ECONOMIC DEVELOPMENTS IN THE MIDDLE EAST 1955-1956

Supplement to World Economic Survey, 1956

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FOREWORD

This report, Economic Developments in the Middle East, 1955-1956, forms part of the survey of the world economic situation prepared by the Secretariat of the United Nations; it is a supplement to World Economic Survey, 1956 (sales number: 1957.II.C.1). The report complements the annual surveys prepared by the secretariats of the regional economic commissions and brings up to date the series of annual studies on the Middle East, the previous study being Economic Developments in the Middle East, 1954-1955 (sales number: 1956.II.C.2), which was published in 1956.

This review was prepared by the Bureau of Economic Affairs in the United Nations Department of Economic and Social Affairs. In general, the statistical data were either prepared directly by the Statistical Office of the United Nations or obtained from data published by that office. In addition, other official international and national sources were utilized; when such data were not available, private sources were consulted. Because of variations in methods of compiling data, information for the various countries is not always strictly comparable.

EXPLANATORY NOTE

The following symbols have been used in the tables throughout the report:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (–) indicates that the amount is nil or negligible.

A blank in a table indicates that the item is not applicable.

A minus sign (-) indicates a deficit or decrease.

A full stop (.) is used to indicate decimals.

A comma (,) is used to distinguish thousands and millions.

A slash (/) indicates a crop year or financial year, e.g., 1955/56.

Use of a hyphen (-) between dates representing years, e.g., 1950-1954, signifies the full period involved, including the beginning and end years.

References to "tons" indicate metric tons, and to "dollars" United States dollars, unless otherwise stated.

The term "billion" signifies a thousand million.

Details and percentages in tables do not necessarily add to totals, because of rounding.

Information regarding rates of exchange may be found in issues of the United Nations, Monthly Bulletin of Statistics.

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INTRODUCTION

This report presents an over-all view of the main economic trends in the Middle East, a designation which includes Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Saudi Arabia, the Sudan, Syria, Turkey and Yemen; Aden Colony, Aden Protectorate, Bahrain, Cyprus, Kuwait, Muscat and Oman, Qatar and the Trucial Coast. The period covered in this volume is 1955 and, so far as data are available, 1956.

During 1955 and until October 1956, the main factors affecting the level of economic activity in the Middle East originated within the region itself. Demand for Middle Eastern exports maintained its upward trend; most of this increase was accounted for by petroleum, but other products, notably cotton, also shared in the rise. This general increase in exports was, however, accompanied by shifts in direction, the share of the Union of Soviet Socialist Republics and eastern Europe rising and that of western Europe declining. There was a comparable increase in the volume and value of imports into the region and a similar shift in sources of supply.

As contrasted with the period 1950-1953, unit prices of exports and imports showed little change. Export prices seem to have risen slightly in 1955, and to have remained stable in 1956, and available data indicate a similar movement in import prices. There seems no reason to believe that the terms of trade for the region as a whole changed significantly in 1955 and 1956.

There has also been little change in the inflow of capital into the region during the period under review. Capital investment in the petroleum industry, financed largely by reinvestment of profits, amounted to $190 million in 1954 and $210 million in 1955, and it would appear that the 1956 figure was of the same order of magnitude. This compares with an average yearly investment of $223 million in 1951-1953 and $336 million in 1948-1950. 1/ Other forms of private capital inflow remained of minor importance and, as in previous years, the inflow was directed mainly to Israel and Turkey; there seems to have been some decline in its volume. On the other hand, grants and loans to the Middle East from the United States and other Governments increased.

Investment in development projects was intensified in a number of countries of the region, the major emphasis being placed on agriculture, irrigation and transport. Several large projects were completed in the period under review, including two major dams in Iraq and two others in Turkey. The railroad from

1/ Chase Manhattan Bank, Investment Patterns in the World Petroleum Industry (New York, December 1956).

Tehran to Meshed in northeastern Iran was also completed. In addition, substantial projects were under construction in almost all countries of the region. 2/

The sharpest fluctuation in output took place in agriculture, which, in spite of the rapid growth of other sectors, still employs the greater part of the population in almost all of these countries and accounts for some 40 to 50 per cent of their national incomes. In recent years, notable progress has been made by several countries in removing institutional and technical obstacles impeding agricultural development, and a larger proportion of the cultivated area is now irrigated. Nevertheless, the level of production is still, as in the past, determined mainly by climatic conditions, which, during the period under review, were less favourable than in previous years, though varying widely over the region. Thus in Turkey, which accounts for close to half of the region's grain crop, both the 1955 and the 1956 grain crops were poor, as had been that of 1954. In other countries, the very poor crops of 1955 followed an excellent crop in 1954 and were, in turn, succeeded by fairly good crops in 1956. Output of cotton - after grains, the leading product - fluctuated much less, since most of the crop is grown under irrigation; the upward trend since 1953 was maintained. Output of most other crops has been rising more rapidly than that of grain and cotton.

The petroleum industry continued its rapid advance, and the setback caused by the Suez crisis arrested this growth only temporarily. Direct revenues received by the Middle Eastern Governments increased correspondingly, from about $500 million in 1953 and $680 million in 1954 to about $880 million in 1955 and $940 million in 1956. Internal consumption of petroleum products also maintained its rapid upward trend and in recent years has been increasing at an annual rate of over 10 per cent.

The annual rate of increase in production of crude petroleum rose from 12.8 per cent in 1954 to 18.3 per cent in 1955, but owing mainly to the sharp decline in the last two months of 1956, the increase was less in the latter year. The increase in output of refined products was at a distinctly higher rate than in the production of crude petroleum; this was due both to the construction of new refineries and the more complete utilization of Abadan refinery which, between 1951 and 1954, had operated at only a fraction of total capacity. Expansion of refining capacity is under way in various parts of the region. In recent years, the bulk of investment by the oil companies operating in the Middle East has gone into production of crude petroleum and into refineries. Pipeline construction, which in the period 1948-1951 absorbed $415 million compared with $460 million in production and $165 million in refining, accounted for a very small fraction of total investment after 1952. On the other hand, several pipelines carrying refined products have been built by various Middle Eastern Governments, and steps have been taken by both Governments and nationals of certain Middle Eastern countries to form the nucleus of a tanker fleet.

Industrial output increased sharply in 1955, but, largely owing to the disruption caused by the Suez crisis, the over-all increase achieved in 1956 was probably less. Most Middle Eastern Governments have taken active steps to

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2/ United Nations, Economic Developments in the Middle East, 1954-1955 (sales number: 1956.II.C.2), chapter 5.

promote industrial development, including provision of transport, power and technical assistance, various forms of tariff protection and extension of credit. In some countries, notably Iran, Iraq and Turkey, public investment played an important part in manufacturing and mining, while in the other countries, domestic private capital provided the bulk of investment; foreign capital continues to play a very minor part in industrial development outside the petroleum industry.

During the period under review, most countries of the Middle East experienced inflationary pressures. Here again, the active forces were of internal origin. Owing chiefly to increased expenditure on defence and development, government expenditure rose appreciably, outstripping the increase in ordinary budgetary revenues. This, together with increased private investment in industry and mining, helped to raise the level of money incomes and of demand. Although almost every country had a growing import surplus in the period under review - largely covered by oil revenues, donations and public grants or loans - the offsetting effect of the surplus was lessened by the fact that in the majority of countries there was a change in the composition of imports, favouring capital goods.

The rise in money incomes was generally not matched by a corresponding increase in the availability of consumer goods; there were poor harvests in most countries in 1955, and although there was a considerable improvement in agricultural output in 1956, except in Turkey, the increase in supply was insufficient to prevent food prices from rising. An additional factor on the supply side, particularly in Egypt, Israel and Turkey, was the policy of restraining imports of consumer goods. In certain countries a slight rise in import prices may have acted as a further factor in the rise of prices.

A preliminary survey shows that the impact of the Suez crisis on the economy of the Middle Eastern countries was strong, but localized and of limited duration. The military operations in Egypt resulted in considerable destruction of buildings, transport equipment and mining installations, and caused serious unemployment in the Suez Canal area. The interruption of international exchange between Egypt and other countries and the sequestration by the Government of British and French business establishments further dislocated the Egyptian economy. Agricultural production does not seem to have been affected by the hostilities, which took place outside the cultivated zones, but industrial and mining output fell off in the last two months of 1956, bringing the total for the year down to the level of the previous year. Inflationary pressures were accentuated.

The Sinai campaign and its aftermath inflicted losses on the Israeli economy. The cost of preparing and conducting the campaign strained both the budget and the balance of payments, and the latter was also affected by a decline in tourist expenditures and the suspension of United States aid. Industrial output was somewhat reduced by mobilization of manpower and materials, but agricultural production remained unaffected. A sharp rise in means of payments signalled an accentuation of the inflationary pressures which had manifested themselves during the past few years.

The petroleum producing countries were all affected, but in different degress, by the blockage of the canal, the damaging of the pipelines carrying Iraqi oil through Syria, the measures taken by certain Governments, such as the embargo on shipment of crude petroleum from Saudi Arabia to the Bahrain refinery, and the ensuing shortage of tankers. The impact of the crisis can best be shown by the following figures on the output of crude petroleum (in millions of metric tons): 3/

	1956				1957		
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Kuwait	4.6	5.1	2.3	3.5	3.9	3.8	3.6
Saudi Arabia . .	4.2	4.4	2.9	2.9	2.7	2.7	3.2
Iraq	3.1	3.2	0.7	0.9	0.9	0.7	1.3
Iran	2.3	2.6	2.1	2.2	2.7	2.8	2.6
Qatar	0.5	0.5	0.3	0.5	0.5	0.5	0.5

Although complete figures are not yet available, it is known that output has continued to recover gradually with the easing of the shortage of tankers, the partial rehabilitation of the Iraqi pipelines in mid-March, and the reopening of the Suez Canal in April, but remains below the peak reached in the autumn of 1956.

The financial impact on the oil-producing countries was, however, much milder than the impact on production. Most of the producing countries had ample reserves, and in some cases advances were extended by the petroleum companies, and there was no noticeable slowing down in the implementation of development plans. Employment was also only very slightly affected by the disruption of production. There were, however, further general repercussions of the Canal crisis on the Middle East. The blockage of the Canal and the severing of relations between some Middle Eastern countries and the United Kingdom and France dislocated trade with Europe and stimulated exchange with countries east of Suez. Hoarding of goods accentuated inflationary pressures and sent up the prices of certain goods. However, the termination of hostilities halted some of these developments and by the end of the first quarter of 1957, much of the impact of the crisis on the region had spent its force.

3/ United Nations, Monthly Bulletin of Statistics, April-May 1957, and Petroleum Press Service (London), May 1957.

Chapter 2

AGRICULTURE

During the period under review, progress was made by certain countries in removing the institutional and technical obstacles holding back agricultural development. As in previous years, substantial sums have been allocated by certain Governments to agriculture, irrigation and drainage, and some Governments have also sought to aid farmers by various forms of price supports as well as protection against foreign competition. In a few countries, important measures of land reform are being carried out. Various technical improvements have taken place, such as increased use of chemical fertilizers and pesticides, greater mechanization and use of improved agricultural implements and better selection of seeds and livestock breeds. In several countries, significant changes have occurred in the pattern of crop production; generally, these have taken the form of shifts away from the traditional grain staples and towards more valuable cash crops, notably cotton, fruits and vegetables.

Nevertheless, these improvements have not, as yet, fundamentally changed the character of agriculture in by far the greater part of the region. As in the past, the level of production is still mainly determined by climatic conditions, particularly rainfall and temperature, and continues to be greatly affected by pests and plant diseases. In the period since 1953, climatic conditions in Turkey have been much less favourable than during previous years, and crops have been correspondingly smaller, while in the other main producing countries conditions were more variable, the excellent crops of 1954 being followed by very poor crops in 1955 and fairly good crops in 1956.

Crop Production in 1955 and 1956

The total acreage sown to major crops and the output of these crops in recent years are shown in table 1. Over the past decade, the extension of acreage has been almost uninterrupted, but the rate of increase has varied considerably from year to year. By 1956, acreage planted to grains was about 37 per cent above the average of 1948-52 and acreage planted to cotton was 29 per cent higher. Since 1953, cotton acreage has expanded more rapidly than that of grains; this is largely due to the fact that, in spite of the decline in prices from the peak reached in 1951, cotton growing has remained relatively more profitable than wheat.

These over-all figures, however, conceal widely varying changes in the different countries (see table B in the appendix). As regards wheat, there was a sharp reduction in acreage in Egypt in 1955, owing to a change in government policy in favour of cotton. This was, however, more than offset by an extension of acreage in practically every other country, notably in Turkey; as a result, in 1955, total acreage increased by 5 per cent. Barley acreage also increased by 5 per cent, mainly owing to an extension of area in Turkey, Iraq and Syria. On the other hand, the area planted to maize decreased by 3 per cent, owing to a small decline in the two major producing countries, Egypt and Turkey, and the area planted to rice decreased by 14 per cent, owing mainly to decreases in acreage in Iraq and Turkey.

The area under industrial crops showed an appreciable increase - cotton, 10 per cent, and sugar-beets, 27 per cent - while sugar-cane and tobacco remained practically unchanged. There was also an increase in the area planted to pulses, oil-seeds, fruits and vegetables.

Table 1. Area and Production of Major Crops

Item and product	Annual average 1948-52	1953	1954	1955	1956	Percentage change a/ 1953 to 1954	1954 to 1955	1955 to 1956
Area (millions of hectares):								
Grains b/	18.65	22.84	23.40	24.12	25.61 c/	2.5	3.1	6.2
Area in Turkey c/ . .	8.30	10.76	10.92	11.71	11.93	1.5	7.2	1.9
Pulses d/	0.72	0.71	0.74	0.77	0.74	4.2	4.1	-4.1
Cotton	1.72	1.81	1.98	2.18	2.22	9.4	10.1	1.8
Production (millions of metric tons):								
Grains b/	19.96	27.99	24.63	24.73	27.33 c/	-13.6	0.4	10.5
Output in Turkey c/ .	8.85	14.01	9.42	12.10	11.08	-32.8	28.5	-8.4
Pulses c/	0.76	0.77	0.80	0.79	0.76	3.9	-1.3	-3.9
Cotton	0.65	0.65	0.73	0.74	0.78	12.3	1.4	5.4

Source: Food and Agriculture Organization of the United Nations; crop years ending in year specified.

a/ Minus sign indicates decrease.

b/ Barley, maize, millet, oats, rice (paddy), rye, sorghum, wheat.

c/ Partly estimated.

d/ Dry beans, dry peas, broad beans, chick-peas, lentils.

In spite of the extension of acreage, grain production in 1955 was little higher than in the previous year, and distinctly below the record level of 1953 (see table 1). This was mainly due to severe droughts in Iraq, Israel, Jordan, Lebanon and Syria; another factor was the decrease in wheat acreage in Egypt, due to the relaxation of restrictions on the area planted to cotton and a reduction by 10.5 per cent in the Government's purchase price of wheat. On the other hand, grain yields in Turkey increased appreciably, that of wheat rising by 27 per cent and that of barley by 18 per cent; this, together with the extension of the area, increased the grain crop by 29 per cent. Similarly, in Iran, output of grains increased significantly, owing to both an extension of the cultivated area and a rise in yield.

Output of other foodstuffs was at high or record levels, notably in the case of sugar, citrus fruits, oil-seeds, pulses and certain fruits and vegetables. There was also a slight increase in the Turkish tobacco crop and in the Turkish, Sudanese and Syrian cotton crops.

Taking the region as a whole, output of major field crops may have risen by around 2 per cent in 1955. Over-all figures are available for two countries, Egypt and Israel. In Egypt, gross income, in current prices, rose from £E 382 million in 1953/54 to £E 420 million in 1954/55; since production costs remained unchanged, net income increased by 15 per cent, from £E 262 million to £E 301 million, due mainly to the rise in cotton prices and the increase in the rice crop. 1/ In Israel, the value of grains and pulses, in constant prices, fell from £I 35.2 million in 1953/54 to £I 26.6 million in 1954/55. Output of industrial crops, most of which are irrigated, rose from £I 14.7 million to £I 21 million, the most marked increase being in cotton and sugar-beets. Increases in meat, milk and eggs also more than compensated for the decline in citrus and other fruit from a combined total of £I 93.6 million to £I 78.4 million. Total agricultural production, in constant prices, rose by 3.3 per cent, from £I 331.8 million to £I 342.8 million. 2/

In Lebanon, over-all agricultural production was estimated at some 15 per cent below the 1954 level. 3/ In Turkey, the value of total production was well above that of 1954 and in Iran it may have been slightly higher. On the other hand, in Iraq, Jordan and Syria, there was a sharp decline in total agricultural production.

Since data on acreage and production in 1956 are available only for certain crops, no over-all figures for quantum or value of total production can be given. The area planted to grains increased by some 6 per cent over 1955; this was mainly the result of an extension of acreage in Turkey and Syria, together with a decline in Iraq. The area under cotton rose slightly, that under sugar-beets also rose and that under tobacco remained unchanged.

Available figures on production show a 9 per cent increase in wheat, a decline in the Turkish crop being more than offset by increases in Syria, Iran, Iraq and Egypt. The output of barley increased by 14 per cent, due to sharp rises in the Syrian and Iraqi crops. Output of rice rose by 22 per cent, because of a bumper crop in Egypt and a good crop in Iran. Cotton production increased by 5 per cent. Because of larger crops in all producing countries, output of

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1/ National Bank of Egypt, Economic Bulletin, No. 1, 1956 (Cairo).

2/ Central Bureau of Statistics, Statistical Abstract of Israel, 1955/56 (Jerusalem).

3/ World Trade Information Service, Economic Developments in Lebanon in 1955, part 1, No. 56-60 (Washington, D.C.).

sugar-beets rose considerably, as did that of olive oil, while production of tobacco declined slightly. Taking the region as a whole, the increase in the output of major field crops in 1956 was probably around 7 or 8 per cent, but it is likely that production of these crops remained below the record level of 1953.

Information on most countries is scarce. In Egypt, over-all production showed little change, an increase in grains offsetting a small decline in cotton. Gross agricultural income, in current prices, rose from £E 420 million in 1954/55 to £E 428 million in 1955/56, and net income from £E 301 million to £E 312 million, but this increase was largely due to a rise in prices. 4/ As in recent years, the wheat crop will fall short of consumption by an estimated 300,000 tons, while the rice crop will yield an export surplus which is put at 300,000 tons.

In Iraq, flood prevention upon completion of dams and irrigation works, combined with abundant rainfall, led to a large increase in grain crops, the barley export surplus has been estimated at 500,000 tons and there is a small wheat surplus; the rice crop is also larger than in recent years.

In Israel, the value of agricultural production in 1956 rose by 20 per cent, in constant prices, mainly because of an increase in grains and other field crops. 5/ In Jordan and Syria, abundant rains resulted in sharp rises in grain crops, due to greater acreage and much higher yields; in Lebanon, output of fruits increased and, in Syria, cotton production reached a new record.

In Turkey, where agriculture was once more hit by droughts, output of grains fell sharply; hence, it has been necessary once more to import wheat, and an agreement was concluded with the United States for the purchase of 500,000 tons of surplus wheat and 10,000 tons of maize. 6/ Industrial crops, however, showed a small rise.

Changes in Patterns of Production

The main change in the pattern of production, in the region generally, is the relative growth of industrial crops, fruits and vegetables. Cotton production, which dropped sharply in 1953 owing to the fall in prices, is once more rising. Acreage and output of sugar are increasing rapidly, and present output is about double the 1948-50 average; there has also been a sharp rise in oil-seed output and a smaller increase in olive oil. But the largest increase has been in fruits and vegetables. Output of citrus fruit is now about two-thirds higher than the 1948-50 average. In Egypt, production of vegetables in 1951 was 29 per cent above the 1935-1939 average and by 1955 it was twice as high, while production of fruits was 72 per cent and 126 per cent higher, respectively. 7/ Fruits and vegetables, however, still account for only

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4/ National Bank of Egypt, Report of the 57th Ordinary Meeting (Cairo, 1956).

5/ Israel Information Office, Israel Digest (New York), 31 December 1956.

6/ Turkish Information Office, News from Turkey (New York), 29 November 1956.

7/ Ministry of Finance and National Economy, Annual Pocket Statistical Yearbook (in Arabic) (Cairo).

8 per cent of the cultivated area, and 6.6 per cent of gross agricultural income, including livestock products. 8/

In Iraq, attempts are being made to expand the area devoted to fruits, vegetables and cotton. Between 1951 and 1954, the acreage planted to rice increased from 61,000 hectares to 120,000. This is due to the high profitability of rice: it is estimated that the gross returns from a hectare planted to rice are ID 109.9, compared with ID 15.5 for wheat and ID 14.2 for barley; 9/ however, as rice requires more labour than wheat, the difference in net returns must be considerably less. In Israel, the main change in recent years has been the slow increase in the area under plantation crops, notably citrus, compared with the rapid expansion of acreage planted to vegetables, grain and fodder crops. There has also been a sharp increase in certain industrial crops, notably tobacco, sunflowers, sugar-beets and cotton, although the area planted to the latter two crops is still small.

