.

Table XVI

Gulf States: Industrial Contribution to GDP

Country	Nominal GDP ($ millions)	Manufacturing Contribution to GDP (%)
Saudi Arabia	77,415	6.7
Kuwait	17,258	11.1
United Arab Emirates	23,971	9.4
Oman	7,831	3.7
Bahrain	3,678	12.3
Qatar	5,104	9.9
Iraq	45,718	10.3

Source: Arab Monetary Fund, United Arab Economic Report, 1987; IMF; National Bank of Kuwait; Gulf International Bank.

Notes: Figures are 1987 except for Saudi Arabia, Kuwait, Bahrain and Iraq (estimated), which are for 1986.

Table XVII

Saudi Arabia: Foreign Investment Shares in Non-Oil Manufacturing Industries, 1985

Industrial Activity	No. of Factories	Total Capital Investment (million SR)	Foreign Partner Share (million SR)	Percentage Share of Foreign Partner (%)
Foodstuffs, beverages and tobacco	38	1,216	306	25.2
Ready-made clothes and textiles	8	244	92	37.7
Wood products	13	118	67	56.8
Paper and paper products	16	478	206	43.1
Chemical industries, including petrochemicals, coal, rubber and plastics	90	15,968	7,662	48.0
Manufacture of china, earthenware, pottery, porcelain and glass	1	21	3	14.3
Building materials	65	4,167	1,174	28.2
Metal industries	152	6,524	1,169	17.9
Other products	5	150	78	52.0
Storage	1	20	12	60.0
TOTAL	389	28,906	10,769	37.3

Source: Saudi Arabia, Ministry of Industry and Electricity, Industrial Statistical Bulletin, 1985; Gulf Economic and Financial Report, Gulf International Bank, Manama, Bahrain, III,4, April, 1988.

Table XVIII

Joint Venture Projects in Saudi Arabia
Funded by the Saudi Industrial Development Fund

Sectoral Distribution of Products

Countries Involved	Engineering Products	Chemicals	Consumer Products	Building Materials	Other	Total
West Germany	6	4	3	8	1	22
France	9	3	1	4	--	17
Netherlands	7	2	--	1	--	10
Belgium	2	1	--	1	--	4
Luxembourg	--	--	--	1	--	1
Italy	4	1	2	4	--	11
United Kingdom	7	4	7	10	--	28
Denmark	1	1	6	--	--	8
Greece	--	1	--	--	1	2
Total EEC	36	17	19	29	2	103
U.S.A.	27	14	4	10	--	55
Japan	4	1	1	--	1	7
Switzerland	6	11	--	6	1	24
TOTAL	97	60	54	63	6	280

Source: Saudi Industrial Development Fund, Guide to Saudi Arabian Manufactured Products, VIII edition; Gulf Economic and Financial Report, April, 1988.

Table XIX

ACC Countries: Gross Domestic Product
1982 to 1987

($ millions)

	1982	1983	1984	1985	1986	1987
At Market Prices:						
Egypt	18,480	21,047	20,724	19,661	19,779	19,999
Iraq	41,125	38,260	44,381	48,395	45,718	48,003
Jordan	3,758	3,830	3,799	4,367	4,766	5,125
North Yemen	4,369	4,679	4,225	3,823	3,134	4,400
At Constant Prices:						
Egypt (1980/81)	16,200	16,910	n.a.	n.a.	n.a.	n.a.
Iraq	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jordan (1985)	4,225	4,097	3,797	4,404	4,766	5,143
North Yemen	5,891	6,129	5,057	3,823	2,766	3,587
Gross Fixed Capital Formation:						
Egypt	4,840	5,423	4,862	4,179	4,012	3,496
Iraq	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jordan	1,485	1,522	1,544	1,606	1,640	1,692
North Yemen	1,249	939	751	561	403	626

Sources: IMF, International Financial Statistics, May, 1989; MEED calculations and Gulf International Bank. Iraqi GDP figures for 1985 to 1987 are estimates by GIB. Exchange rates for Egypt are calculated at the commercial bank rate. N.A. = not available.

Table XX

ACC Countries:
Industrial Contribution to GDP

Country	GDP ($ millions)	Industrial Contribution (%)
Egypt (1986)	26,382	20.4
Iraq (1986)	45,718	10.3
Jordan (1987)	3,277	10.0
North Yemen (1986)	3,134	12.0
(Syria) (1985)	7,103	6.4

Source: IMF; MEED; GIB, The Middle East and North Africa, Europa Publications, London, 1988, page 804; Central Bank of Jordan, Monthly Statistical Bulletin, February, 1989; Industrial Bank of Yemen, Annual Report, 1987.