In Lebanon, output of apples almost doubled during the post-war decade; at present, there are about 500,000 fruit-bearing apple trees yielding some 20,000 tons and a further 2 million trees which have not yet reached the fruit-bearing stage. Other fruits and vegetables have also shown an increase and these two categories constitute about 60 per cent of the net value of agricultural production. In Turkey, "one of the most important changes currently taking place is the increase in vegetable production". 10/ Output of potatoes, the leading crop, rose from 173,000 tons in 1934-38 and 463,000 in 1948-49 to 1,050,000 in 1955.

On the whole, production of livestock is just about keeping pace with the growth in population (see table 2). Efforts to improve range and pasture management and care of animals cover a high proportion of the grazing land, although improvements have not yet progressed far beyond the exploratory stage in several of the countries. In most countries comprehensive programmes have been set up for disease control, improvement of breeds and methods of stock-raising, which will have a direct bearing on production standards. The effect of such action is especially seen in the dairy industry, where the Food and Agriculture Organization of the United Nations and the United Nations Children's Fund are developing joint programmes in Iran, Iraq, Israel and Turkey; similar developments are occurring in Egypt.

Technical, Organizational and Institutional Changes

Progress was made by certain Middle Eastern countries in carrying out some of the technical, organizational and institutional changes required to increase the productivity of their agriculture and reduce its instability. However, achievement still falls far short of needs and much further action remains to be taken.

8/ National Bank of Egypt, Economic Bulletin, No. 1, 1956.

9/ Bureau of Documents for Syria and Other Arab Countries, L'Economie et les marchés des pays arabes (Damascus), 31 July 1956.

10/ United States Department of Commerce, Investment in Turkey (Washington, D.C., 1956), page 60.

Table 2. Indices of Livestock Numbers,[a] Selected Countries
(1947/48 - 1951/52 average = 100, except as indicated)

Country and item	1952/53	1953/54	1954/55	1955/56
Total, Middle East:				
Cattle, buffaloes, sheep, goats . .	114	116	118	...
Camels, horses, donkeys, mules . .	100	101	100	...
Total	110	112	113	...
Egypt:[b]				
Cattle, buffaloes, sheep, goats	101	102	105	...
Camels, horses, donkeys, mules	102	105	110	...
Total	101	103	106	...
Israel:				
Cattle, sheep, goats	167	183	198	217
Syria:				
Cattle, buffaloes, sheep, goats	113	118	117	130
Camels, horses, donkeys, mules	111	109	119	112
Total	112	115	118	123
Turkey:				
Cattle, buffaloes, sheep, goats	107	108	109	110
Camels, horses, donkeys, mules	104	104	103	103
Total	107	108	108	109

Source: Food and Agriculture Organization of the United Nations.

a/ Based on "livestock units", using the following conversion factors: camels 1.1; buffaloes, horses and mules 1.0; cattle and donkeys 0.8; sheep and goats 0.1 (Food and Agriculture Organization of the United Nations, Yearbook of Food and Agricultural Statistics (Rome, 1955), page 308); the conversion factors are only approximately valid for the individual countries.

b/ 1951/52 = 100.

Technical changes

In the technical field, progress has been made in the use of chemical fertilizers and pesticides, in mechanization, in the distribution of improved seeds and animal breeds and in irrigation and land reclamation.

As is shown in table 3, use of nitrogenous fertilizers continues to show a moderate increase; in 1954/55, Middle Eastern consumption rose by 7 per cent and in 1955/56 by another 7 per cent; it is still, however, very low except in Egypt and Israel. Consumption of phosphates is rising more rapidly; on the other hand, use of potash fertilizers decreased substantially after a fourfold increase in 1953/54, mainly in Israel and Turkey. In Egypt, Israel and Turkey use of chemical fertilizers is being stimulated by increased local production. Available data also indicate an increase in the use of pesticides in Egypt, Iran, Israel, Lebanon, Syria and Turkey. 11/

The mechanization of agriculture is developing rather rapidly in some countries (see table 4). The number of tractors in the region is nearly three times that of 1950. The greatest increase has been in Turkey, which now accounts for approximately two-thirds of the tractors in the region. 12/ Several countries have made efforts to introduce improved hand tools and animal-drawn tools, as well as heavier powered equipment. The only one in which agricultural machinery is manufactured is Turkey, where a plant with a capacity of 5,000 tractors a year started production in 1955. Lack of trained operators and maintenance personnel has greatly handicapped progress of mechanization in the area. Several countries, notably Iraq and Egypt, have carried out training programmes to relieve this shortage.

Increased use is also being made of improved seeds and breeds. In Egypt, the Government is carrying out a three-year programme under which one-third of the area planted to wheat is to be sown with selected seed each year, whereas previously only 10 per cent of the seeds used were selected; similarly, one-third of the area planted to rice is to be provided with selected seed. Other programmes aim at making general the present widespread use of selected cottonseed; at providing hybrid maize; and at supplying farmers with selected sugar-cane shoots and vegetable seeds. 13/ To this increase in the use of improved seeds is largely attributed the rise in the yield of rice in 1955 and 1956 and the maintenance of the yield of wheat and maize in spite of unfavourable weather and attack by pests.

11/ Action against pests also includes an international campaign against locusts in the Arabian peninsula, in which sixteen Governments and the Food and Agriculture Organization of the United Nations participate. Expenditure totalled $1,350,000 in 1954/55 and $1,394,000 in 1955/56 and is estimated at $1,199,000 in 1956/57.

12/ The value of farm equipment and supplies furnished to Turkish farmers in 1951-1955 was $101.5 million, compared with $37.1 million in 1944-50; this consists mostly of agricultural machinery, artificial fertilizers and pesticides (Turkish Information Office, News from Turkey, 20 September 1956). In Iran during 1954/55 and 1955/56 the Agricultural Bank imported 1,334 tractors, of which 866 have so far been sold to farmers; the Bank also provides repair facilities (Bank Melli Iran, Balance Sheet (Tehran), March 1956).

13/ Permanent Council for the Development of National Production, Annual Report, 1955 (Cairo).

Table 3. Utilization of Fertilizers, by Country

(Thousands of metric tons)

Country and item	1938	1948/49-1952/53 average	1953/54	1954/55	1955/56
Total, Middle East:					
Nitrogenous fertilizers	80	120	140	150	160
Phosphoric acid	10	30	40	50	50
Potash fertilizers	5	5	20	5	5
Cyprus:					
Nitrogenous fertilizers	...	...	2.5	2.9	3.2
Phosphoric acid	...	4.8[a]	4.7	5.5	5.5
Egypt:					
Nitrogenous fertilizers	76.0	98.2	111.2	112.1	...
Phosphoric acid	8.7	16.7[b]	15.0	15.0	...
Potash fertilizers	0.2	0.6[b]	0.5	0.5	0.5
Israel:					
Nitrogenous fertilizers	-	5.3	11.4	9.6	12.0
Phosphoric acid	-	6.8[d]	9.8	13.2	15.9
Potash fertilizers	3.1[c]	1.1[d]	4.0	...	0.3
Lebanon:					
Nitrogenous fertilizers	-	1.8[e]	3.2[f]	4.6	4.8
Phosphoric acid	...	0.6[e]	1.9[f]	2.2	2.5
Potash fertilizers	...	1.2[e]	2.0[f]	1.6	1.6
Sudan:					
Nitrogenous fertilizers	...	4.7[d/e]	5.1	9.8	16.5
Syria:					
Nitrogenous fertilizers	...	0.9[a]	2.0	4.6	5.1[e]
Potash fertilizers	...	0.1[a]	0.2	0.4	0.4[e]
Turkey:					
Nitrogenous fertilizers	0.2	6.5[d]	4.3	9.5	6.4
Phosphoric acid	-	3.6[d]	6.6	11.6	8.3
Potash fertilizers	0.2	1.9[d]	9.9	0.6	0.6

Source: Food and Agriculture Organization of the United Nations.

a/ 1952/53 figure.

b/ Average of three years.

c/ Data for Palestine.

d/ Average of four years.

e/ Partly estimated.

f/ 1954.

Table 4. Tractors[a] Used in Agriculture, by Country

(Number)

Country	1950	1953	1954	1955	1956
Aden	...	52	102[b]	150[b]	182[b]
Cyprus	443[b]	1,022[b]	1,181[b]	1,476	2,000
Egypt	...	8,850	10,355	...	...
Iran	1,186[b]	...	...	...	...
Iraq	...	416	469	389	...
Israel	2,300	3,386	3,535	4,010	4,500
Jordan	84[c]	243[b]	305[b]	...	...
Lebanon	121	112	135	160	...
Sudan	120	89	91	91	91
Syria	642[b]	1,155[b]	1,454[b][d]	1,786[b]	...
Turkey	10,227	35,670	37,743	41,030	...
Total . .	22,000	51,996	56,770	...	...

Source: Food and Agriculture Organization of the United Nations; and report on the Turkish budget for fiscal year 1956/57.

a/ Both continuous tread and wheel types.

b/ Tractors used for all purposes, including road-building.

c/ 1951.

d/ Estimated.

In Iran, a rise in wheat and rice yields has occurred, which is attributed to wider use of improved seeds. In Israel, use of selected seeds is widespread. In Lebanon, where harvests from pure seed of imported high-yield varieties have frequently been much higher than the yields from local varieties, the Ministry of Agriculture is obtaining and distributing such seeds to farmers; imports rose from 100 tons in 1953 to 850 in 1955 and about 2,000 in 1956. In Syria, use of selected cotton-seed has expanded, and a beginning has been made in extending the use of improved wheat strains. In Turkey, government distribution of selected seeds on credit towards purchase of them has greatly increased in recent years and it is estimated that about one-half of annual requirements for improved seeds are being met. 14/

14/ United States Department of Commerce, Investment in Turkey, page 56.

Irrigation and drainage projects continue to occupy a leading place in the development plans of several countries, as is shown in table 5.

Table 5. Items from Development Budgets, Selected Countries

(Percentage of total development budgets)

Item	Egypt a/	Iran 1955/56-1961/62	Iraq 1955/56-1960/61	Israel 1955-1956	Jordan b/ 1953/54-1957/58	Syria 1955-1960	Turkey c/
Irrigation and drainage	28.0	26.0	30.8	25.9	1.7	29.0	1.3
Agriculture . . .	11.5		2.9		4.5	3.3	6.5
Total expenditure (millions of dollars) d/ . .	717	930	1,400	208	38	136	2,888

Source: Food and Agriculture Organization of the United Nations; Bank of Israel, Annual Report (Jerusalem, 1955).

a/ Current and projected development projects of the Permanent Council for the Development of National Production, excluding expenditure on the High Dam at Aswan, except a small sum for preliminary work.

b/ Investment programme of the Development Board; excluding Jordan Valley irrigation project, estimated to cost JD 61 million.

c/ Planned public investment projects now under way.

d/ Converted at official rates of exchange.

Some important projects were completed during the period under review or are under way. In Egypt, work is proceeding on the reclamation of 59,000 hectares in the northern and eastern parts of the Delta; completion was scheduled in three years. Longer term projects aimed at raising the total to 126,000 hectares, mainly by reclaiming additional land in the north of the Delta, are contingent on the availability of water.

In Iran, the major construction was on a dam on the Karaj River, near Tehran, scheduled for completion in 1960 at a total cost of $63 million; by the beginning of 1957, a total of $2.9 million had been spent. The dam will store 200 million cubic metres, to be used for supplying drinking water to Tehran and for irrigation, and will provide a capacity of 30,000 kilowatts of power; the latter figure may be raised later to 100,000. A contract has been signed for construction of a dam on the Sapidrud River; completion is scheduled for 1962 and total costs are estimated at $38 million, of which $5.9 million had been spent by the beginning of 1957; the project will irrigate 120,000 hectares and provide a capacity of 80,000 kilowatts of power. 15/ Several small projects are

15/ Ettelaat (Tehran), 3 February 1957 and 10 February 1957.

also under way, notably the Duruzdan dam, estimated to cost $9 million, and the Saveh dam, estimated to cost $7.5 million. 16/ Another scheme under study is the construction of a dam and tunnel to divert the Lar River, which at present flows into the Caspian Sea; it may cost around $39 million and will provide 72,000 kilowatts of power, as well as irrigation. 17/ Surveying has begun on a large multi-purpose scheme in Khuzistan province; this will provide power and irrigation for 1 million hectares from the Karun River. Some of the power will be used in manufacturing fertilizers from natural gas. Its cost, it is estimated, will be about $1,000 million and it will require some twenty years for completion.

In Iraq, two major projects were completed in 1956, the Samarra dam on the Tigris, which diverts water to the Wadi Tharthar depression, and the Ramadi dam on the Euphrates, which diverts water to Lake Habbaniya. These projects will provide ample protection against floods, which in the past have caused much damage; in addition, the Ramadi dam will provide irrigation water and it is possible that some of the water diverted to Wadi Tharthar may also be available for irrigation. Work is continuing on the Dokan dam, on the lesser Zab River, for which a contract for $24.6 million was awarded in 1950; this will provide flood control and, when supplementary installations have been made, will generate electricity and supply irrigation to 320,000 hectares; completion is scheduled for 1958.

Tenders have also been invited for the Derbendi Khan storage dam on the Diyala River. This project, estimated to cost about $90 million and to require four years for completion, will control floods, increase the water supply for 300,000 hectares and, eventually, generate electricity. In 1956, the Council of Ministers approved a five-year plan which allocates $431 million for the Derbendi Kham dam, two dams at Eski Kalak and Khazir and various irrigation projects on the Euphrates. The Development Board has completed its study of the Udhaim, Ishaqi and Nahrawan projects, which will irrigate 300,000 hectares at an estimated cost of $59 million. 18/

Israel's irrigated area increased from 28,000 hectares in 1948 to about 100,000 in 1956; this extension was brought about by completing small projects, drawing on underground water, with a combined capacity of 1 billion cubic metres a year, and costing $120 million. A ten-year plan has been prepared to raise the storage capacity to 1.8 billion cubic metres and to extend irrigation in the coastal area near Haifa, the southern Carmel region and the southern portion of the Judean hills. In addition, five large projects, some partially completed, are expected to be in operation by the end of the ten years: the Huleh drainage and irrigation scheme, the Lake Tiberias-Beisan scheme, and those for western Galilee, the Yarkon-Negeb and the Jordan-Negeb. The total cost of all irrigation projects is put at $190 million, of which the Jordan-Negeb one will absorb $115 million; they will increase the irrigated area to 250,000 hectares. 19/

16/ Barnameh tafsili marbut beganun haft saleh dovvom (Tehran).

17/ Ettelaat, 10 February 1957.

18/ Bureau of Documents for Syria and Other Arab Countries, L'Economie et les marchés des pays arabes, 31 December 1955, 30 June 1956 and 30 September 1956.

19/ Israel Information Office, Israel Digest, 11 May 1956.

In Lebanon, work is proceeding on some small schemes and on the first phase of the Litani project; 20/ this phase will cost about $40 million, of which $27 million has been provided by the International Bank for Reconstruction and Development. In Jordan, work is proceeding on a few very small schemes; the major project under consideration is the Jordan valley scheme which, under present plans, would irrigate 51,400 hectares, of which 24,000 are at present uncultivated. In Syria, work is proceeding on the Ghab scheme; this will drain 26,000 hectares and irrigate 65,000 hectares, of which 43,000 had not been irrigated before. 21/ Several small schemes are also under way.

In Turkey, a total of £T 1,282 million (equivalent to $458 million at the official rate of exchange) was spent between 1950 and 1956 on irrigation and flood control works in a programme scheduled for completion in 1958, which is designed to irrigate 294,000 hectares, provide flood protection for 160,000 and drain 92,000. 22/ Two large projects were completed in 1956. The Seyhan dam will irrigate 154,000 hectares in the Çokurova valley, near Adana, provide flood protection and generate 284 million kilowatt-hours of electricity per annum; its total cost of $35.7 million was covered by a loan from the International Bank for Reconstruction and Development of $25.2 million, budget allocations of $4.8 million and private subscriptions of $5.7 million. It is estimated that flood control provided by this project will save some $3 million per annum, that irrigation will raise gross agricultural income by $30 million and that the electricity sold will bring in $20 million per annum. 23/ The Sariyar dam, near Ankara, which is to generate 410 million kilowatt-hours of electricity per annum and also provide irrigation and flood control, has cost about $93 million. Plans have also been completed for six additional dams, which are to be put in use between 1959 and 1961 and which will generate 210 million kilowatt-hours of electricity, provide flood control and irrigate 61,000 hectares.

Organizational and Institutional Changes

The chief changes in agricultural organization and institutions in recent years have been in marketing, credit and land distribution and settlement. There has been little change in price policies. In Egypt, the Government alternately encouraged and restricted production of grains and cotton by means of price supports and acreage limitations, in the light of international price and market conditions. In Turkey, the Government's buying prices for grains, which are above world prices, remained unchanged. Most Governments protect certain crops by means of customs duties, as, for example, sugar in Egypt and cotton in Israel.

20/ United Nations, Economic Developments in the Middle East, 1954-1955 (sales number: 1956.II.C.2), pages 127-128.

21/ United Nations, Economic Developments in the Middle East, 1945-1954 (sales number: 1955.II.C.2), page 205.

22/ Speech of the Minister of Finance, 20 February 1957.

23/ Cumhuriyet (Istanbul), 9 April 1956 and Turkish Information Office, News from Turkey, 29 March 1956 and 3 May 1956.

Several Governments are building modern storage facilities, to reduce the considerable losses and delays in transport now experienced. 24/ In Egypt, where modern silos with a combined capacity of 280,000 tons were installed in recent years, contracts for a 30,000-ton elevator in Alexandria and a 40,000-ton elevator in Cairo have been awarded. 25/ In Iraq, work is proceeding on a grain elevator in Baghdad, and will shortly begin on three others, including one of 60,000 tons in Basra and one of 120,000 tons in Mosul. 26/ In Israel, where imports meet the greater part of consumption, and a 20,000-ton elevator was opened in Haifa in 1955; smaller silos fully meet the needs of mills. In Jordan, plans have been drawn to build four silos with a combined capacity of 25,000 tons.

In Lebanon, a project for government silos with a capacity of 12,000 to 16,000 tons has been approved; the United States will participate in financing these silos. 27/ In Syria, a contract for a 35,000-ton silo has been offered. In Turkey, where silo capacity had risen from 429,000 tons in 1950 and 999,000 tons in 1954 to 1,059,000 tons by the end of 1956, construction now under way will increase the total to 1.8 million by 1960; the latter figure includes eight of reinforced concrete, with a total capacity of 300,000 tons, and sixty-nine steel silos aggregating 470,000 tons. 28/

In the field of credit, considerable expansion occurred during the period under review, as may be seen from table 6. Nevertheless, institutional credit still meets only a small part of the needs of agriculture. One indication of this is that agricultural credit in 1953 formed only 4 per cent of total domestic banking credit in Egypt, 19 per cent in Syria and 23 per cent in Turkey, although agriculture accounts for 40 to 50 per cent of the national income of these countries; in most other countries, the proportion is even lower. 29/

Hence, measures are being taken to increase the activity of State banks and credit co-operatives. In Cyprus, ten new credit co-operatives were formed in 1955 and there is one now within reach of every village. In Egypt, the Government has increased the reserves of the Agricultural Bank to enable it to expand its advances to co-operatives; another new departure is the introduction of supervised credit in fifty localities where co-operatives have been established under the provisions of the Land Reform Law. 30/ In Iran, the

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24/ In Egypt, annual losses of grain in storage have been officially estimated at £E 4 million. Lack of modern storage facilities in ports also causes costly delays in navigation.

25/ United States Department of Commerce, Foreign Commerce Weekly, 12 November 1956.

26/ Bureau of Documents for Syria and Other Arab Countries, L'Economie et les marchés des pays arabes, 30 November 1955 and 31 August 1956.

27/ Ibid., 31 October 1955.

28/ Turkish Information Office, News from Turkey, 2 August 1956 and 20 September 1956, and speech of the Minister of Finance, 20 February 1957.

29/ Food and Agriculture Organization of the United Nations.

30/ Agricultural Bank, Report for 1955 (Cairo), (in Arabic).

Table 6. Increases in Institutional Agricultural Credit, by Country
(Millions of national currency of each country)

Country	Value of loans 1951	Value of loans 1955	Type of institution issuing credit
Cyprus	1.2	1.7	Co-operatives
Egypt	11.9	18.2	Agricultural Bank
Iran	234.0	772.0	Agricultural Bank
Iraq	0.3	1.6	Agricultural Bank
Israel	21.0	113.0	Banks
Jordan	0.1	0.1	Agricultural Banks
Lebanon	--	3.5	Agricultural, Industrial and Real Estate Bank
Syria	23.6	43.5	Agricultural Bank
Turkey	647.0	1,352.0	Agricultural Bank

Source: Food and Agriculture Organization of the United Nations; Majalleh Bank Kashavarzi, Iran; Central Bureau of Statistics, Statistical Abstract of Israel; Banque Libanaise pour le Commerce, Economic Review (Beirut), September 1956; Ministry of Economy and Commerce, Konjonktür (Ankara), September 1956.