Notes: GDP is at market rate except for Egypt, which is at factor prices, and Syria, which is at purchasers' values; figures for Iraq and North Yemen are estimates. Industrial contribution in Egypt includes power and construction; for other countries it includes manufacturing only. GDP for Syria is calculated at 1988 dollar exchange rate.

(2131 words)

Table XXI

Tunisia: Gross Domestic Product by Industrial Sector
1983 to 1987

(At 1980 Prices, in millions of dinars)

Sector	1983	1984	1985	1986	1987
Total GDP at Market Prices	3,892	4,115	4,347	4,278	4,525
Industry	1,257	1,304	1,328	1,322	1,327
of which:					
Mining	54	51	44	55	59
Hydrocarbons, power and water	441	442	441	435	421
Manufacturing industries	522	556	585	613	639
of which:					
Food processing and agro-industries	111	132	131	137	141
Building materials, ceramics and glass	82	83	92	93	97
Mechanical and electrical industries	75	80	85	85	85
Chemicals and rubber	63	63	67	77	81
Textiles, clothing and shoes	120	121	126	133	143
Wood, paper and other	71	77	84	88	92
Construction and public works	240	255	258	219	208

Source: Banque Centrale de Tunisie, Statistiques Financieres, December, 1989, page 71.

Table XXII

Tunisia: Industrial Production by Sector

1983 to 1987

(Indices: 1983 = 100)

Sector	1983	1984	1985	1986	1987
Food processing	100.0	100.7	108.4	112.7	114.1
Building materials	100.0	96.4	97.5	94.1	103.3
Mechanical and electrical industries	100.0	103.4	103.8	93.7	85.1
Chemical industries	100.0	99.8	101.2	116.9	123.5
Spinning and weaving	100.0	106.2	112.1	106.5	121.0
Paper and cardboard	100.0	101.6	122.9	128.8	128.6
Mining	100.0	90.6	78.1	95.6	102.6
Hydrocarbons	100.0	100.2	99.5	97.9	94.8

Source: Banque Centrale de Tunisie, Statistiques Financieres, December, 1988, page 57.

Table XXIII

Population in the GCC Countries
1985 to 2,000

	Saudi Arabia	Kuwait	U.A.E.	Oman	Bahrain	Qatar	Total
1985:							
Total (thousands)	10,164	1,697	1,532	1,420	412	213	15,864
Annual Growth Rate (%) (1975 to 1985)	3.3	3.8	3.8	3.2	2.5	3.8	3.5
Expatriates (%)	38.0	60.0	75.0	32.0	35.0	68.0	45.0
2,000							
Total (thousands)	15,864	2,169	2,016	1,809	650	301	22,809

Source: U.N. ESCWA, Survey of Economic and Social Developments in the ESCWA Region, March, 1987; Gulf Economic and Financial Report, October, 1987.

Notes: 1985 figures for Oman and Bahrain are estimates; figures for the year 2,000 are projections based on U.N. figures.

Table XXIV

GDP Per Capita
Selected Arab Countries
1986

($)

Country	Amount
Algeria	2,590
Bahrain	8,510
Egypt	760
Jordan	1,540
Kuwait	13,890
Mauritania	420
Morocco	590
Oman	4,980
Qatar	13,200
Saudi Arabia	6,950
Somalia	280
Sudan	320
Tunisia	1,140
United Arab Emirates	14,680
North Yemen	550
South Yemen	470

Source: World Bank, World Development Report, 1988; Islamic Development Bank, Thirteenth Annual Report, 1987/88, Jeddah, 1988.

Table XXV

Saudi Arabia:
SABIC Petrochemical Joint Ventures

Location	Company Name	Products	Partner
Yanbu	Yanpet	Ethylene/ethylene	Mobil
Jubail	Sadaf	Ethylene/ethylene dichloride/styrene	Shell (U.S.)
Jubail	Sharq	Ethylene glycol, low density polyethylene	Mitsubishi
Jubail	Ibn Sina	Methanol	Celanese/Texas Easter
Jubail	Ar-Razi	Methanol	Mitsui/C. Itoh
Jubail	Kemya	Low and high density polyethylene	Exxon
Jubail	Ibn Hayyan	Vinyl chloride p.v.c.	Lucky Group
Jubail	Samad	Urea	Taiwan Fertiliser Co.

Source: Saudi Arabian Basic Industries Corporation; Economist Publications, "Country Profile 1988/89: Saudi Arabia," London, 1988, page 24.