Development Bank, founded in 1952 to assist in the settling of farmers on the land distributed from the Shah's estates, had loans of 8 million rials outstanding in 1954. 31/

In Iraq, the capital of the Agricultural Bank, which had been expanded by ID 1.6 million in 1953, was raised in 1956 from ID 3 million to ID 4 million. A Co-operative Loan Bank, with a capital of ID 250,000, has also been authorized; the Government will subscribe 51 per cent of its capital and the co-operatives the balance. In Israel, where banking facilities and co-operatives adequately meet the needs of agriculture, there has been steady expansion during the period under review. In Jordan, a programme to found credit co-operatives began in 1953/54; by 1956, outstanding loans amounted to JD 163,000. 32/ In Lebanon,

31/ Jarayan taqsim va forush amlak pahlevi (Tehran).

32/ United Nations Relief and Works Agency, Beirut.

the Agricultural, Industrial and Real Estate Bank, founded in 1954 jointly by government and private enterprise, advanced to farmers LL 3,491,000 in 1955 and planned to advance LL 6,679,000 in 1956. 33/

In Syria, the formation of an Agricultural Credit Corporation has been authorized and it is proposed to raise the capital of the Agricultural Bank from LS 40 million to LS 100 million. In Turkey, a private Sugar-Beet Co-operatives' Bank was founded in 1954, with a nominal capital of LT 2.5 million; its function is to provide credit for sugar producers. In the same year, a private Cotton Bank was established at Adana, with a nominal capital of LT 20 million; its object is to encourage foreign investments in the Çokurova area and to finance cotton sales and exports. 34/

In redistribution of land to cultivators, major reforms are being carried out in Egypt and in Iran. In the former, during 1955, a total of 63,000 hectares expropriated from large landowners was distributed to small farmers. 35/ By September 1956, the expropriation of 160,000 hectares, out of a total of 176,000 subject to the terms of the Land Reform Law of 1952, had been completed, and steps to expropriate the balance had been taken; in addition, a total of 61,000 hectares had been sold by landlords, in conformity with the law. At that date, compensation paid to landlords totalled £E 17,270,000; this figure covered less than half the expropriated area. The area of land distributed amounted to 121,000 hectares, and the number of families receiving land was about 90,000; it is estimated that the total number benefiting from the reform will be about 200,000 families. Over 250 production and marketing co-operatives have been established on land redistributed to small farmers. 36/ Moreover, as a result of rent reduction under the Land Reform Law, the proportion of gross agricultural income going to landlords not engaged in agricultural pursuits fell from 20.7 per cent in 1951/52 to 11.9 per cent in 1954/55. 37/

In Iran, the distribution of the Shah's estates, begun in 1951, is proceeding. By the autumn of 1955, sixty villages, with a total area of 100,000 hectares, had been transferred to farmers. The number of beneficiaries was 8,251, and the total area received by them was 56,500 hectares; the balance of 43,500 hectares consisted of communal lands or of sub-marginal land. Land distribution is being accompanied by provision of credit and technical aid and the formation of co-operatives. 38/

In Iraq and Turkey a number of major settlement schemes are being carried out. In Iraq, six large-scale land settlement projects are under way, in

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33/ Banque libanaise pour le Commerce, Economic Review, September 1956.

34/ United States Department of Commerce, Investment in Turkey.

35/ National Bank of Egypt, Economic Bulletin, No. 2, 1956.

36/ Reply of the Egyptian Government to the United Nations questionnaire of April 1955 on land reform.

37/ National Bank of Egypt, Economic Bulletin, No. 1, 1956.

38/ Food and Agriculture Organization of the United Nations, Centre on Land Problems in the Near East (Salahuddin, Iraq), October 1955, "Country Project No. 3, Iran".

accordance with the Miri Sirf Land Development Law of 1945. By the end of 1955, a total of 550,000 hectares had been distributed to some 15,500 farmers. 39/ Further distribution took place in 1956.

In Turkey, the Land Reform Law of 1945 continues to be carried out. By the end of 1954, a total of 930,000 hectares had been distributed to some 183,000 families, and a further 565,000 hectares of pasture land had been transferred to village communities. This reduced the number of landless families from 336,000 in 1947 to 219,000 in 1953, and that of families with insufficient land from 1,459,000 to 580,000. 40/ By the end of 1956, the area of land distributed to farmers had risen to 1,292,000 hectares and the area of communal pasture land to 736,000; the number of beneficiaries stood at 252,000. 41/ Credits advanced to farmers receiving land totalled LT 9,734,000 at the end of 1954. These figures do not include rehabilitation of refugees from Bulgaria; by 1956, a total of 22,000 families had been settled on 113,000 hectares of land; credits advanced to the 20,000 families who had been settled on 107,000 hectares of land by the end of 1954 totalled LT 23,974,000. 42/

39/ Iraq Times (Baghdad), 5 January 1955, 7 February 1955 and 14 December 1955.

40/ Reply of the Government of Turkey to the United Nations questionnaire on land reform, dated 28 September 1955.

41/ Speech of Minister of Finance, 20 February 1957.

42/ Food and Agriculture Organization of the United Nations, Centre on Land Problems in the Near East (Salahuddin, Iraq), October 1955, "Country Project No. 7, Turkey".

Chapter 3

INDUSTRY[1]

Available data indicate that industry in the Middle East as a whole continued to expand in 1955 and 1956, but that the rate of progress was somewhat slower in the latter year. 2/ The development was also uneven from one country to another. Production of manufactured goods increased in both years in Egypt, Iran, Iraq, Lebanon and Turkey, while it appears to have remained stable in Israel and Syria in 1956, following some increase in the previous year.

Industrial use of electricity in five countries (table 7) rose by 19.1 per cent in 1954 and 11.6 per cent in 1955. The indices of output of certain industries in the Middle East, given in table 8, show that the increase in production was, in general, higher in the chemical and construction industries than in consumer goods industries.

Industrial development encountered difficulties from the competition of foreign goods in Iran, Lebanon and Syria, from shortages of foreign exchange for imports of raw materials and spare parts in Egypt and Turkey, and from export difficulties in Israel and Syria. On the other hand, steps were taken by the respective Governments to encourage industrial development by adopting various measures to restrict imports of competitive manufactured goods, to exempt from customs duties imports of raw materials and machinery, to subsidize exports of manufactured goods and to increase credits available to industry. In addition, all the Governments have been carrying out projects for the development of ancillary industries. In some countries, systematic efforts have also been made to increase industrial productivity.

Industrial capacity in the region continued to expand as a result of new investment, and new lines of production were introduced. Most of the investment in industry and mining, excluding petroleum, came from domestic sources. Public investment in manufacturing was important in Iran, Iraq and Turkey, while the private sector accounted for the greater part of investment in the other countries. Foreign private investment remained relatively small in all countries of the region except Israel, and in the latter appeared to have declined somewhat. Several countries introduced new or revised foreign investment laws to encourage such investments.

1/ A separate study is being published on industrialization, entitled Industrialization in Egypt, Israel and Turkey. Volume I, Growth and Structure of Manufacturing Industry, is to be published in 1957. The second volume, on the impact of industrialization on national income and balance of payments, on the return to different factors of production, and on efficiency in industry, is in preparation.

2/ The petroleum industry is discussed in chapter 4.

Table 7. Industrial Consumption of Electric Power, Selected Countries
(Millions of kilowatt-hours)

Country	1950	1953	1954	1955	1955 (first half)	1956 (first half)
Egypt	540.0[a]	720.6	790.6	896.8	...	...
Iraq[b]	54.9	159.1	261.0	331.9	...	...
Israel[c]	140.6	206.7	270.3	301.9	198.2[d]	223.3[d]
Syria	27.6	36.4	41.9	46.8	23.2	21.3
Turkey	547.2	793.0	918.3	970.0[a]	181.4[e]	205.2[e]

Source: Federation of Egyptian Industries, *Annuaire* (Cairo); Ministry of Economics, *Statistical Abstract of Iraq* (Baghdad); Central Bureau of Statistics, *Statistical Abstract of Israel* and *Statistical Bulletin of Israel* (Jerusalem); Ministry of National Economy, *General Monthly Bulletin of Current Statistics* (Damascus); Central Statistical Office, *Monthly Bulletin of Statistics* (Ankara); United States Department of Commerce, Bureau of Foreign Commerce, *Investment in Turkey* (Washington, D.C., July 1956).

a/ Partly estimated.

b/ Including petroleum sector.

c/ Sales to industrial enterprises.

d/ First nine months.

e/ Covering only Ankara, Istanbul and Izmir.

Table 8. Indices of Output, by Volume, in Certain Industries, Major Producing Countries

(1953 = 100)

Product and country	1950	1954	1955
Electricity (Aden, Cyprus, Egypt, Iraq, Israel, Lebanon, Sudan, Syria, Turkey)	64	116	132
Electricity consumption in industry (Egypt, Iraq, Israel, Syria, Turkey)	68	119	133
Sugar (Egypt, Iran, Syria, Turkey)	72	112	125
Olive oil (Cyprus, Israel, Jordan, Lebanon, Syria, Turkey)	69	160	64
Beer (Egypt, Iraq, Israel, Lebanon, Syria, Turkey)	102	121	124
Cigarettes (Iran, Israel, Jordan, Lebanon, Syria, Turkey)	76	114	109
Tobacco (Iran, Israel, Jordan, Lebanon, Syria, Turkey)	77	107	95
Cotton yarn (Egypt, Lebanon, Syria, Turkey)	81	111	125
Cotton fabrics (Egypt, Lebanon, Turkey)	73	114	118
Paper and cardboard (Egypt, Turkey)	79	130	158
Alcohol (Egypt, Israel, Syria, Turkey)	93	94	117
Sulphuric acid (Egypt, Israel, Turkey)	65	157	215
Superphosphates (Egypt, Israel, Turkey)	76	178	248
Nitrogenous fertilizers (Egypt, Turkey)	2	117	139
Refined petroleum (Bahrain, Egypt, Iran, Iraq, Israel, Kuwait, Lebanon, Saudi Arabia, Turkey)	146	111	140
Cement (Egypt, Iran, Iraq, Israel, Lebanon, Syria, Turkey)	79	117	137
Steel (Egypt, Turkey)	62	113	129
Glass (Egypt, Israel, Turkey)	59	103	120

Source: United Nations Bureau of Economic Affairs.

Egypt

In Egypt industrial activity increased significantly in 1955 and the first half of 1956. Production of manufactured goods and of minerals (excluding petroleum) in general continued to expand considerably (see table 9). New production lines were introduced. Consumption of electricity in industry rose 11.3 per cent in 1955 as compared with 11.0 per cent in 1954. Investment in manufacturing, mining and power increased. Private investment rose from $19.6 million in 1954 to $22.3 million in 1955. 3/ Public investment was made mainly through the Permanent Council for the Development of National Production, which allocated $36.7 million for 1954/55 and $55.1 million for 1955/56 for development of manufacturing, mining and electricity, the last mentioned being the most important. 4/ Actual investment, though below the estimated expenditures, continued to increase. 5/ Private foreign investment in industry (excluding the tourist industry) was about $2 million in 1955, as in 1954, and 90 per cent of it was absorbed by the petroleum sector.

The increased industrial activity in Egypt was stimulated by the government policy of direct encouragement initiated in 1953. Restrictions were imposed through foreign exchange control on imports of manufactured goods which could be produced locally. In 1954 and 1955 domestic manufactured goods also received protection from higher tariffs, while the imports of raw materials and machinery required by local industry were granted exemptions from, or reductions in, customs duties. In addition, tax exemptions were granted to new enterprises during their first few years of operation. The Government participated in furnishing the capital of major industrial enterprises, such as the steel mill and the fertilizer plant, and stepped up its efforts to expand ancillary industries, especially power production. Moreover, industrial credits were increased, mainly through the Industrial Bank. 6/

3/ Federation of Egyptian Industries, Annuaire, 1955/56 (Cairo, October 1956).

4/ Permanent Council for the Development of National Production, Report, 1955 (Cairo, 1955) (in Arabic). Appropriations for 1955/56 included $30.2 million for power, $15 million for petroleum, and $5.7 million for a fertilizer plant.

5/ Total estimated expenditure of the Permanent Council was £E 42.4 million for 1954/55 and £E 54.2 million for 1955/56, while the actual expenditures were £E 23 million and £E 27 million, respectively, in the corresponding periods (Report, 1955, and National Bank of Egypt, Economic Bulletin, No. 4, 1956 (Cairo)).

6/ Under a new law the Government is permitted to extend credit to the Industrial Bank up to $14.3 million (from $5.7 million). At the end of 1955 that bank's investments and participation in industrial enterprises stood at $4 million against $143,000 at the end of 1953; its loans and advances to industrial firms had increased from $3.2 million to $7.7 million in the corresponding period (National Bank of Egypt, Economic Bulletin, No. 2, 1956).

Table 9. Egypt: Output of Certain Industries

(Thousands of metric tons, except as indicated)

Industry or product	1950	1953	1954	1955	1955 (first nine months)	1956 (first nine months)
Mining:						
Gold (kilogrammes) . .	334	450	541	247	...	...
Manganese ore (metal content) . .	44	82	51	63	46	59
Phosphate rock	397	508	527	657	442	474
Salt	567	388	450	402	230	168
Textiles:						
Cotton yarn	49.2	59.4	64.3	73.1	52.8	54.9
Cotton fabrics	208 a/	322	352	358	205 a/	225 a/
Woollen yarn	2.5	3.0	2.8	2.1	0.8 b/	0.9 b/
Woollen fabrics . . .	1.1	1.8	2.1	1.7	...	...
Rayon yarn	1.9	2.5	3.4	3.9	...	...
Rayon staple	1.4	2.6	3.0	3.6	...	...
Other:						
Electricity (millions of kilowatt-hours) .	881	1,197	1,339	1,524 a/	...	...
Rice milling	854	449	769	901	...	...
Sugar, refined	231	206	262	287	203	214
Halawa c/	21	24	20	23	...	...
Cotton-seed oil . . .	91	102	87	85	56	53
Beer (thousands of hectolitres)	131	84	85	124	...	...
Wine (thousands of hectolitres)	11	20	17	23	...	...
Paper and cardboard .	20	20	24	29	14 b/	...
Sulphuric acid	38	40	57	73	...	...
Superphosphates . . .	69	68	108	137	...	...
Nitrate fertilizers (nitrogen content) .	--	19	22	25	...	...
Alcohol (millions of litres)	15	12	13	14	10	11
Caustic soda	3.5	2.2	1.6	2.0	...	...
Soap	69 d/	56	74	90	...	...
Cement	1,022	1,097	1,237	1,371	1,027	1,065
Glassware	6	10	11	11	...	...
Steel	25	58	80	96	...	...

Source: United Nations, Statistical Yearbook, 1956 (sales number: 1956.XVII.5); Federation of Egyptian Industries, Annuaire, for 1954/55 and 1955/56; National Bank of Egypt, Economic Bulletin, No. 4, 1956.

a/ Partly estimated.
b/ First six months.
c/ A confection.
d/ 1951 figure.

Despite these various measures, the share of industry in total private investment remained low. It amounted to only 13.3 per cent in 1954 and 14.0 per cent in 1955, while the share of construction was 78.3 per cent and 80.1 per cent in the corresponding periods. 7/ It appears that the capital released as a result of carrying out the Agrarian Reform Law, which broke up large estates, may have been absorbed by building construction rather than industry. In 1956, the Government passed legislation which had the objective of restricting investment in building and redirecting private funds to industrial projects. 8/

In view of the rapidly increasing demand for power in the industrial sector as well as rising domestic consumption of electricity, the Government has embarked on large-scale development of electric power in order to double installed power capacity by 1960. The project involves an expenditure of about $130 million, for a total capacity of 654,000 kilowatts. By the end of 1956 over two-thirds of this investment had been made, and four thermal stations with a capacity of 119,000 kilowatts had started operation. Three other thermal plants with a capacity of 180,000 kilowatts were scheduled to begin operation in 1957. Construction of the 345,000-kilowatt hydroelectric power plant at Aswan continued and was expected to be completed by 1959.

Major industrial projects under construction during 1955 and 1956 included a steel mill with a yearly capacity of 220,000 tons located at Helwan, near Cairo. The project, which is financed by domestic and foreign private capital as well as by the Government, will cost $46 million and is to begin operation in 1957. It will use iron ore extracted locally, together with imported coke. A fertilizer plant is being built at Aswan to produce 415,000 tons of ammonium nitrate (with 20.5 per cent nitrogen content) per annum. The plant will cost about $63 million and will start work in 1960, after completion of the hydroelectric station at Aswan. 9/ The Suez fertilizer factory is also being expanded to add a plant to produce 100,000 tons of ammonium sulphate per year.

The textile industry, the most important single industry in Egypt, also expanded. The number of cotton spindles increased from 616,000 in 1954 to 657,000 in 1955 and was expected to exceed 800,000 by the end of 1956. The number of cotton looms increased from 13,700 in 1952 to 15,400 in 1955 and was planned to reach 17,000 in 1956. Output of rayon textiles was also expanded. A jute-weaving plant was being constructed. On the other hand, there was a slight contraction in the woollen industry. Other industrial developments included construction of a tire-manufacturing plant and the expansion of food-processing factories.

7/ Federation of Egyptian industries, op. cit. The increase in construction activities also stimulated the output of the building industries. Local factories operated at full capacity, and some cement now has to be imported.

8/ International Monetary Fund, International Financial News Survey (Washington, D.C.), 2 November 1956. The law prohibits demolition of buildings less than forty years old, as well as construction of new houses or repair work requiring an expenditure of over $1,400 without special permission of the Government.

9/ Federation of Egyptian Industries, op. cit.

Iran

In Iran industrial and mining activities, after a setback in 1954 and the early part of 1955, 10/ began to recover, following measures taken by the Government to curb imports of competitive goods, and to extend credits, through Bank Melli, to industrial enterprises. 11/ Efforts were also made to increase productivity in government-owned manufacturing establishments, which had operated much below capacity, and as a result noticeable gains were achieved in 1956, especially in the textile factories. 12/ The available data indicate that production in most branches of industry rose in the year ending in March 1956 as compared with the previous year - with the main exception of textiles, refined edible oils, matches and tobacco (see table 10). The decline in output of cotton textiles in 1955/56 was due to larger imports and the inability of some local producers to compete with imported goods.

Several steps were taken by the Government to encourage the development of private industry. In November 1955 it established the Ministry of Industries and Mines to encourage industrial and mining development and to aid private enterprise in solving difficulties. In mid-1955, imports of machinery and equipment for production purposes were exempted from customs duties. 13/ A foreign investment law, which became effective in April 1956, guaranteed repatriation of original capital and profits of foreign investors. As a result, a number of applications were received from prospective investors from other countries. The Industrial Finance Bank, set up in early 1956 by the Iranian Seven-Year Plan Organization with an initial capital of $8 million, is to encourage private capital in establishing industrial and mining firms by advancing long-term loans at relatively low interest rates, and to provide technical assistance. 14/ A bill was introduced by the Government in 1956 to stop speculation in land, and this was expected to divert some speculative capital towards industry.

The second seven-year plan, approved in March 1956, envisaged a total investment of $930 million, of which $175 million was allocated for development of industry, mining and power. 15/ Major emphasis was placed on these industries:

10/ The decline in industrial and mining activities in this period followed upon appreciation of the rial, and an increase in imports of manufactured goods facilitated by the larger availability of foreign exchange from resumption of petroleum operations and receipt of United States Government grants and loans.

11/ Bank Melli loaned 540 million rials to 110 industrial firms in 1955/56 (Bank Melli Iran, Balance Sheet, 20 March 1956 (Tehran), May 1956).

12/ An American firm charged with rehabilitation of the Government's two textile mills succeeded in increasing output substantially while improving the quality of products (United States Department of Commerce, Foreign Commerce Weekly (Washington, D.C.), 14 January 1957).

13/ Bank Melli Iran, Bulletin, No. 162 (Tehran), Shahrivar 1334.

14/ Ibid., No. 172, Teer 1335.

15/ Seven-Year Plan Organization, The Law of the Second Seven-Year Development Plan (Tehran), February 1956.

Table 10. Iran: Output of Certain Industries

(Thousands of metric tons, except as indicated)

Industry or product	1954/55 a/	1955/56 a/
Mining:		
Coal	156.0	174.7
Lead ore	19.0	31.6
Copper ore	11.6	4.3
Chrome ore	5.0	10.2
Iron oxide	10.0	6.3
Manganese ore	16.2	18.1
Manufacturing:		
Cotton ginning	44.0	70.7
Rice cleaning	60.0	64.8
Sugar, refined	61.7	75.6
Tea processing	6.0	7.0
Edible oils, refined	29.6	17.9
Araq and vodka (millions of bottles)	5.3	4.3
Beer (millions of bottles)	2.1	3.0
Non-alcoholic beverages (millions of bottles)	...	96.7
Cigarettes (billions)	6.5	6.8
Tobacco	5.9	4.7
Cotton piece-goods (millions of metres) b/	114.5	89.2
Jute goods (millions of metres)	5.4	6.0
Carpets c/	4.6	4.9
Soap	...	58.3
Ice	170.4	311.6
Matches (millions of boxes)	408.9	365.2
Glassware	10.0	11.6
Cement	65.0	132.0

Source: Ministry of Industries and Mines, Statistics of Industrial and Mining Activities, for 1954/55 and 1955/56 (Tehran).

a/ Year beginning 21 March.

b/ Partly estimated.

c/ Exports only.

sugar refining, textiles, cement, iron and steel and electricity. During the period under study, the organization administering the plan completed construction of one textile mill with an annual capacity of 8 million metres, four sugar refineries with a total capacity of 40,000 tons per year, and one cement plant with a capacity of 100,000 tons annually. Work was proceeding on two textile mills, one jute mill, one sugar refinery and two cement plants. A German firm completed for the Plan Organization preliminary studies and surveys on the projected iron and steel plant. The plant will have a production capacity of 90,000 tons of pig-iron and steel products per annum and will be completed in four years. 16/ Other important government projects included a dam and a 72,000-kilowatt hydroelectric power plant near Tehran, to cost $51 million, and a 50,000-kilowatt thermal station in Tehran, both of which were under construction in 1956.

In the private sector, major projects completed included two cement plants, a textile mill, an oil refinery and two soft drink factories; construction was progressing on two paper mills, one pharmaceutical factory and three cement plants. During the year 1955/56, permits were granted by the Government for the establishment of eighty-five factories.

In 1956 the Ministry of Industries and Mines carried out an industrial census covering mining, power and mechanized manufacturing, but excluding the petroleum industry and handicrafts, each of which accounts for a sizeable portion of the manufacturing sector in Iran. 17/ The results are given in table 11, which indicates the relative importance of various branches in terms of employment and installed power. Two interesting features of Iranian industry - excluding the petroleum sector - are brought out by the census: in terms of employment and horsepower, about half of manufacturing and installed power was concentrated in Tehran, and government factories - excluding armament plants and railway repair shops - accounted for one-quarter of manufacturing.

16/ Ettelaat (Tehran), 18 March 1957.

17/ Another census, taken a year earlier, covered only 1,301 establishments as compared with 2,902 establishments in the 1956 census. Despite this increased coverage, the later census is still not a complete one. Nor were data collected on value added.

Table 11. Iran: Employment and Installed Power in Industry,[a] 1956

Major groups	Number of employees	Installed power (horsepower)
Food processing, beverages and tobacco b/ . . .	15,692	45,246
Textiles c/	32,211	81,148
Chemicals d/	5,728	9,575
Non-metallic mineral products	32,974[e]	11,292
Metal products, electrical appliances and transport equipment f/	4,999	17,328
Others	6,463	5,793
Total	98,067	170,382
Mining	5,470	...
Petroleum g/	49,079	260,000
Power stations	2,646	134,719
Grand Total	155,262	565,101

Source: Ministry of Industries and Mines, Statistics of Industrial and Mining Activities in 1955/56, February 1957; Seven-Year Plan Organization, Statistics concerning Electric Power in Iran (Tehran).

a/ Data exclude nearly all handicrafts, such as small flour mills, bakeries, hand locms, carpet weaving, tailoring, shoemaking and repair, carpentry works and metal works; also, data on private sector of manufacturing are not complete.

b/ Excluding northern fisheries, which employed 1,583 persons in 1955.

c/ Including cotton ginning.

d/ Excluding petroleum refining.

e/ Including 25,000 seasonal brickmakers.

f/ Excluding railway repair shops and government ammunition factories.

g/ Including petroleum refining as well as oil extraction in southern oilfields, but excluding Kermanshah refining.

Iraq

In Iraq, industrial activities appear to have expanded rapidly during 1955 and 1956. The high level of petroleum income 18/ resulted in increased availability of capital for investment, and increased spending of such income was also responsible for greater local demand for manufactured goods. Moreover, the Government took several steps to encourage industrial development.

Although few data are available on the output of industrial goods, 19/ there are indications that production rose fast. Consumption of electricity in industry, excluding the petroleum, sector, rose by 23 per cent in 1954 and by about 60 per cent in 1955. 20/ Increased development activities led to higher output of construction materials. There was also a rise in production of processed foodstuffs, beverages, textiles and wearing apparel.

In order to stimulate private investment in industry the Government in May 1955 revised the law for encouragement of industrial undertakings to provide for exemption of new enterprises from income tax for five years of "profitable operation" and to exempt from customs duties imports of machinery and raw materials. 21/ In November 1955, the National Bank of Iraq guaranteed the repatriation of original capital and the remittance of profits in "reasonable amount" for investments by foreign investors. The capital of the Industrial Bank was also increased from $8.4 million to $22.4 million in 1955 to enable it to increase its loans to, and participation in, private industrial undertakings. Loans and credits of this bank to industrial establishments stood at $4.9 million in 1955, and its participation at $4.8 million, compared with $2.3 million and $2.8 million, respectively, in 1953. 22/ No data are available on total private investment in industry.

Greater efforts were made by the Government through the Development Board to expand the modern manufacturing sector, which hitherto has played an unimportant role in the national economy. The revised six-year development plan, approved in 1956, 23/ anticipated a total expenditure of $1.4 billion,

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18/ See chapter 4.

19/ An industrial census taken in 1954 by the Principal Bureau of Statistics of Iraq shows the magnitude of Iraqi industry in terms of employment, capital, horsepower and value added in various branches of manufacturing (Ministry of Economics, Report on the Industrial Census of Iraq, 1954, Baghdad, 1956).

20/ Ministry of Economics, Statistical Abstract, 1955.

21/ Law No. 72, 1955. In order to be eligible for such tax exemption, an establishment must use a certain amount of power, must limit employment of foreign workers to no more than 10 per cent of the total number employed, and have at least 55 per cent of its capital held by Iraqis.

22/ Industrial Bank of Iraq, Annual Report, 1952/53 (Baghdad); and Statistical Abstract of Iraq, 1955.

23/ Law No. 54, 1956.

of which $122 million was allocated for industrial development in the period 1955/56 - 1960/61. 24/ Several major projects are embodied in the plan: a textile mill with annual capacity of 20 million metres of cotton piece-goods, two cement plants with a daily capacity of 700 tons, and an asphalt refinery with an annual capacity of 60,000 tons. These projects, expected to cost more than $30 million, were nearly completed by the end of 1956. The plan also set aside $8 million for a sugar refinery, with a capacity of 35,000 tons per annum, and $35 million for power development. Contracts have been awarded for the construction of these. In addition, the plan includes $106 million for other industrial projects which in 1956 were under study: production of fertilizers from natural gas; production of sugar from dates; construction of a paper mill and food-processing factories; and improvement of the construction industry.

In the past, the completion of projects decided upon by the Development Board of Iraq has not kept pace with projected expenditures owing to shortages of trained people and the necessity of carrying out preliminary studies and surveys before launching the projects. Under the first five-year plan total industrial investment by the Board did not reach one-fifth of the total allocation for industry for the years 1951-1955. 25/ However, the tempo of investment has continuously increased, 26/ and it is expected that the Board will be able to invest a greater portion of the allocations under the second plan.

Israel

Production of manufactured goods in Israel, after a considerable rise in 1955, levelled off in the first ten months of 1956 and declined sharply in the following two months. In real terms the gross value of industrial and mineral output, as well as their value added, increased by between 12 and 14 per cent in 1955. 27/ In the first ten months of the following year, the indices of

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24/ A plan for development of industry, based on a broad survey of Iraq's potential industrial resources and markets, was prepared under the joint sponsorship of the Development Board of Iraq and the International Cooperation Administration of the United States (Arthur D. Little, Inc., A Plan for Industrial Development in Iraq (Cambridge, Massachusetts, 1956), (mimeographed), four volumes).

25/ Central Bank of Iraq, Quarterly Bulletin, No. 20, October-December 1956 (Baghdad). The figures given do not include the Dora petroleum refinery, which was under the jurisdiction of another government agency; it required an investment of about $50 million by the end of 1956.

26/ The amounts obligated on industrial projects by the Development Board increased from $1.3 million in 1953/54 to $5.7 million in 1954/55 and to about $11 million in 1955/56 (Central Bank of Iraq, Quarterly Bulletin).

27/ At current prices, the gross value of industrial and mineral output rose from £I 870 million in 1954 to £I 1,070 million in 1955, and the value added of the same sector increased from £I 339 million to £I 417 million in the corresponding period, both representing a rise of 23 per cent (State of Israel, Government Yearbook, 1956 (Jerusalem, 1956); Bank of Israel, Annual Report, 1955, Jerusalem, 1956).

industrial and mining production showed a rise of only 1 per cent, while in November 1956 there was a decline of 8 per cent, as compared with the corresponding periods in 1955 (see table 12). The index of man-days worked by the labour force in industry declined by 1 per cent in the first ten months of 1956. 28/ The volume of output of certain industrial goods in Israel is given in table 13.

In 1955, the rise in industrial output was occasioned by greater demand in the local market for various manufactured consumer goods as well as investment goods, by steady exports of industrial articles and by an increase in stocks. In 1956, however, on balance an increase in manufactured consumer goods was offset by a decline in demand for building materials, and the value of total exports of manufactured goods increased by only 4 per cent. In fact, excluding exports of polished diamonds, there was a decline in exports of manufactured goods, the decline being more marked in real terms than in money terms. 29/ The failure of industrial exports to expand has been attributed mainly to higher production costs of Israeli goods, despite measures taken by the Government to encourage exports. 30/ Efforts are now being made to increase productivity and reduce costs of production. The sharp decline in industrial production in the last two months of 1956 was largely the result of mobilization during the Egyptian-Israeli conflict of that year.

Investment in manufacturing at current prices has been estimated at £I 55 million in 1953 and £I 61 million in 1955, but in real terms it remained virtually unchanged. On the other hand, investment in mining and in power production increased appreciably, as shown by the following figures (in millions of Israeli pounds, at current prices):

	1953	1954	1955
Manufacturing	55	56	61
Mining	10	19	26
Power production	9	9	33
Total	74	84	120

Source: Bank of Israel, Annual Report, 1955 (Jerusalem, 1956).

No figures are yet available for 1956, but there are indications that investment in manufacturing, especially private foreign investment, declined. However, during that year, twenty-eight new manufacturing enterprises with a total capital of £I 10 million and $3.5 million started operations.

28/ Central Bureau of Statistics, Statistical Bulletin of Israel, January 1957.

29/ Total industrial exports, at current prices, increased from $39.5 million in 1953 to $48.2 million in 1954, $52 million in 1955 and $54 million in 1956; excluding polished diamonds, the total was $22 million in 1953, $32.6 million in 1954, $32.1 million in 1955 and $31 million in 1956.

30/ Bank of Israel, Bulletin (Jerusalem), July 1956.

Table 12. Israel: Indices of Industrial Production
(Annual average for 1955 = 100)

Month	All branches 1955	All branches 1956	Food industry 1955	Food industry 1956	Other industries 1955	Other industries 1956
January	96	97	84	88	99	100
February	98	103	90	107	101	102
March	105	102	113	103	103	102
April	103	102	110	99	102	103
May	103	101	113	98	100	101
June	105	104	119	107	100	103
July	98	101	109	116	94	97
August	98	101	109	106	95	99
September	101	103	108	102	99	104
October	102	103	95	87	104	108
November	98	90	80	87	104	91
December	93	...	72	...	100	...

Source: Central Bureau of Statistics, Statistical Abstract of Israel, 1955/56 and Statistical Bulletin of Israel, January 1957.

Many companies also increased their production by installation of new equipment. For instance, the Histadrut-owned steel-smelting plant at Acre completed the installation of a furnace with a smelting capacity of forty tons a day. 31/ The plant will eventually be expanded to produce 100,000 tons of steel products annually. Another major project recently begun is a rayon factory. The installed power capacity of the Palestine Electric Corporation was also increased from 230,000 kilowatts in 1955 to 270,000 in 1956, and plans were under way to increase it gradually to 500,000 kilowatts by 1960.

31/ Financial Times (London), 24 December 1956.

Table 13. Israel: Output of Certain Industries

(Thousands of metric tons, except as indicated)

Industry or product	1950	1953	1954	1955	1955 (first nine months)	1956 (first nine months)
Processed foods and beverages:						
Flour	158.1	239.0	252.0	233.8	171.7	173.1
Chocolate, sweets and jams	10.7	13.2	12.6	13.8	...	...
Margarine	7.8	13.8	7.8	10.0	7.5	6.6
Canned fruits	1.0	1.8	3.0	2.8	2.7	2.5
Preserved and pickled vegetables	7.3	11.0	7.0	8.4	6.9	9.4
Edible oils, refined	12.5	16.3	14.2	17.7	13.1	15.7
Citrus beverages a/	7.5	11.6	18.7	21.0	18.8	16.1
Beer a/	12.3	14.0	14.3	14.6	11.7	10.3
Wine a/	3.1	3.9	8.5	3.8	3.2	1.4
Other alcoholic beverages a/	3.1	2.1	2.4	2.8	2.2	2.0
Chemicals:						
Salt	7.2	21.0	20.6	20.3	15.1	17.9
Phosphates	...	23.1	58.2	71.8	47.4	84.9
Sulphuric acid	-	16.2	42.1	70.9	50.0	53.6
Superphosphates	11.0	33.0	70.5	101.3	70.1	74.0
Detergents	-	9.4	9.2	10.5	7.8	6.5
Soap	9.0	8.9	9.4	9.2	6.5	6.6
Construction materials:						
Cement	380.1	464.8	563.1	663.5	484.7	471.3
Plywood b/	-	10.7	15.7	21.3	15.4	15.9
Nails and rivets	-	2.5	3.0	3.1	2.2	2.0
Plate glass c/	-	1.6	1.7	1.4	0.9	1.7
Other:						
Electricity d/	464.1	759.3	895.6	1,047.3	698.4 e/	755.5 e/
Irrigation	85.0	172.4	200.7	253.5	174.7 e/	160.8 e/
Industrial use	140.6	206.7	270.3	301.9	198.2	223.3
Matches f/	291.8	425.1	381.5	389.1	286.7	274.0
Cigarettes	1.5	2.0	2.0	2.0	1.6	1.5
Motor vehicles, assembled g/	-	2.0	3.4	2.6	...	...
Tires g/	-	115.8	144.9	171.0	134.5	137.2
Diamonds, polished h/	120.0	148.7	185.1	229.5	...	...

Source: United Nations, Statistical Yearbook, 1956; Central Bureau of Statistics, Statistical Abstract of Israel and Statistical Bulletin of Israel.

a/ Millions of litres.
b/ Thousands of cubic metres.
c/ Millions of square metres.
d/ Total sales, in millions of kilowatt-hours.
e/ January to August.
f/ Thousand gross of boxes.
g/ Thousands.
h/ Thousands of carats; exports only.

Lebanon

Industrial development in Lebanon, after relatively slow progress in 1953 and 1954, accelerated rapidly during 1955 and 1956. The capital invested in industry rose by 15 per cent in 1955 and by 9 per cent in 1956, and the number of workers employed increased 10 per cent in each of these two years (table 14). This upward trend was stimulated by the Government's policy of encouraging the development of industry, through limiting imports of goods competing with locally manufactured articles, through granting exemption from import duties for certain imported raw materials, through signing bilateral trade agreements and extending industrial credits, and through establishing an industrial institute. 32/ In October 1956 a bill was prepared by the Government which would provide even greater protection to local industry. 33/

Although few data are available on production of industrial goods, there are indications that output rose in several industries. Increased construction activity in some localities, and reconstruction in the areas devastated by the earthquake and flood of 1956, resulted in a greater demand for building materials. Output of cement went up from 326,000 metric tons in 1954 to 453,000 and 495,000 metric tons in 1955 and 1956, respectively. Local production of such items as cement, as well as vegetable oil, textiles, beer, wine, furniture, paper bags, matches and precious metals, was stimulated by increased export possibilities.

Many industrial facilities expanded during the period under study, and new projects were undertaken. As shown in table 14, the number of manufacturing establishments rose from 2,400 in 1954 to 2,906 in 1956. One sugar refinery, with a daily capacity of 700 tons, began operations in 1956. In 1955 a new cement plant had come into production with an annual capacity of 70,000 tons, while the capacity of the existing one was being increased from 400,000 to 600,000 metric tons, and a petroleum refinery with a yearly throughput of 550,000 tons started producing. A plant for the manufacture of paints began operation in 1956 for export as well as for the domestic market. Construction was under way on a factory to start producing refrigerators and other electrical home appliances at the end of 1957. A small smelting plant was also under construction to increase the metal content of exported iron ore - now 44 per cent - to between 55 to 60 per cent and thus reduce shipping costs. 34/ A company was established in early 1956 with a capital of LL 8 million to manufacture chemical products such as fertilizers, sulphuric acid, citric acid and ammoniac. Another company was formed for the assembling of Mercedes-Benz cars.

32/ Le Commerce du Levant (Beirut), 6 March 1957.

33/ Bureau of Documents for Syria and Other Arab Countries, L'Economie et les marchés des pays arabes (Damascus), 31 October 1956.

34/ United States Department of Commerce, Foreign Commerce Weekly, 20 August 1956.

Table 14. Lebanon: Indicators of Industrial Development, 1949 to 1956

Year	Number of establishments	Number of workers (thousands)	Capital invested (millions of Lebanese pounds)	Production: Electricity (millions of kilowatt-hours)	Production: Cement (thousands of metric tons)
1949 . . .	2,080	15.8	120	101	254
1950 . . .	2,050	15.5	117	114	263
1951 . . .	2,150	18.8	135	125	303
1952 . . .	2,200	19.0	165	147	280
1953 . . .	2,325	19.6	175	164	314
1954 . . .	2,400	20.0	185	180	326
1955 . . .	2,604	22.0	213	220	453
1956 . . .	2,906	24.2	232	...	495

Source: United Nations, Statistical Yearbook and Monthly Bulletin of Statistics; Le Commerce du Levant (Beirut), 6 March 1957.

Syria

Industry in Syria appears to have experienced a setback in 1956 after some progress the preceding year. Industrial use of electricity increased 11.6 per cent in 1955, but declined 8.2 per cent in the first half of 1956 as compared with the corresponding period of 1955. The data given in table 15 show some increase during recent years in the output of sugar, beverages, tobacco products and cement; however, the setback affected mainly the textile industry, which is the most important one in Syria. 35/ The decline, which began in 1955, has been attributed to a general decline in domestic purchasing power, growing competition from imported textiles and a decline in exports to neighbouring States, especially Iraq.

In order to meet the difficulties facing the textile industry, the Government of Syria established the Foundation for Encouragement of the Cotton Textile Industry under law 196 of 23 February 1956. It was charged with the

35/ This industry employed 63,000 spindles, 6,000 mechanical looms and 26,000 hand looms in 1955 (United States Department of Commerce, World Trade Information Service, Economic Developments in Syria, 1955 (Washington, D.C., 1956)).

task of stimulating exports of cotton yarn and cotton piece-goods, and creating agencies and research institutes to increase productivity, improve quality and reduce costs. Subsidies will be granted on exports, and funds required for this purpose will be derived from a tax of 3 to 10 per cent to be collected from the cotton consumed by the textile mills. 36/ Negotiations were also conducted with foreign Governments in an effort to create new markets and expand existing ones for Syrian cotton textiles. A favourable trade agreement was concluded with Saudi Arabia in 1955. The Government has been considering permitting imports of textile machinery only by those sectors of the textile industry which are currently unable to meet local consumption, and granting higher protection to certain types of textiles. In December 1956, customs duties were increased considerably, not only on textiles, but also on most other imports.

The most important industrial project in Syria under discussion in 1955-1956 was a petroleum refinery, with a yearly capacity of 750,000 tons, negotiations for whose construction were then in progress with a Czechoslovak firm. It is expected to cost LS 54 million 37/ and will refine Iraqi oil. Other projects being planned included: a cement plant, with an annual capacity of 90,000 tons; a paper mill and a pharmaceutical plant. A sugar refinery also will be built, at a cost of LS 6 million, in the vicinity of Damascus. A factory producing plastics began operation at Aleppo in 1956.

36/ Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et le marché syriens, "Aperçu sur la mission et les moyens d'action du 'Fonds d'encouragement des industries textiles du coton'", annex 23 (Damascus), 25 August 1956.

37/ In 1956 the official exchange rate for the Syrian pound was 45 cents and the free market rate 28 cents.

Table 15. Syria: Output of Certain Industries

(Metric tons, except as indicated)

Products	1950	1953	1954	1955	1955 (first ten months)	1956 (first ten months)
Electricity sales (millions of kilowatt-hours)	81	114	129	147	71[a]	75[a]
Sugar (thousands of metric tons)	-	30	38	45	...	...
Conserves	...	...	...	3,000	...	...
Araq	820	794	465	638	37[b]	128[b]
Wine	170	175	214	182	39[b]	40[b]
Alcohol	295	577	621	637	161[b]	230[b]
Cigarettes (millions)	1,361	1,644	1,773	1,852	1,551	1,557
Tobacco	585	883	996	969	870	912
Salt (thousands of metric tons)	19	20	22	16	...	...
Cotton yarn	4,700	6,880	6,870	...	...	...
Cement (thousands of metric tons)	68	224	249	265	208	262
Glasswares	...	...	...	7,800	...	...

Source: Statistical Office of the United Nations; Ministry of National Economy, General Monthly Bulletin of Current Statistics (Damascus); Bulletin économique et financier, Liban-Syrie (Paris), November 1956.

a/ First six months.

b/ First three months.

Turkey

Industrial activity in Turkey remained at a high level during 1955 and 1956. Output of industrial goods resumed its rapid increase, after a decline in the rate of growth in 1954, which had largely resulted from shortage of foreign exchange required for the import of raw materials and equipment. The increase in 1955 and 1956 (table 16) was brought about partly by expansion of the industrial capacity of the country as a result of completion of several new projects. Industries using local raw materials, especially textile mills, operated near capacity, while those dependent on the import of raw materials such as wool tops, rayon, rubber and certain chemicals and pharmaceuticals, showed only slight increases. Indices of net output 38/ of the manufacturing, mining and utilities sectors, at factor cost and in 1948 prices, are given below (1948 = 100):

	Manufacturing	Mining	Utilities	Total national income
1950	107	121	111	103
1953	138	191	162	144
1954	140	176	172	130
1955 a/	152	197	188	142

a/ Provisional estimates.

However, industrial investment appeared to be slackening, despite the continuation of construction activities on projects started in previous years. This may be ascribed to the Government's stabilization programme to combat growing inflation and balance of payments difficulties. 39/ This programme, instituted in January 1956, limited new investments to fields which would have a rapid positive effect on the balance of payments. In addition, the Government restricted expansion of bank credit in September 1956. 40/ Total bank credits to the private sector of industry had increased from LT 98.0 million in 1953 to LT 147.4 million in 1954 and stood at LT 156.7 million in September 1956. 41/

No data are available on total investment in the industrial sector. There are indications that a great part of it comes from the Government, which concentrates its expenditures on basic and heavy industries; most private investment is absorbed in light industries. Private foreign investment in industry has remained relatively low, but there have been indications of a growing interest by foreign investors in certain fields, following passage of a

38/ Central Statistical Office, Ankara.

39/ United States Department of Commerce, Foreign Commerce Weekly, 16 July 1956.

40/ Official Gazette of Turkey (Ankara), 8 September 1956.

41/ Central Statistical Office, Monthly Bulletin of Statistics (Ankara), November 1956. Figures refer to end of periods stated. Most of these credits were granted by the Industrial Development Bank of Turkey, as follows (figures in millions of Turkish liras):

	Food processing and beverages	Textiles	Chemicals	Non-metallic minerals	Others	Total
1953	16.9	34.4	4.6	21.5	8.1	85.5
1954	23.1	41.2	9.1	26.3	16.7	116.4
1955	23.1	50.9	9.7	29.7	18.2	131.6
1956 (September) .	24.9	53.4	12.1	31.8	21.9	144.1

Table 16. Turkey: Output of Certain Industries

(Thousands of metric tons, except as indicated)

Industry or product	1950	1953	1954	1955	1956 a/
Mining:					
Antimony ore (metric tons, metal content)	1,386	690	713	393	...
Chrome ore (chrome content)	207	438	270	312	...
Iron ore (metal content)	143	315	369	551	625 b/
Magnesite (metric tons)	400	400	1,100	-	...
Manganese ore (metal content)	16	44	25	25	...
Coal	4,361	5,654	5,711	5,496	5,860
Lignite	1,212	1,641	2,087	2,417	2,750 b/
Lead ore (metric tons, metal content)	100	4,400	6,100	2,600	...
Pyrites	...	55	60	...	...
Salt	310	350	481	373	...
Sulphur	6	10	10	12	14
Zinc ore (metric tons, metal content)	-	4,000	5,500	2,300	...
Manufacturing:					
Electricity (millions of kilowatt-hours)	790	1,183	1,387	1,453	1,560
Sugar, refined	150	181	194	255	300
Beer c/	195	218	311	298	300 b/
Wine c/	200	204	239	300 b/	...
Cigarettes (billions)	16	21	24	22	...
Cotton yarn d/	17	20	23	26	26 b/
Cotton fabrics (millions of metres) d/	101	118	132	146	148 b/
Woollen yarn (metric tons) d/	4,536	4,272	4,848	4,344	3,400 b/
Woollen fabrics (thousands of metres) d/	4,440	4,380	4,080	4,524	4,150 b/
Paper and cardboard	18	28	38	47	49 b/
Cement	396	483	679	816	1,010
Pig-iron	113	216	196	201	215
Steel	91	163	169	188	185
Coke	432	612	636	612	685
Alcohol c/	52	75	58	105	132
Sulphuric acid	11	19	19	18	17
Superphosphates	13	22	40	66	25
Copper (smelter production)	12	24	25	24	25
Glassware	8	12	13	17	16

Source: United Nations, Statistical Yearbook, 1956; Central Statistical Office, Monthly Bulletin of Statistics (Ankara); Turkish Information Office (New York).

a/ Preliminary data.

b/ Partly estimated.

c/ Thousands of hectolitres.

d/ Excluding production of private enterprises.

foreign investment law in January 1954. 42/ To encourage foreign capital inflow further, the Turkish and United States Governments signed an agreement on 15 January 1957, under which the former guarantees the convertibility and repatriation of capital and earnings of United States investors and enables them to insure their investments with the International Co-operation Administration against currency inconvertibility and loss by expropriation.

The Turkish Government in its industrial development programme has emphasized the development of electric power, and the cement, sugar, textile, and iron and steel industries. Two hydroelectric stations completed in 1956 were expected to produce 700 million kilowatt-hours compared with a total electricity output of 1,450 million kilowatt-hours in 1955. Several other projects under construction will raise Turkey's electric power capacity to 4 billion kilowatt-hours by 1960. The production capacity of the cement industry increased by 120,000 tons in 1956 and another 300,000 tons early in 1957, raising the total to 1,530,000 tons. Completion of projects now under way will raise its total capacity to 2,680,000 tons within the next two years. The production capacity of the sugar-refining industry has increased from 130,000 tons in 1950 to 360,000 tons in 1956. The cotton textile industry has also expanded rapidly, the number of spindles rising from 600,000 in 1954 to 1 million in 1955 and the number of looms from 11,000 to 19,000. In the woollen textile industry, the number of spindles increased from 187,000 to 199,000 and the number of looms from 2,480 to 2,610 between 1954 and 1956. In order to meet the local demand for jute goods, a factory has been planned in co-operation with the Pakistani Government. To raise the production capacity of the iron and steel industry, a contract was signed with a German firm in 1956, which is expected to increase the output of pig-iron from 185,000 tons to 400,000 tons and that of rolling-mill products from 150,000 tons to 300,000 tons within the next two years. In the meantime, coke production was being expanded to meet the projected demand of iron and steel industry. Other major projects under way included construction of two fertilizer plants, three paper mills, and a rubber factory.

42/ During the first ten months of 1956, the Government approved applications of foreign firms for projects representing a total investment of $23.2 million (Turkish Information Office, News from Turkey (New York), 15 November 1956).

Chapter 4

PETROLEUM

While the petroleum industry continued to make rapid progress in 1955 and during the first ten months of 1956, the Suez crisis provoked a sharp setback in the last two months of the year. Nevertheless, production of crude oil in 1956 was higher than that in 1955, which in turn had been well above 1954; the region's share in world production, however, fell slightly from 20.9 per cent in 1955 to 20.4 per cent in 1956. Output of refined products rose more rapidly, largely owing to the increase in output at Aden and Abadan refineries, and the previous record, set in 1950, was surpassed. Exports of both crude petroleum and refined products continued to increase, the latter at a faster rate, and as in previous years, the Middle East met the bulk of the requirements of the eastern hemisphere.

Domestic consumption has grown at about 12 per cent per annum in the past five years; the rate of increase seems to be greater, and petroleum now accounts for by far the larger part of the region's fuel consumption. Some progress has been made in utilization of natural gas, and large-scale plans for using it as a basis for petro-chemical industries have been drawn up in certain countries. But the greater part is still flared off or, less frequently, injected into oilfields for repressuring.

Exploration activities have increased in scope; following the liberalization of petroleum legislation in several countries, offshore exploration is now being done on a large scale, and important new discoveries have raised still further the share of the Middle East in world reserves. Cumulative gross investment in the ten-year period 1946 to 1955 has been estimated as follows (in millions of dollars):

Production	980	Refineries	465
Marketing	75	Other	333
Pipelines	587	Total	2,440

Gross investment rose from $900 million at the end of 1946 to $2,750 million at the end of 1955, and net investment from $525 million to $1,625 million; at the latter date, United States companies owned 53.1 per cent of gross investment, compared with 46.9 per cent in 1946. 1/ Direct annual revenues received by the Governments of the region from production, refining, transit and exploration activities rose in 1956 to about $940 million.

1/ F.G. Coqueron and J.E. Pogue, Investment Patterns in the World Petroleum Industry (Chase Manhattan Bank, New York, December 1956).

Explorations and New Concessions

The latest estimates of the Middle East's petroleum reserves as a whole, published at the beginning of 1956, put the amount recoverable by methods currently in use and under present economic conditions at between 126 billion barrels and 230 billion barrels, that is, 17 to 31 billion tons. 2/ Various discoveries in the course of 1956 raised the estimate of reserves still further. In the Neutral Zone, for example, the reserves of the Wafra field were estimated at 650 million barrels against a previous figure of 390 million. 3/ Explorations were continued in the major producing countries and in other parts of the region, and several new concessions were granted.

In Iran, the Iranian Oil Exploration and Producing Company, set up by the consortium which is managing the country's petroleum industry, began exploratory drilling near Ahwaz in the autumn of 1956. The most important discovery, however, was made by the government-owned National Iranian Oil Company, which, in August of 1956, brought in a well producing about 80,000 barrels a day (4 million tons a year) near Qum in central Iran. This company is also carrying out exploratory work in the Caspian provinces. In Iraq, in 1956, the Mosul Petroleum Company discovered oil twenty-five miles southwest of its Ain Zalah field. In Kuwait, a large new field was discovered in 1955 at Raudatain, seventy miles northwest of Kuwait town, near the Iraq frontier. Two other exploratory wells were drilled in 1956 in the vicinity of Raudatain. In Saudi Arabia, an important discovery was made at Kharsania, eighty miles northwest of Dhahran, in the summer of 1956, and a well is producing; further exploratory drilling is going on in what seems to be an extensive field. 4/

Important developments are also taking place in some other Middle Eastern countries which at present produce little or no oil. In Egypt, the International Egyptian Oil Company struck oil in February 1955 at Balaim in Sinai; indications are that this is the largest of the five discoveries made in Egypt in the post-war period. 5/ In the western desert, the Sahara Petroleum Company continues exploratory drilling; two wells have been drilled without result, and a total of $25 million has so far been invested. An exploration concession has been granted in Sinai to the recently formed Egyptian-German Petroleum Company.

In the Israeli oilfield discovered at Helets by the Lapidoth Israel Oil Company in 1955, after an expenditure of $3 million, output by the end of 1956 was at the annual rate of 30,000 tons; it is hoped to raise this to 200,000 tons by the end of 1957. No official estimate of the size of the reserves has so far

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2/ Arabian American Oil Company, Middle East Oil Development (Dhahran, March 1956), and W.E. Pratt, "The Impact of the Peaceful Uses of Atomic Energy on the Petroleum Industry", Peaceful Uses of Atomic Energy (Government Printing Office, Washington, D.C., January 1956).

3/ World Oil (Houston, Texas), May 1956 and August 1956.

4/ Oil Forum (Fort Worth, Texas), August 1956 and January 1957; Petroleum Press Bureau, Petroleum Press Service (London), January 1957.

5/ World Oil, February 1956; Oil Forum, April 1956.

been made. In order to stimulate further exploration and production, petroleum companies have been granted a 27.5 per cent depletion allowance for computation of income tax.

The Jordanian Parliament approved, in November 1955, a fifty-five-year concession granted to E.A. Pauley; this covers a third of the country's territory. The Government may cancel the concession should oil not be discovered within six years, but renewal for two two-year terms is provided for. Until such discovery, Jordan is to receive a fee of $50,000 a year for three years, $100,000 a year for the next three years, and $200,000 a year thereafter. After production begins, net profits are to be divided equally. 6/

In Syria, two concessions were granted during the period under review. In the summer of 1955, J.W. Men Hall secured a concession of 3.6 million acres, with exploration rights for a total of 7 million acres, in the northeastern part of the country. In 1956, oil was discovered at Karachak Dagh, close to the Iraqi frontier and half-way between the Ain Zalah field in Iraq and the Ramandag field in Turkey. Exploration concessions covering 15,000 square kilometres, also in the northeastern part of the country, valid for four years and renewable for a similar period, were granted in October 1956 to Société des pétroles Concordia, a Syrian company affiliated to the Deutsche Erdöl A.G. The company has agreed to invest $5 million in exploration work during the next three years; net profits on production will be shared equally. 7/ There has been a notable increase in activity in Turkey following liberalization of the petroleum law in 1954 and 1955. By the beginning of 1956, a total of 153 exploration tracts had been allocated to twelve companies, including United States, British-Dutch and German concerns, and a private Turkish-American group, as well as the government-controlled Turkiye Petrollari Anonim Ortakligi, which between 1950 and 1955 had spent $7.14 million on drilling, exploration and developing wells. 8/ Preparations have been made for drilling test wells in Thrace and near Gaziantep, and oil has reportedly been discovered in the Erzurum region.

There has also been much activity in various parts of the Arabian peninsula. In Aden Colony, a concession covering the Kamaran archipelago and its territorial waters has been granted to D'Arcy Exploration Company, a subsidiary of the British Petroleum Company. In Aden Protectorate, a ninety-nine-year concession, covering about a million acres in eastern Hadramaut, has been granted to a United States company, Forest Oil Company; it is not clear whether this concession conflicts with the existing rights of the Iraq Petroleum Company. 9/ In Dhofar, Oman, exploration drilling continues, but so far unsuccessfully. In Qatar, new producing wells have been drilled with a view to doubling output by 1958. In 1955, the Government of Yemen granted to a United States group - the Yemen Development Corporation - a thirty-year concession covering 40,000 square miles. The concession includes all minerals; net profits are to be shared equally

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6/ Oil and Gas Journal (Houston, Texas), 28 November 1955; La Revue pétrolière (Paris), December 1955; Financial Times (London), 21 September 1956.

7/ Petroleum Press Service, October 1956; New York Times (New York), 14 December 1956; Oil Forum, August 1955 and November 1956.

8/ Oil Forum, March, June and August 1956.

9/ Ibid., February 1956 and March 1956.

by the Government and company. 10/ In the meantime, the German company which received a concession in 1953 is carrying out exploration work near Salif, on the coast.

Offshore exploration is also being intensified. Near Das Island in the Persian Gulf, off the coast of Abu Dhabi, deep drilling will be done from a platform erected by Abu Dhabi Marine Areas, Ltd., a company owned two-thirds by the British Petroleum Company and one-third by the Compagnie française des pétroles; costs are estimated at $14 million, and completion is scheduled for May 1957. 11/ In Bahrain, offshore structure tests are being carried out. In Qatar, two unsuccessful offshore wells were drilled by the Shell Oil Company, which is preparing to drill a third one; since 1953, a total of $21 million has been invested in underwater exploration. 12/ Meanwhile, off Saudi Arabia, Safaniya field, the largest offshore area so far discovered in the world, is being made ready for production in 1957.

Production

Production of crude petroleum continued to rise rapidly in 1955 and the first months of 1956, in response to expanding world demand, but the sharp reduction in output in the last two months of 1956 affected the year's total. As a consequence, the annual rate of increase in the region, which had been 12.8 per cent in 1954 and 18.3 per cent in 1955, fell to 5.5 per cent in 1956, while world production increased by 8.5 per cent. The share of the Middle East in world output, which had risen from 7.5 per cent in 1945 to 16.9 per cent in 1950 and 20.9 per cent in 1955, fell to 20.4 per cent in 1956 (see table 17). It has been estimated that, but for the effects of the Suez crisis, Middle Eastern production in 1956 would have totalled nearly 190 million metric tons, 13/ representing an increase of 16 per cent over 1955 and accounting for about 22 per cent of world production.

The largest increase in the area was registered in Iran, where existing agreements provided for a minimum output of 23 million tons in 1956. Moreover, Iran, which refines about half its production of crude and markets a large proportion of its petroleum in the area east of Suez, was far less affected than other major producers by the stoppage of the Canal; hence, the reduction in output in November and December was only 25 per cent from the peak annual rate of 32 million tons reached in October, which had been equal to that of the previous highest annual figure. Iran's share in Middle Eastern production consequently rose from 10.5 per cent in 1955 to 15.4 per cent in 1956, but it is still well below both the absolute figure and relative share achieved in 1950, which amounted to 32 million tons and 36.4 per cent, respectively.

10/ Ibid., December 1955; World Oil, March 1956.

11/ Oil Forum, February 1957 and August 1956; World Oil, October 1956.

12/ Petroleum Press Service, January 1957 and March 1957.

13/ Ibid., February 1957.

Table 17. Production of Crude Petroleum, by Country

(Thousands of metric tons, except as indicated)

Country	1950	1954	1955	1956[a/]
World total (millions of metric tons)	522.9	689.5	778.8	840.0
Total, Middle East (millions of metric tons)	88.5	137.8	162.8	171.6
Middle East output as percentage of world total. .	16.9	20.0	20.9	20.4
Bahrain	1,506	1,503	1,502	1,507
Egypt	2,592	2,278	1,815	1,800
Iran	32,259	3,500	17,070	26,156
Iraq	6,584	30,674	33,742	31,095
Israel	-	-	-	30
Kuwait	17,291	47,723	54,756	54,982
Neutral Zone	-	850	1,262	1,676
Qatar	1,636	4,779	5,448	5,877
Saudi Arabia	26,649	46,455	47,042	48,201
Turkey	17	59	179	310

Source: Statistical Office of the United Nations; Petroleum Press Bureau, Petroleum Press Service, February 1957.

a/ Partly estimated.

The other three main producers, Iraq, Kuwait and Saudi Arabia, were more severely affected by the closing of the Suez Canal and the cutting of pipelines. Although the 1956 figure was actually below that of the previous year only in Iraq, in the other two countries it only just exceeded the 1955 total; consequently, the combined share of these three countries in Middle Eastern production fell from 83.2 per cent in 1955 to 78.1 per cent in 1956.

Kuwait, the largest producer in the region, which normally exports 70 per cent of its petroleum through the Canal, was operating in October 1956 at a yearly production rate of over 60 million tons, but in November at a rate of only 28 million, and in December, 42 million. Saudi Arabia's production fell from a yearly rate of 52 million tons to 34 million, of which about half was transported to the Mediterranean by the Trans-Arabian pipeline. In Iraq, total production fell from a yearly rate of nearly 38 million tons in October to 9 million in November and 11 million in December; because of the cutting of the pipelines to the Mediterranean, the Kirkuk field, which was previously producing at an annual rate of 26 million tons, was at the end of 1956 supplying only the local market at a rate of a little over 1 million tons; the southern fields, however, raised their rate of production from 9 million to 11 million tons.

As regards the smaller producers, output in Qatar fell from an annual rate of 6.3 million tons in October to 4.2 million in November and 5.6 million in December. Output of crude petroleum in Bahrain was practically unaffected by the crisis. In the Neutral Zone of Kuwait and Saudi Arabia, production was reduced by about one-half, and in Egypt suspension of production in Sinai, following the outbreak of hostilities, cut total output by about the same proportion. Turkey's output increased to 300,000 tons, equal to the capacity of the Batman refinery, while Israel produced 30,000 tons and, at the end of the year, was operating at an annual rate of 42,000 tons. 14/

Refining

Expansion of refining capacity in 1955 raised the crude annual charging capacity of the Middle East to over 66 million tons. A large part of this capacity is, however, unutilized, being in Abadan refinery, which has been only partially restored to service; Haifa refinery is also producing at only one-quarter of capacity. In the autumn of 1956, the twenty refineries and topping plants in the region were operating at a rate of 50 million tons per annum. As table 18 shows, this peak represented an increase of about 35 per cent over the 1955 average, which in turn was 23 per cent higher than that of 1954; for the first time in recent years, the level of 1950, when Abadan was operating at capacity, has been surpassed. The increase in 1955 and 1956 came mainly from the Abadan and Aden refineries; from three new refineries, at Dora in Iraq, Sidon in Lebanon and Batman in Turkey, all of which began operating in 1955; and from the expansion of the Bahrain refinery. 15/

The Suez Canal crisis does not seem to have affected refining as much as crude production. The refineries of Aden, Iran, Iraq, Israel, Kuwait, Saudi Arabia and Turkey do not appear to have curtailed operations. In Bahrain, stoppage of imports of crude petroleum from Saudi Arabia led to a sharp reduction in refining, but this was partly compensated by an increase in imports from Iran. 16/ In Egypt, the curtailment of production in Sinai necessitated a reduction in refining. In Lebanon, the Sidon refinery, which draws its crude petroleum from the Trans-Arabian pipeline, continued operating at capacity, but the Tripoli refinery, which uses Iraqi oil, was forced to shut down for some time.

14/ Idem.

15/ United Nations, Economic Developments in the Middle East, 1954-1955 (sales number: 1956.II.C.2), pages 59-61.

16/ Throughput fell from 220,000 barrels a day to 80,000 and then rose again to 100,000 barrels (New York Times, 11 March 1957).

Table 18. Output of Major Refinery Products, by Country

(Thousands of metric tons, except as indicated)

Country and year	Motor spirits	Kerosene	Heavy oils	Total, major products
Aden:				
1954	105	32	1,014	1,151
1955	572	373	3,105	4,050
Bahrain:				
1950	1,816	727	4,450	6,993
1954	2,230	1,033	6,282	9,545
1955	2,010	841	6,073	8,924
Egypt:				
1950	200	151	1,760	2,111
1954	256	220	1,727	2,203
1955	259	275	1,922	2,456
Iran:				
1950	4,394	2,375	16,407	23,176
1954	460	490	1,850	2,800
1955 a/	1,231	1,276	4,767	7,274
Iraq:				
1950	67	77	240	384
1954	128	172	641 a/	941
1955	147	169	851	1,167
Israel:				
1950	31	27	129	187
1954	170	141	612	923
1955	194	142	633	969
Kuwait:				
1950	15	5	1,132	1,152
1954	45	13	1,450	1,508
1955	50	18	1,463	1,531
Lebanon:				
1950	98	61	235	394
1954	112	66	330	508
1955	158	83	604	845
Saudi Arabia:				
1950	982	380	3,598	4,960
1954	1,494	1,093	7,905	10,492
1955	1,305	989	7,446	9,740
Turkey:				
1950	1	-	4	5
1954	1	-	4	5
1955	5	8	65	78
Total (millions of metric tons):				
1950	7.6	3.8	28.0	39.4
1954	5.0	3.3	21.8	30.1
1955	5.9	4.2	26.9	37.0

Source: United Nations, Statistical Yearbook, 1956 (sales number: 1956.XVII.5); United States Department of the Interior, Bureau of Mines, World Petroleum Statistics (Washington, D.C.).

a/ Partly estimated.

In 1955, the Middle East processed 5.6 per cent of the refined products of the world, compared with 4.8 per cent in 1954 and 8.1 per cent in 1950. The 1956 figure is presumably higher than that of 1955 but may still be lower than that of 1950. The region processed 23 per cent of its total production of crude in 1955, and the 1956 figure was probably slightly higher. This compared with 48 per cent in 1950, and reflects the continued world-wide trend towards building refineries near consuming centres rather than near oil wells.

In several countries expansion programmes are under way or are planned. In Egypt, a refinery with an annual capacity of 200,000 tons is under construction at Alexandria, and another with a capacity of 2 million tons is to be built at Cairo. In Jordan, a company with a capital of JD 3 million is being established to set up a refinery. In Kuwait, the capacity of the refinery at Mina al Ahmadi is being raised from 1.5 million tons to 8.5 million tons; completion is scheduled for the end of 1957. In Syria, in 1956, the Government invited international bids for a refinery at Homs with a capacity of 750,000 tons, and Parliament allocated $23 million for this purpose. A contract involving LS 54 million has been given to a Czechoslovak firm. In Turkey, it is planned to increase the capacity of Batman refinery from 300,000 tons per annum to 380,000 tons; another refinery, with a capacity of 750,000 tons, is to be established at Izmit, at an estimated cost of $10 million, which will be provided by Turkish and United States interests.

Oil Transport

Rising demand in western Europe during the period under review led to plans to increase the present capacity of international pipelines and to build new ones. The closing of the Suez Canal and interruption of the flow of oil through the pipelines leading from Iraq to the Mediterranean, following the outbreak of hostilities in Egypt in October 1956, stimulated interest in these plans. Increasing consumption of petroleum within the region has resulted in construction of products pipelines in certain countries. A few Middle Eastern countries are also starting to obtain a tanker fleet.

In 1956, the Trans-Arabian Pipeline Company began a programme aimed at increasing the throughput of the present pipeline from 320,000 barrels per day (16 million tons per annum) to 410,000 barrels (20.5 million tons) by installation of four new pumping units in Saudi Arabia and Jordan. Completion was scheduled for 1 January 1958.

The Iraq Petroleum Company undertook negotiations with the Syrian and Lebanese Governments for construction of a twenty-four-inch pipeline, with a throughput capacity of 9 million tons, linking Homs and Tripoli. Failure to reach agreement with the Lebanese Government led the company to seek to reroute the pipeline to connect Homs with the Syrian port of Baniyas. Neither this project, nor another one to construct a pipeline from Kirkuk to Sidon, has as yet matured.

A thirty-inch pipeline from Kirkuk to Iskenderun, or some other Turkish port, running through Iraqi and Turkish territory, is also under consideration. The pipeline would have a length of about 1,000 kilometres and an annual throughput capacity of 20 to 25 million tons; it would require some 165,000 tons of steel, cost about $250 million to $350 million, and take approximately eighteen months to complete. The possibility of extending such a pipeline by another 1,000 kilometres to reach the oilfields of Kuwait is also being considered. 17/ Another project under consideration is a pipeline from Zubair, near Basra, to Kuwait; this would make it possible to load Basra oil on large tankers which cannot use the Iraqi port of Fao. 18/

A 1,570-kilometre pipeline from the newly discovered Alborz field, near Qum, in Iran, to Iskenderun has also been proposed. Costs are estimated at about $280 million, and throughput at 20 million tons. Negotiations are proceeding between the Iranian and Turkish Governments and between the Iranian Government and a British company; it is estimated that the pipeline will require two years for completion. 19/

Yet another project is to link the Israeli Red Sea port of Eilat with Haifa by a thirty-two-inch pipeline with a throughput capacity of 20 million tons; costs are estimated at $60 million to $70 million. 20/ In the meantime, work is proceeding on an eight-inch pipeline, 230 kilometres long, from Eilat to Beersheba, eventually to be extended to the Mediterranean coast. This pipeline, which will have a throughput capacity of about 750,000 tons, is designed to meet about half of the country's consumption of crude petroleum; its cost has been estimated at £I 12 million.

Several products pipelines are under way or were completed during the period under review. In Egypt, a twelve-inch pipeline, 130 kilometres long, linking Suez and Cairo, was completed by the Government in 1956. Its throughput capacity is 2.3 million tons. 21/ In Iran, the 825-kilometres, ten-inch pipeline from Ahwaz to Tehran is almost complete; it will have a throughput capacity of 1.1 million tons per annum, which may later be raised to 2.5 million; the costs of the project, which include five pumping stations required to lift the petroleum to a height of 3,000 metres, have been estimated at $39 million and are being borne by the National Iranian Oil Company. A 220-kilometre branch of this pipeline, linking Azna to Isfahan, is under construction. In Israel, work has begun on a 100-kilometre products pipeline from Haifa to Tel Aviv with an annual throughput capacity of 350,000 tons; half of its estimated cost of

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17/ The oil companies are also considering plans for building a very large pipeline, with a capacity of 1 million barrels a day (about 50 million tons a year) linking the oilfields of Iran, Iraq, Kuwait and Saudi Arabia with the Mediterranean. Costs are put at about $800 million and the time required for completion at three or four years (Journal of Commerce (New York), 2 April 1957; Financial Times, 19 December 1956; New York Times, 24 March 1957).

18/ The Economist (London), 2 March 1957.

19/ Ettelaat (Tehran), 21 February 1957; Journal of Commerce, 25 February 1957.

20/ Financial Times, 20 December 1956.

21/ Permanent Council for the Development of National Production, Report, 1955 (Cairo), page 335 (in Arabic).

£I 4 million will be provided by foreign capital. 22/ In Turkey, two new products pipelines are being built in addition to the three pipelines linking Batman refinery to Iskenderun: an eight-inch pipeline from Antalya to Eskisehir, 400 kilometres away, and a four-inch pipeline from Bandirma, on the Sea of Marmara, also to Eskisehir, a distance of 330 kilometres. 23/

First steps have been taken by certain countries to form a tanker fleet. In Egypt, two tankers with a combined capacity of 26,000 deadweight tons are supplying the Suez refinery with crude petroleum and some small tankers are transporting products to various ports. 24/ In 1955/56, the Government spent £E 700,000 on the purchase of tankers and in 1956/57 budgeted £E 1.5 million for that purpose. 25/ In Iran, a private company has placed in the Netherlands an order for two 32,000-ton tankers; these ships will be chartered by the National Iranian Oil Company; of the total cost, 20 per cent is to be financed by the Iranian company and 80 per cent by a Netherlands bank. 26/

In Iraq a project for forming a tanker fleet of 100,000 tons is under study. 27/ The first Israeli tanker went into service in December 1954; in 1955 it transported 200,000 tons of crude oil, or 14 per cent of total imports. By the summer of 1956, three more tankers had been added, bringing the total tonnage to 54,000; all these tankers are privately owned. 28/ Three 19,500-ton tankers are on order in German shipyards, for delivery in 1959, and negotiations are proceeding regarding the construction of 32,000-ton tankers. 29/ A Kuwait tanker company, with a capital of £3.7 million, has been formed under the auspices of the Kuwait Government and with the co-operation of the two oil companies operating in that country. 30/ Turkey's tanker fleet consists of eight ships, aggregating 95,000 deadweight tons. 28/

22/ Israel Information Service, Israel Digest (New York), 25 March 1957. It has been estimated that the cost of transport through the pipeline will be £I 4 to £I 5 per ton, depending on the product, compared with £I 8 by road or rail (American-Israel Chamber of Commerce, Economic Horizons (New York), January-February 1957).

23/ Oil Forum, May 1956.

24/ United States Department of Commerce, Merchant Fleets of the World (Washington, D.C.), September 1956; Permanent Council for the Development of National Production, Report, 1955, page 324.

25/ National Bank of Egypt, Economic Bulletin No. 2, 1955 (Cairo), and Ministry of Finance and National Economy, Report on the 1956/57 Budget (Cairo, 1956) (in Arabic).

26/ Oil Forum, December 1955.

27/ Le Commerce du Levant (Beirut), 23 February 1957.

28/ United States Department of Commerce, op. cit.

29/ Petroleum Times (London), 18 January 1957.

30/ International Monetary Fund, International Financial News Service (Washington, D.C.), 10 August 1956.

Exports

Exports of crude petroleum and refined products from the Middle East continued to increase rapidly until the disruption of trade caused by the Suez crisis. During the last two months of 1956, they fell off sharply, but the total for the year was somewhat higher than that for 1955.

The quantity of crude petroleum exports rose to 136 million tons in 1955 (see table 19) and was estimated at 143 million in 1956. Exports to western European countries increased from 74 million tons in 1953 to 82 million in 1954 and 84 million in 1955, while those to Middle Eastern countries rose from 9 million tons to 12 million and 15 million in the corresponding years. The major exporters of crude petroleum were Kuwait, Saudi Arabia, Iraq, and Iran; the last-named country increased its exports both absolutely and relatively in 1956.

Exports of refined products from Aden, Bahrain, Iran, Kuwait and Saudi Arabia amounted to about 30 million tons in 1955 and approximately 37 million in 1956. The bulk of these exports went to Africa and Asia or to Middle Eastern ports, for bunkering.

The total value of Middle Eastern exports of crude petroleum and refined products may be estimated at about $2.6 billion in 1955 and about $2.8 billion in 1956; this estimate is based on volume of exports and posted prices of crude petroleum at the pipeline terminals and posted prices of petroleum products; it does not include crude oil shipments to Aden and Bahrain refineries for refining and export. Of the 1956 total, about $7 million represented exports by the National Iranian Oil Company.

Table 19. Exports and Imports of Crude Petroleum, by Country
(Thousands of metric tons)

Country	1950	1953	1954	1955
Exporting country:				
Iran	6,552	50	491[a/]	8,249
Iraq	6,177	26,953	29,200	32,003
Kuwait	15,987	41,741	45,900	52,832
Neutral Zone	--	--	823	1,144
Qatar	1,533[a/]	3,980	4,697	5,319
Saudi Arabia	20,660	31,259	36,200	36,899
Total exports	50,909	103,983	117,311	136,446
Importing country:				
Aden[b/]	--	--	1,473	4,206
Bahrain[c/]	6,249	8,277	9,049	8,685
Egypt	--	59	486	1,085
Israel	224	914	967	1,122
Lebanon[d/]	493	544	546	892
Total imports	6,966	9,794	12,521	15,990
Net exports	43,943	94,189	105,327	120,456

Source: United States Department of the Interior, Bureau of Mines, World Petroleum Statistics.

a/ Estimated.

b/ Petroleum imported from Persian Gulf area, mainly from Kuwait, for refining and export.

c/ Imports from Saudi Arabia for refining and export.

d/ Imports from Iraq and Saudi Arabia.

Consumption

Consumption of petroleum products continued to rise rapidly during the period under review. Total Middle Eastern consumption, including refinery consumption and supplies for bunkering, amounted to about 21 million tons in 1955, an 11 per cent increase over the previous year. The region's domestic consumption of the four major products - gasoline, kerosene, distillate fuel oil and residual fuel oil - excluding bunkering and refinery consumption, was about 10.8 million tons in 1955; this shows an increase of about 15 per cent over 1954 and of about 68 per cent over 1950 (table 20); there was a further rise in 1956. As in previous years, industrialization, development of transport and mechanization of agriculture, as well as higher demand for household purposes such as lighting, heating and cooking, helped to increase consumption. The expansion of marketing facilities in the region, and the favourable price of petroleum compared with other fuels, also contributed to stimulate sales.

As regards the pattern of consumption, in the region as a whole, use of distillate fuel oil increased by about 115 per cent between 1950 and 1955, gasoline by 84 per cent, kerosene by 78 per cent and residual fuel by 41 per cent (table 21). Consumption of lubricating oil increased by about 40 per cent during the same period. The amount of bunker fuel oil supplied at Middle Eastern ports, which had declined after 1950, mainly because of the sharp fall in output of the Abadan refinery, gradually increased, and in 1954 the total slightly surpassed the 1950 level. In 1955, it was 13 per cent greater than in 1950, and the increase continued until the disruption of shipping routes caused by the closure of the Suez Canal.

Table C (appendix) shows the changes that have taken place in the production and consumption of various commercial types of energy in the Middle East. There has been a marked rise in the share of petroleum, which in 1954 accounted for 69.4 per cent of total energy consumption, compared with 54.8 per cent in 1937; only in Turkey does petroleum provide less than half the total energy, and in most countries it accounts for the bulk of supplies. The table also brings out the growing dependence on foreign supplies of those countries which are not major producers of petroleum. Thus, Turkey, formerly a net exporter of fuel, is now a net importer; similarly, although in 1954 Egypt supplied a greater proportion of its energy needs than in 1937, its imports showed an absolute increase.

Table 20. Estimated Consumption of Major Refined Petroleum Products, by Country a/

(Thousands of metric tons)

Country	1950	1953	1954	1955
Aden, Bahrain and Arabian peninsula b/ . . .	70	220	255	285
Cyprus	85	125	130	135
Egypt	2,940	3,200	3,410	3,500
Iran	930	1,105	1,235	1,400
Iraq	565	750	835	1,050
Israel	655	930	1,035	1,400
Jordan	55	70	80	110
Lebanon	235	315	330	400
Saudi Arabia	70	185	210	240
Sudan	145	210	225	250
Syria	230	410	500	700
Turkey	445	970	1,125	1,350
Total	6,425	8,490	9,370	10,820

Source: Estimated by the United Nations Statistical Office. Refined products include gasoline, kerosene, distillate fuel oil and residual fuel oil.

a/ Excluding refinery consumption and bunker fuel.

b/ Excluding Saudi Arabia.

Table 21. Estimated Inland and Bunker Consumption of Major Refined Petroleum Products in the Middle East

(Thousands of metric tons)

Item	1950	1953	1954	1955
Inland consumption: [a]				
Gasoline	1,230	1,690	1,830	2,260
Kerosene	1,330	1,800	1,905	2,370
Distillate fuel oil	1,000	1,500	1,790	2,150
Residual fuel oil	2,865	3,500	3,845	4,040
Total	6,425	8,490	9,370	10,820
Bunker consumption:				
Distillate fuel oil	2,100	1,750	1,700	1,820
Residual fuel oil	5,700	5,900	6,350	6,980
Total	7,800	7,650	8,050	8,800

Source: Estimated by the United Nations Statistical Office.

a/ Excluding refinery consumption.

Revenues

Direct payments by the petroleum companies to the governments of producing countries totalled about $880 million in 1955 and $940 million in 1956. The increase during these years arose mainly from greater production, but also from higher rates of payment per ton; this in turn was due to the fact that, in general, discounts allowed by producing companies on sales of petroleum to their parent companies were abolished or limited. 31/

The main differences between 1955 and 1956 lie in the sharp rise in the revenue of Iran, from $90 million to $146 million, and the slight drop in that of Iraq, from $207 million to $193 million, owing to a decrease in output. In other countries the change was negligible, a slight increase being recorded in Saudi Arabia, the Neutral Zone and Qater. The share of the three largest producers, Kuwait, Saudi Arabia, and Iraq, fell from 83 per cent in 1955 to about 76 per cent in 1956.

Negotiations between the companies operating pipelines and the countries of transit - Jordan, Lebanon, Saudi Arabia and Syria - continued during the period under review. In August 1956, it was announced that the Trans-Arabian Pipeline Company and the four countries concerned had reached an agreement in principle, under which net profits would be divided equally between the company and the four Governments; the share of each had not, however, yet been determined. More recently, the Saudi Arabian Government has once more raised the question of the determination and division of profits made by the company. 32/

The Iraq Petroleum Company also undertook negotiations with Lebanon and Syria. In November 1955, agreement was reached with Syria 33/ and in 1956 the latter received $13.7 million in payment for transit of oil up to November 1956, when the pipeline was damaged, in addition to back payments scheduled to total $23.8 million. Agreement could not be reached with Lebanon, which considered that it would not receive an adequate revenue if paid at the same rate per unit as Syria, since the pipelines cross only thirty kilometres of Lebanese territory against 420 of Syrian. The Government therefore subjected the company to income tax, a measure regarded by the latter as in violation of its concession agreement. 34/ Further negotiations were interrupted by the Suez crisis.

31/ For example, in Iraq, in 1955, the agreement between the petroleum companies and the Government was revised, replacing the 13 to 15 per cent discounts allowed on crude oil exported by a flat 2 per cent discount. It was estimated that, as a result of this revision, Iraq's revenues would rise by 7 shillings per ton (14 cents per barrel), or a total of about ID 10 million a year (Oil Forum, June 1956).

32/ New York Times, 7 March 1957.

33/ United Nations, Economic Developments in the Middle East, 1954-1955, page 67.

34/ Ministry of Information, Bayanat wa Wathaiq Rasmia (Beirut), 28 July 1956.

Chapter 5

FOREIGN TRADE

Value of Imports and Exports

World trade increased in value by some 10 per cent in 1955 and slightly more than that in the first six months of 1956 compared with the corresponding period of the previous year. The increase in Middle East exports was approximately 15 per cent in each period, and in Middle East imports 17 per cent in 1955 and 9 per cent in the first half of 1956. 1/

Table 22. Value of Trade of the Middle East a/

(Millions of dollars; imports c.i.f., exports f.o.b.)

Item	1953	1954	1955	1955 (first half)	1956 (first half)
Total imports	2,887	2,938	3,425	1,679	1,836
Total exports	3,099	3,380	3,834	1,895	2,174
Petroleum exports b/	1,732	2,017	2,433	1,199	1,356
Exports other than petroleum . .	1,367	1,364	1,401	696	818
Middle East imports as percentage of total world imports c/	3.8	3.7	3.9	3.9	3.8
Middle East petroleum exports as percentage of total world exports c/	2.4	2.6	2.9	3.0	3.0
Other Middle East exports as percentage of total world exports c/	1.9	1.8	1.7	1.7	1.8

Source: Statistical Office of the United Nations.

a/ Trade of the following countries is included: Aden, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia, Sudan, Syria and Turkey.

b/ Ships' stores and bunkers are included under exports of petroleum.

c/ World figures do not include exports and imports of eastern Europe and mainland China.

1/ The figures on total foreign trade of the Middle East include intra-regional trade.

As table 22 shows, the remarkable increase in exports in 1955 was mainly due to exports of petroleum, but in the first six months of 1956, while the value of these exports increased by 13 per cent, that of other exports rose by 18 per cent. In 1955 the countries not exporting petroleum showed rather modest increases, 2/ and Turkish exports continued a decline which had begun in 1954. In the first half of 1956 the two chief cotton exporters of the region, Egypt and the Sudan, were responsible for most of the increase in exports other than oil.

On the import side all countries shared in the increase in 1955, the smallest percentage increases being those for the Sudan, Syria and Turkey. A smaller increase for the region as a whole in the first half of 1956 is to be explained by the fact that the imports of these three countries were less.

Of the countries for which data are available, only the Sudan 3/ had a positive trade balance in 1955 and in the first nine months of 1956. Elsewhere deficits widened in 1955, and Turkey alone was able to reduce the deficit substantially in the first nine months of 1956.

2/ See table 23.

3/ If oil exports are included, Iraq also had a positive balance.

Table 23. Imports, Exports and Balance of Trade, by Country
(Millions of dollars)

Country and item	1953	1954	1955	1955 (First nine months)	1956 (First nine months)
Aden:					
Exports	116	124	176	130	136
Imports	171	182	206	152	156
Balance	-55	-58	-30	-22	-20
Cyprus: a/					
Exports	43	48	51	40	47
Imports	59	66	85	61	80
Balance	-16	-18	-34	-21	-33
Egypt: b/					
Exports	409	413	419	276	328
Imports	515	468	536	371	446
Balance	-106	-55	-117	-91	-118
Iran: c/d/					
Exports	83	106	119	66	51
Imports	153	213	278	137 e/	133 e/
Balance	-70	-107	-159	-71	-82
Iraq: d/					
Exports	55	52	49	31 e/	20 e/
Imports	192	208	272	123 e/	159 e/
Balance	-137	-156	-223	-92 e/	-139 e/
Israel: f/					
Exports	58	85	86	68	77
Imports	281	290	326	240	274
Balance	-223	-205	-240	-172	-197
Jordan: f/					
Exports	5	7	7	...	...
Imports	52	56	76	...	...
Balance	-47	-49	-69	...	...
Lebanon:					
Exports	25	29	33	23	28
Imports	144	174	218	153	174
Balance	-119	-145	-185	-130	-146
Sudan: g/					
Exports	130	119	151	116	157
Imports	146	139	140	107	99
Balance	-16	-20	11	9	58
Syria: h/					
Exports	104	130	132	66 e/	56 e/
Imports	140	186	196	113 e/	109 e/
Balance	-36	-56	-64	-47 e/	-53 e/
Turkey:					
Exports	396	335	313	212	218
Imports	532	478	497	372	321
Balance	-136	-143	-184	-160	-83

Source: Statistical Office of the United Nations; International Monetary Fund, *International Financial Statistics* (Washington, D.C.); United Nations, *Economic Developments in the Middle East, 1954-1955* (sales number: 1956.II.C.2).

Unless otherwise stated, data are exclusive of gold and represent "special trade". Imports are c.i.f. and exports f.o.b.

a/ General trade.
b/ Adjusted to include trade with the Sudan.
c/ Excluding goods entered on franchise; including gold.
d/ Excluding exports of petroleum.
e/ First six months.
f/ Exports exclude goods imported for domestic consumption and later re-exported.
g/ Adjusted to include exports of camels to Egypt.
h/ Including gold.

Quantum, Prices and Terms of Trade

The greater part of the increase in the total value of Middle East exports came from increases in quantum, since unit values have not risen much since 1954, as shown by the following indices (1953 = 100):

	1954	1955	1955 (first half)	1956 (first half)
Export quantum	106	118	115	131
Export unit value	103	105	105	105

Information on import prices is too scanty to allow a general statement to be made about the terms of trade of the region as a whole. However, table 24, which gives data on some individual countries, shows an unfavourable movement in the terms of trade of Egypt and the Sudan in 1955 compared with 1954, because of the fall in cotton prices during that year, and improved terms of trade for three other countries. It is noteworthy that the marked improvement in Turkey's terms of trade was accompanied by a sharp drop in the quantum of exports. 4/ Elsewhere the quantum of both imports and exports rose. For the region as a whole the increase in export quantum was much greater than in the countries shown in the table, because of a 19 per cent increase in oil exports in 1955.

4/ The unit values of three of Turkey's major exports - wheat, tobacco and dried fruit - increased by 10, 14 and 54 per cent, respectively, between 1954 and 1955.

Table 24. Indices of Quantum and Unit Value, and Terms of Trade, Selected Countries

(1953 = 100)

Country and item	1954 Quantum	1954 Unit value	1955 Quantum	1955 Unit value
Cyprus:				
Exports	107	104	108	112
Imports	117	96	143	100
Terms of trade		108		112
Egypt:				
Exports	89	113	91	111
Imports	95	96	106	99
Terms of trade		118		112
Israel:				
Exports	158	94	...	...
Imports	110	94	...	...
Terms of trade		100		...
Sudan:				
Exports	79	116	109 a/	106
Imports	103	93	104 a/	93
Terms of trade		126		114
Syria: b/				
Exports	116	107	125	108
Imports	140	97	145	95
Terms of trade		110		114
Turkey:				
Exports	95	97	71	111
Imports	99	104	91	103
Terms of trade		93		108

Source: Statistical Office of the United Nations. The quantum and unit value indices (in national currencies) are the official national indices, which show the changes in volume of the aggregate imports or exports (quantum index) and changes in the average price of aggregate imports or exports (unit value index).

a/ Derived from official unit value indices.

b/ Includes gold. National exports only.

Composition of Trade

Exports

Aside from oil, 5/ most Middle East exports consist of agricultural products, mainly cereals and cotton. In 1955 cereal exports dropped sharply, while cotton exports rose somewhat. 6/ The very bad Turkish harvest of 1954 and the poor one of 1955 resulted in a fall in wheat exports from 950,000 tons in 1954 - almost entirely carry-over from the bumper crop of 1953 - to 160,000 tons in 1955, while the bad 1955 harvests in Iraq and Syria also led to sharp reductions in wheat and barley exports from these countries. Because of increases in prices, the fall in value was somewhat less marked than that in volume, but still considerable. Egyptian rice exports, on the other hand, rose sharply both in 1955 and 1956. In the case of cotton, declines in Egyptian and Turkish exports were more than offset by large increases in Sudanese and Syrian exports.

In the first six months of 1956, it is estimated, cereal exports improved slightly compared with the same period of the previous year, but still remained well below average. There were large increases in Egyptian and Sudanese cotton exports. In Egypt this was achieved, despite a smaller crop in 1955, by reducing stocks.

Exports of citrus fruits by Israel and Lebanon were smaller in 1955 because of a poor harvest, the decline being more marked in the former. Iraqi date exports, on the other hand, rose.

Cyprus and Turkey are the only countries of the region which export any significant quantity of metalliferous ores and concentrates. Cyprus exports showed a decrease between 1954 and 1955, but an increase in the first half of 1956, while those from Turkey increased in both periods.

Imports

Two groups of commodities were responsible for most of the increase in imports during the period under review - cereals and capital goods. Wheat imports by the region as a whole in 1955 increased in volume by 50 per cent over 1954, chiefly because Turkey, normally the major wheat exporter, became a net importer. 7/ Iraq and Syria, because of bad harvests, imported some wheat in 1955 for the first time in several years, but remained net exporters. Iran also imported 50,000 tons of wheat in the year ending 20 March 1956, mainly because of increased domestic consumption but possibly also as a result of unauthorized exports. 8/ In the first half of 1956 the wheat imports of these countries

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5/ See chapter on petroleum for exports of this commodity.

6/ See table I, appendix.

7/ Part of the wheat imported in 1955 and the first half of 1956 into Turkey was from the United States, out of surplus agricultural stocks.

8/ Bank Melli Iran, Balance Sheet, 20 March 1956 (Tehran, 1956).

declined considerably, but Egypt became a sizable importer, reflecting the lessening emphasis in its agricultural policy on encouragement of wheat production. 9/

In terms of value, however, by far the largest factor was the increase in imports of capital goods. Almost every country in the region increased its imports of iron and steel, metal manufactures, machinery and transport equipment, both in absolute value and in relative share in total imports. 10/ The most marked increase was in Egyptian imports in 1955, their absolute value increasing by more than 50 per cent; preliminary data for the first half of 1956 indicate that the absolute value has continued to rise. Iraq's total imports, excluding those made by the oil companies, rose by 64 per cent between 1953 and 1955, while its imports of capital goods doubled in the same period and accounted for half of all imports in 1955. 11/ Imports by the oil companies, which are largely capital goods, were approximately halved in the same period, because of the completion of pipe-laying operations and the slackening of drilling and storage construction. In Turkey, the absolute value of capital goods imports increased slightly both in 1955 and the first half of 1956, while the relative share remained unchanged in 1955 and rose abruptly in 1956 when the Government cut down on all other categories of imports, including raw materials. Most of the other countries of the region showed a more gradual and steady rise, the Sudan and Syria, however, showing slight declines in one or both periods.

The major sources of supply of capital goods for all countries continued to be the United States and western Europe, but the quantity of such goods obtained from eastern Europe, particularly Czechoslovakia, increased markedly in 1955 in Egypt, Lebanon, Syria, and Turkey, although it probably remained below 10 per cent of all capital goods imports in Egypt and Turkey and much below that in the other two countries.

With regard to other imports, the continued development of domestic industries and, in several cases, a deliberate government policy of curtailing imports of non-essentials were reflected in a generally lower proportion of a number of consumer goods. 12/ Because of increased domestic production, Egypt no longer imports sugar, while imports of fertilizer, cement and certain petroleum products have dropped; imports of yarn, thread and cotton fabrics have decreased not only in Egypt but also in Turkey and a number of other countries. In Israel the share of consumer goods in total imports has dropped somewhat, while in Turkey both the absolute amount and the relative amount of consumer goods other than cereals have been falling steadily since 1953, mainly as a result of import controls.

9/ Egypt received $5 million in wheat in this period from the United States, under the agricultural surplus disposal programme.

10/ See table J, appendix.

11/ Excluding imports of the oil companies, total imports were ID 55 million in 1953, ID 67 million in 1954 and ID 91 million in 1955, while imports of capital goods amounted to ID 23 million in 1953, ID 30 million in 1954 and ID 45 million in 1955 (National Bank of Iraq, Annual Report, 1955 (Baghdad, 1957)).

12/ See section on "Foreign Trade Policy".

Direction of Trade

Table 25 shows, in percentage of total exports or of imports, the trade of the Middle Eastern countries with their major trading partners. For Middle East exports as a whole, the major changes in direction which took place between 1954 and 1955 were the relative decline in exports to western Europe and a small expansion in exports to the Union of Soviet Socialist Republics and eastern Europe, trends which are more marked if oil exports are excluded. Other changes were a somewhat increased proportion of exports to the United States, Australia and New Zealand, largely accounted for by oil, and increased trade with the Far East. In the first half of 1956 there was a further increase in the proportions of trade going to eastern Europe and to the United States. 13/

On the import side, there was also some shift away from western Europe and towards the United States, the Soviet Union and eastern Europe in 1955. Almost all countries substantially increased their purchases from the United States in 1955, but the imports of Turkey, Iran and Syria fell in the first half of 1956, the first mentioned by almost 40 per cent. In addition, in the first half of 1956 there was an absolute decline in imports of the area from eastern Europe and the Soviet Union, the only area where a decrease occurred.

The shift towards eastern Europe and the Soviet Union was most marked in the case of Egypt, Iran and Turkey, 14/ and negligible in the case of Iraq. 15/ There were small increases in the case of Lebanon and Syria in 1955, and the Sudan in 1956. The largest single increase was in Egyptian exports of cotton to Czechoslovakia and the Soviet Union; Egyptian imports from these areas increased considerably less. In Turkey, the difficulties experienced in financing imports from the United States and western Europe led this country to turn increasingly to eastern Europe as a source of machinery and equipment. In 1955 imports from the area doubled but in the first half of 1956 fell sharply. On the side of

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13/ More than half of the increase in exports to the United States resulted from a change in the purchasing pattern followed by United States tobacco companies in buying Turkish tobacco. In previous years the tobacco companies had shipped their purchases in the latter half of the year, but in 1956 most was shipped in the first half of the year (United States Department of Commerce, Foreign Commerce Weekly (Washington, D.C.), 29 October 1956).

14/ Unlike Egypt and Turkey, almost all Iran's trade with that group of countries was with its neighbour the Soviet Union, with whom it has traditionally carried on a considerable volume of trade. Between 1954 and 1955, however, imports from the Soviet Union almost doubled. Similar data on exports are not available.

Egypt, Iran and Turkey each conducted more than 10 per cent of its total trade with eastern Europe and the Soviet Union in 1955. It is noteworthy that only two other countries (other than the eastern European countries themselves), namely Finland and Iceland, carried on a larger proportion of their trade with that region. Of the eastern European countries, trade with the Middle East was relatively most important for Czechoslovakia.

15/ See appendix table K. Israel's trade with eastern Europe and the Soviet Union declined in 1955.

Table 25. Geographic Pattern of Trade of the Middle East[a/]

(Millions of dollars)

Area	1954 Value	1954 Per cent of total	1955 Value	1955 Per cent of total	1955 (first half) Value	1955 (first half) Per cent of total	1956 (first half) Value	1956 (first half) Per cent of total
Destination of exports:								
Middle East	420	12	490	13	230	12	250	12
United States	260	8	320	8	150	8	190	9
Western Europe b/c/	1,750	52	1,790	46	890	47	1,020	47
USSR and eastern Europe d/ . .	130	4	190	5	90	5	140	6
Other countries	820	24	1,050	28	530	28	570	26
Total	3,380	100	3,840	100	1,890	100	2,170	100
Origin of imports:								
Middle East	470	16	590	17	270	16	300	16
United States	430	15	560	16	300	18	330	18
Western Europe b/c/	1,350	46	1,490	44	730	44	820	45
USSR and eastern Europe d/ . .	130	4	190	6	100	6	90	5
Other countries	550	19	590	17	280	16	290	16
Total	2,930	100	3,420	100	1,680	100	1,830	100

Source: Statistical Office of the United Nations.

a/ Middle East here comprises: Aden Colony and Protectorate, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia, Sudan, Syria, Turkey and Yemen.

b/ Austria, Belgium-Luxembourg, Denmark, France, western Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and United Kingdom.

c/ In certain cases, countries reporting trade have not distinguished between eastern and western Germany. In these cases, all trade is ascribed to western Germany.

d/ Albania, Bulgaria, Czechoslovakia, eastern Germany, Hungary, Poland and Romania.

exports, which have consisted mainly of tobacco, cotton and other agricultural products, the absolute rise in 1955 was less marked, and continued in the first half of 1956.

Excluding military goods, which are not reported, Egypt's trade with eastern Europe and the Soviet Union in the period under review resulted in large positive balances. All other countries for which data are available had negative trade balances with that area.

Regional exports to western Europe did not expand as much as total exports in 1955 owing mainly to trade developments in Egypt and Turkey. Egypt's trade with the area dropped because of resistance to high cotton prices, while Turkey suffered both from a lack of wheat for export and from non-competitive prices. The drop in Turkish imports from western Europe in 1955, because of payments difficulties, was more than offset by increases in imports by the other countries of the region.

Trade with mainland China was of importance only in the case of Egypt, which more than doubled its cotton exports to that country in 1955 (total exports, almost entirely cotton, increased from $11.4 million to $24.5 million) and slightly increased them in the first nine months of 1956. Imports remained small in 1955, but increased sharply, from $0.9 million in 1955 to $10.3 million in the first nine months of 1956; they consisted mainly of industrial equipment, machinery and some foodstuffs.

Trade of the Middle East with India and Japan increased substantially in 1955, particularly in the case of imports. In the first half of 1956 there was a sharp rise in exports to Japan, particularly of petroleum from Saudi Arabia and the Persian Gulf States, but also of cotton from Egypt.

Trade within the region increased at a slightly higher rate than the total trade of the region in 1955, mainly because of an increase in exchanges between the petroleum producers and the other countries. The trade of Syria and Turkey with other members of the region decreased, largely as a result of poor harvests. Most of the increase in Egyptian trade with the rest of the region was accounted for by trade with the Sudan.

Foreign Trade Policy

All the countries of the Middle East have some form of import or export regulations, but whereas in Lebanon, for example, they are nominal and apply to less than 1 per cent of the volume of foreign trade, in Turkey there is now central control of all imports and exports.

Iraq, like Lebanon, has a liberal import policy. Separate quotas are used in allocating import licences from dollar and other hard currency areas and from soft currency areas, but in practice there is little actual restriction on imports even from the former. In January 1956 the first general tariff revision since 1933 went into effect. The new tariff reduced duties on certain raw materials and on capital goods and equipment, and increased those on various luxuries. It also increased protection for certain national industries. Some revisions were made at the end of the following month, including reductions on certain durable consumer goods, in view of a reduction of the British duty on dates. Also in 1956 the export tax on most domestic animals and on cotton and some other agricultural products was reduced from 20 per cent to 10 per cent, and on dates and barley from 12.5 per cent to 10 per cent.

Because of the virtual cessation of oil exports, Iran for several years had restrictions on imports, but these were gradually reduced as the foreign exchange position improved after the end of 1954. In the early part of 1955, the rial appreciated in value and the large stocks of goods which importers had built up at the customs in anticipation of this event were cleared rapidly and sizable new orders were placed abroad. Foreign exchange holdings declined sharply in the third quarter of 1955 to such an extent that payments had to be temporarily suspended on specific transactions. $8.75 million was obtained from the International Monetary Fund in October against an equivalent sum in rials, and import quotas were reduced, but with an increased movement of exports the situation improved, so that by February 1956 Iran was able to repurchase the rials it had sold to the International Monetary Fund in October. 16/ There were no significant changes in quota regulations, but as the foreign exchange position improved, the Government made available additional allotments for commodities where current quotas had already been exhausted. However, because of over-buying by importers and a weak market there was a drop in imports in the first half of 1956. 17/ In keeping with the Government's policy of liberalizing foreign trade the removal of all quota restrictions is under consideration. In the first half of 1956 import duties on alcoholic beverages, sugar and tea were increased, and all ad valorem duties were in effect doubled in March when the customs authorities began to use the commercial rate of exchange of 76.5 rials to the dollar in calculating duties on all imports instead of the official rate of 32.5 rials as before.

A relaxing of restrictions also occurred in Syria, which began in 1955 to abandon by degrees a policy, inaugurated in 1952 and 1953, of banning the import of goods which were regarded as competing with domestic production. Since this policy had not led to a sufficient improvement in domestic production, the prohibitions were gradually replaced by higher tariff rates, and by the end of 1955 less than a quarter of the goods originally embargoed were still prohibited. 18/ In 1956, particularly in the latter half of the year, there was a further widespread increase in tariff rates, concentrated on foodstuffs, textiles, footwear and consumer durables, with the aims of protecting domestic industry and of conserving foreign exchange.

In October 1956, the Sudan terminated the import-licensing system for all but a small number of categories of imports from the transferable accounts area. This action did not affect dollar purchases because most imports from the dollar area were on the list of goods still requiring licences. The latter were mostly

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16/ Bank Melli Iran, Balance Sheet, 20 March 1956.

17/ In one instance - cotton textile imports from Japan - the Government imposed tighter quota restrictions to facilitate the clearance of domestic stocks (Iran Press Bulletin for Trade and Economics (Tehran), 30 April 1956).

18/ Bureau of Documents for Syria and Other Arab Countries, La Syrie économique, 1955 (Damascus, 1956), page 5.

consumer durables or luxuries, but specific commodities such as cement, soap, fruit juices and textiles were included to protect domestic industries.

Israel continued its policy of trying to reduce its dependence upon imports and to expand exports, particularly of industrial goods. In 1955 and 1956 the Government promoted exports by broadening credit to the export industries 19/ and assisted in setting up export agencies in hard currency countries. The Government continued to regulate imports by means of quotas, emphasizing imports of raw materials and investment goods, and encouraging purchases from countries with which Israel had bilateral agreements rather than from hard currency countries.

At the end of 1955, tariff rates on a number of foodstuffs, tobacco and textile manufactures were increased, partly to protect domestic production. In September 1956 a duty was imposed upon raw cotton imports, to narrow the differential between domestic and imported cotton prices and to encourage local producers to expand their cotton acreage, and in December the duty on gasoline was raised.

In Egypt the unfavourable movement of trade in 1955 brought about a fall in foreign exchange reserves, and caused some pressure against the Egyptian pound. The immediate position was eased by the release of £20 million from the blocked sterling balances in London under an agreement signed at the end of August 1955. This agreement was accompanied by abolition of the import entitlement system, which had acted in effect as a subsidy for exports earning dollars, sterling or Deutsche marks, 20/ and had discriminated against imports from these areas. Instead, the Government reduced the export duty on cotton and imposed an additional _ad valorem_ duty of 7 per cent on imports, except goods such as machinery and raw materials. The problem of the discount against the Egyptian pound remained, however, since hard currency earnings continued to fall while purchases from these areas rose, 21/ and in January 1956 arrangements similar in effect to the import entitlement system were reintroduced in an agreement with Switzerland.

In March 1956 a new import policy was announced, whereby licences were to be issued on a half-yearly basis. 22/ The aggregate value of such licences for the first half of 1956 was to be the equivalent of 50 per cent of 1955 exports, or not more than £E 70 million ($201 million), while exports during the first half of 1956 were to be taken into account when licences for the second half of the year were considered. The import of certain consumer durables was temporarily

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19/ The export credit fund in Israeli pounds was enlarged by £I 4.5 million, to be used as loans for working capital and for interim financing of export activities. In addition, a fund amounting to $2.5 million in foreign currency was set up to finance imports needed by export manufacturers (Government of Israel, _Economic Report of the Minister of Finance_ (Jerusalem), 14 February 1956).

20/ See United Nations, _Economic Developments in the Middle East, 1945 to 1954_, page 43, and _Economic Developments in the Middle East, 1954-1955_, page 78.

21/ National Bank of Egypt, _Economic Bulletin_, vol. IX, No. 2, 1956 (Cairo).

22/ _Ibid._, vol. IX, No. 1, 1956.

prohibited. These restrictions did not apply to imports of "security equipment", direct purchases by the Government - such as wheat - imports by foreign establishments such as petroleum companies having investments in Egypt entailing no transfer of currency, and equipment imported under the American aid programme or agricultural commodities imported under the United States surplus disposal programme. 23/

In April a further charge of 1 per cent was levied on all imported goods, additional to the 7 per cent imposed in September 1955, and the tariff rates on certain foodstuffs and chemical products were raised, in a further effort to reduce the trade deficit and stop the drain on the National Bank's gold and foreign exchange reserves which had fallen by $141 million to $602 million between March 1955 and March 1956. 24/ These measures had little effect, for by June the reserves had declined by another $36 million. In July the regulations for the third quarter specified that in the issuance of import licences, consideration would be given to Egypt's balance of payments position with the export country and also to relevant trilateral operations between Egypt and other countries. 25/

For some years past efforts have been made to diversify exports. To this end the acreage of rice has been expanded, and the Government has promoted its export by reducing the export duty and by including rice wherever possible in its trade agreements. Exports of cotton yarn, vegetables, fruits and flowers were encouraged. 26/

Because the world-wide increase in production of cotton and the existence of large surpluses in producing countries had had a depressing effect on the market, the Egyptian Government turned progressively to bilateral agreements, particularly with eastern Europe and mainland China, as a means of promoting cotton exports. 27/ Cotton shipments under these agreements involved credits up to twelve months, and the Government therefore guaranteed the bills discounted by the banks for exporters of cotton to eastern Europe.

In Turkey a problem of adverse trade balances also existed; its position vis-à-vis the European Payments Union had deteriorated steadily from the middle of 1953. In 1955, in an effort to cut down the volume of commercial debt to certain EPU countries, the Government concluded bilateral agreements with the United Kingdom, western Germany, Belgium and Italy, which stipulated setting

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23/ Subsequently, imports of material and equipment required for the construction of the iron and steel works at Helwan, the fertilizer plant near Aswan and the Aswan High Dam were also excepted.

24/ International Monetary Fund, International Financial Statistics, July and December 1956.

25/ For Egyptian trade policy following nationalization of the Suez Canal, see chapter 7.

26/ Ministry of Finance and Economy, Budget Report for the Year 1956/57 (Cairo, 1956).

27/ Statement by the Minister of Finance and Economy, published in Al Goumhouria (Cairo), 18 May 1956.

aside for the purpose of debt repayment a percentage of revenue derived from the exports of certain goods to these countries. The whole of the outstanding trade debt to Italy was liquidated by September 1956 by this method, and some progress was made with the other countries, notably the United Kingdom.

Imports have remained tightly controlled, particularly of consumer goods and of goods from western Europe. A purchase and sales office was established to centralize essential imports and to co-ordinate export activities, and the prices of imported goods were made subject to control. In the absence of an adequate export surplus of grain, efforts were made to encourage the export of cotton by giving a premium of 35 per cent of the f.o.b. price on sales against free foreign exchange and EPU currencies, and by subsidizing the export price of tobacco, figs and hazel nuts. The funds required for this purpose were derived from the proceeds of an extra tax on imported luxury articles such as passenger cars, radios and refrigerators.

Throughout 1955 and 1956 the official rate for the Turkish lira remained at LT 2.80 to $1 but in October 1956 special exchange rates of LT 5.25 (buying) and LT 5.75 (selling) to $1 were established for tourists and for so-called "deblockage" transactions, the latter being a method of repatriating abroad certain blocked accounts with the proceeds of the exports of specified commodities. 28/

A number of Middle Eastern countries, particularly those with large trade deficits, continued their emphasis upon bilateral trade and payments agreements. There was a growing tendency to extend trade ties with eastern Europe and the Soviet Union, the only exception being Iraq. In the latter half of 1955 and in 1956, Egypt signed new agreements with mainland China, the Soviet Union, east Germany, Czechoslovakia and Romania, involving almost exclusively cotton exports on the Egyptian side and mainly industrial equipment, wheat, oil and technical assistance on the side of the partner countries. An agreement for a smaller total was also signed with Bulgaria, and existing agreements with Poland and Hungary were continued. 29/

28/ International Monetary Fund, International Financial News Survey, 2 November 1956.

29/ Of the two agreements signed with mainland China, that of August 1955 provided for exchanges amounting to £10 million sterling on each side, while that of October 1956 was for £E 12 million on each side. Four agreements were signed with the Soviet Union in the period under review. The first, in September 1955, provided for Soviet exports of 500,000 tons of petroleum against 60,000 tons of rice; the second, in April 1956, 100,000 tons of kerosene against Egyptian goods valued at £E 1 million; the two last each provided for 200,000 tons of wheat from the Soviet Union, partly payable in Egyptian pounds and partly in cotton and rice. The agreement with eastern Germany was for £E 6 million each way in 1956, that with Romania £E 4.5 million and with Bulgaria £E 1 million in 1956. That with Czechoslovakia signed in July provided for a minimum value of £E 2.5 million each way, but Egyptian exports to Czechoslovakia in the year following the signing of the agreement amounted to £E 21 million.

Payments arrangements in most of these agreements involve collector accounts in Egyptian pounds with the National Bank of Egypt. 30/ The 1955 agreement with mainland China specified that settlements should be made in sterling, but that of 1956, following the nationalization of the Suez Canal, provided that China would make settlements in Swiss francs, while Egypt would settle in Egyptian pounds. Egypt also signed a trilateral agreement with eastern Germany and Syria in October 1956, whereby Egypt would import 100,000 tons of grain costing £E 3 million from Syria, partly on credit and partly paid for by cotton exports valued at £E 1.2 million to eastern Germany, the latter country in turn supplying Syria with an equivalent amount of goods.

Both Lebanon and Syria in late 1955 and in 1956 signed trade agreements with mainland China, the Soviet Union and all the other eastern European countries except Albania. The Lebanese agreements with eastern Europe emphasized exports of citrus and other fruits against machinery and industrial goods, 31/ and the Syrian agreements included exports of cereals, cotton, tobacco, silk fabrics, and other products in exchange for machinery and equipment.

Iran, which in the past has had substantial trade only with the Soviet Union and Czechoslovakia, among the centrally planned economies, signed trade and payments agreements with Poland and Hungary for $10 million and $4.5 million, respectively, in the period under review. The latest annual barter agreement with the Soviet Union provided for exports from each country estimated at $25 million. 32/ Iran's exports in each case consisted of cotton and other agricultural and animal products, as well as ores, and - to the Soviet Union - also fishery products, while its imports were mainly equipment, chemicals, miscellaneous manufactures and sugar. 33/

Israel signed an agreement with Bulgaria, with Hungary, and with Poland, and two with the Soviet Union. 34/ Of the latter two, the first one, signed in November 1955, provided for Soviet deliveries of 350,000 to 400,000 tons of crude and fuel oil against citrus fruits and bananas, while the second, in July 1956, specified petroleum deliveries to the value of about $20 million over the subsequent two years against exports of various Israeli goods and, if these

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30/ National Bank of Egypt, Economic Bulletin, vol. IX, No. 2, 1956.

31/ The latest Lebanese agreement with the Soviet Union provided for an increase in trade from LL 10 million each way in 1956 to LL 15 million in 1957. The agreements with Czechoslovakia and eastern Germany were for LL 8 million and LL 5 million respectively.

32/ United States Department of Commerce, Foreign Commerce Weekly, 7 January 1957. It was also agreed that to import additional Soviet goods, Iran could utilize its deposit established with the State Bank of Moscow during the Second World War. (Keyhan (Tehran), 4 September 1956).

33/ In August 1956 the Iranian Government set up a joint committee of the Ministries of Trade and Foreign Affairs to study ways and means of terminating all its bilateral trade agreements except that with the Soviet Union (Keyhan, 23 August 1956).

34/ The agreements with Bulgaria, Hungary and Poland were for $1.5 million, $2.6 million and $2.6 million, respectively, and were each of one year's duration.

were not sufficient to cover the cost of the petroleum, transfers of such foreign currencies as would be agreed upon by the respective central banks. This agreement was cancelled by the Soviet Union in November 1956.

Turkey's agreement with eastern Germany in the latter half of 1956 provided for exchanges amounting to $26.15 million each way, a considerable increase over the previous level of trade. Yemen also signed trade agreements with eastern Germany and Czechoslovakia.

Another trend in the trade policies of the region has been continued and increasing emphasis upon closer economic ties between the Arab countries. Egypt, Iraq, Jordan, Lebanon and Syria have all ratified the Inter-Arab Trade and Payments Agreement of 1953 and its various extensions and amendments, providing for the mutual abolition of all duties on agricultural products and for preferential treatment for specified industrial products, with tariff reductions of either 25 or 50 per cent. The Governments of Syria and Jordan went further, and in August 1956 signed an agreement providing for establishment of an economic union involving unification of currencies, of tariff rates and of the economic systems of the two countries, together with freedom of movement of persons, capital and goods. This agreement was approved by the Syrian Parliament, and negotiations on its application were started. In 1955 Syria obtained a $10 million interest-free loan from Saudi Arabia, and in 1956 Egypt received a similar loan for $15 million.

Balance of Payments

Data on the balance of payments for some countries of the Middle East in 1954 and 1955 are shown in appendix table L. Column 8 of this table gives the balance on current account. Of the countries shown, all except Turkey and the Sudan experienced an increase in the deficit on current account in 1955, or, as in Iraq, a reduction in the surplus, reflecting in each case a deterioration in the balance on merchandise account.

In Egypt and Jordan, the chief causal factor was the increase in the import surplus. Although donations also were higher, the increase was considerably less than in the volume of imports. The chief additional sources of donations were, for Egypt, grants of agricultural commodities turned over by the United States Government to private United States agencies for distribution and, for Jordan, larger United Kingdom Government grants. In Israel a worsening in the balance on merchandise account was accompanied by a reduction in private and official donations. A major item among the private donations to that State in 1954 was the "consolidation loan", 35/ a special grant used to pay off a number of short-term debts; receipts from it amounted to $56 million in 1954 and $6 million in 1955. United States grants were at a lower level in 1955, but the decrease was offset by larger German reparations and private American donations.

35/ This loan was raised by Jewish organizations in the United States, and is to be repaid by those organizations; from the point of view of the Government of Israel, it is a grant.

In Iran and Iraq, the increase in exports (mainly oil) was outweighed by a combination of greater remittances of profits and interest by the oil companies and increased imports, and in the case of Iran there was also a halving of United States grants in comparison with 1954.

Despite the fact that there was a sharp adverse movement in the Turkish trade balance, the balance on current account improved somewhat in 1955, although it still remained negative. The factors responsible for the improvement were United States offshore purchases and NATO payments for defence infrastructure (included in the table under "other services").

The Sudan had a positive trade balance in 1955, which made possible a reduction in the deficit on current account despite an increase in outgoing payments for miscellaneous services.

Information on the payments position of these countries with respect to the major monetary areas in 1955 is available only for Egypt, where it appears that the main areas responsible for the negative movement in the balance on current account were the United Kingdom, the rest of the sterling area, and western Europe, the important factors in each case being the adverse movement in the balance on merchandise account and a drop in earnings from transport and insurance. The position vis-à-vis the dollar area and eastern Europe was unchanged, while that with the rest of the world showed a very small decline.

Since merchandise trade is the main determinant in the movement of the balance on current account in all countries except Israel and Jordan (and Lebanon, for which no recent balance of payments data are available), the movement of the trade balances with the different payments areas is a rough indication that the dollar deficits of Iraq, Israel, 36/ Lebanon and Turkey 37/ increased, while that of Syria declined slightly. The favourable dollar balance of the Sudan seems to have been much reduced. The position in respect of the United Kingdom appears to have deteriorated in every case except Syria and Turkey, while that with regard to other western European countries worsened everywhere except in the Sudan and Turkey. In respect of the Soviet Union and eastern Europe, the only major change was in Turkey, where a small positive trade balance in 1954 gave place to a sizable deficit in 1955.

Information on capital transactions is limited and unreliable, and there frequently are large items under "errors and omissions". However, one trend which is apparent is a small inflow of private capital into all countries shown in appendix table L. By no means all of this, however, was long-term investment capital. For example, almost all the increase shown for Iran was accounted for by the unsettled surplus of imports over exports on barter merchandise transactions, presumably with the Soviet Union. Fluctuations in private short-term assets and liabilities, representing mainly commercial credits, are responsible for much of the change in Egypt and probably in Turkey.

36/ Taking into account in this instance also the drop in donations from the United States.

37/ Receipts from offshore purchases and NATO payments amounted to $46 million, but it is not known how much of this was in dollars. The trade deficit with the dollar area increased by $49 million.

The sizable drop in Turkish capital inflow was a by-product, and also partly a cause, of the acute foreign payments problem, which made remittance of profits and importing of raw materials difficult, while the volume of existing commercial debt discouraged the extension of further credits.

Data on official and banking capital are also somewhat unreliable, but it may be pointed out that the movements of short-term capital appear to have been more important as balancing factors than was long-term capital in almost all cases, particularly in Egypt and Turkey. Israel, the chief exception, received official United States loans amounting to $25.8 million in 1955, while Turkish repayments of official loans exceeded the amounts drawn. 38/ Egypt drew upon its sterling balances to the amount of £20 million, while during the year ending 20 March 1956 Iran utilized $3.7 million of a line of credit obtained from the United Kingdom and $42 million of a credit from the United States Government.

38/ Drawings on loans amounted to $30.7 million, as follows: United States Foreign Operations Administration and International Cooperation Administration loans, $15.8 million; International Bank for Reconstruction and Development loans, $14.5 million; and Export-Import Bank loans $0.4 million. Repayments to the United States amounted to $14.9 million, to the United Kingdom $11.1 million, to France $6.0 million, to Yugoslavia $1.7 million and to the Soviet Union $0.4 million, making a total of $34.1 million.

Chapter 6

MONETARY AND FISCAL CHANGES AND THE PRICE LEVEL

The monetary and fiscal changes in 1955 and 1956 reflected an expansionary trend that prevailed in almost all countries of the Middle East. There was a rise in the money supply and an increase in the total volume of bank credit. The trend in budget expenditures was upward in all countries of the region and their inflationary impact seemed to have outweighed the deflationary effect of the increase in production and the persistence of the import surplus in 1956. While the factors that contributed to these developments varied from one country to another, they resulted in higher price levels in all countries. These price rises represented a continuation of an upward trend in Israel and Turkey, a change from previously stable levels in Iran and Lebanon and a reversal of a downward trend in Egypt, Iraq and Syria.

Credit Policies

As indicated in table 26, bank credit expanded in most countries of the region during 1955 and 1956. In 1955 and 1956 there was a rise in the volume of credit outstanding to the public and private sectors in all the countries listed. On the whole, the rise in loans, advances and bills discounted for the private sector was moderate, owing to restrictions on bank loans for speculative transactions and non-productive uses. In comparison with the private sector, bank credit to the public sector increased at a higher rate in Egypt, Iraq, Israel and Syria, and at a somewhat lower rate in Iran, Lebanon and Turkey.

At the end of 1956, total bank loans outstanding showed increases over 1955: 37 per cent in Egypt, 36 per cent in Israel, 14 per cent in Turkey, with lower percentages of increase in the other countries. The rise in bank loans to the public sector stemmed from the expansion of government-guaranteed loans to agriculture and industry in some countries and from increased government expenditure on development and defence in most countries.

Expansion of bank loans to agriculture and industry occurred in several countries (see table 27). Compared with 1955, loans for trading activities increased in all countries in 1956. Mortgage and building loans also rose in those countries for which data are available. Part of the increase in loans of these various categories was brought about by government guarantees to private banks, as mentioned above, and by directives to public or semi-public institutions.

In Egypt, credit expanded to finance the higher level of trading activities, particularly in connexion with marketing the cotton crop, and the increased lending to industry and agriculture. Though the size of the cotton crop remained about the same in 1955 and 1956, additional funds were needed in 1956 to finance its marketing on account of the rise in cotton prices. Furthermore, the slow movement of the crop into its marketing channels in the early months of the

Table 26. Bank Credit Outstanding[a] and its Distribution between the Public and Private Sectors, Selected Countries

(Millions of national currency units)

Country, currency and item	1954	1955	1956
Egypt (Egyptian pound):			
Claims on Government	56.0	97.6	172.4
Claims on private sector	161.0	170.5	195.3
Iran (rial):			
Claims on Government	17,060.0	17,320.0	18,820.0[b]
Claims on private sector	8,060.0	9,710.0	10,890.0[b]
Iraq (Iraqi dinar):			
Claims on Government	11.9	16.9	20.5[c]
Claims on private sector	24.8	31.1	31.4[c]
Israel (Israeli pound):			
Claims on Government	168.6	228.8	380.6
Claims on private sector	333.3	386.5	455.3
Lebanon (Lebanese pound):			
Claims on Government . . . .) Claims on private sector . . . .)	425.0[d]	508.0[d]	567.0[d/e]
Syria (Syrian pound):			
Claims on Government	234.0	255.0	300.0[c]
Claims on private sector	421.0	431.0	448.0[c]
Turkey (Turkish lira):[f]			
Claims on Government	1,555.0	2,201.0	2,448.0
Claims on private sector	1,195.0	1,403.0	1,661.0

Source: International Monetary Fund, International Financial Statistics, vol. X, No. 4, (Washington, D.C.), April 1957. Except where otherwise stated, figures include loans made by the Central Bank.

a/ Data refer to end of the year except as noted.

b/ 31 October.

c/ 30 September.

d/ Data refer to advances and discounts by the commercial banks and claims on the Lebanese Government held by the Issue Department of Bank of Syria and Lebanon.

e/ 30 June.

f/ Data refer to Central Bank of Turkey only.

Table 27. Bank Credit Outstanding at Year-end for Selected Economic Activities in Certain Countries

(Millions of national currency units)

Country, currency and year	Agriculture	Industry	Trade	Building
Egypt (Egyptian pound):				
1954	17.4 a/	1.7 b/	127.0	9.8 c/ d/
1955	19.5 a/	2.8 b/	147.5	10.7 c/ d/
1956	17.7 a/	2.9 b/	163.9 c/	...
Israel (Israeli pound):				
1954	95.4	64.4	38.8	21.6
1955	129.7	81.4	38.6	24.4
1956	134.2 e/	84.2 e/	41.0 e/	24.4 e/
Syria (Syrian pound):				
1954	32.4	54.2	291.4	4.6
1955	39.9	55.2	283.2	7.7
Turkey (Turkish lira):				
1954	1,500.4	147.4	2,899.8	338.2 d/
1955	1,547.0	146.6	3,910.9	429.2 d/
1956	1,598.1 f/	153.9 f/	4,096.0 f/	440.1 d/ f/

Source: For Egypt: National Bank of Egypt, Economic Bulletin, vol. IX, No. 2, 1956 (Cairo); Israel: Government Yearbook, 1956 (Jerusalem, 1956); Syria: Bureau of Documents for Syria and Other Arab Countries, Etude sur la Syrie économique, 1955 (Damascus, 1956); Turkey: Central Statistical Office, Monthly Bulletin of Statistics, No. 32, October 1956 (Ankara).

a/ Data refer to the Agricultural and Co-operative Credit Bank only.

b/ Data refer to the Industrial Bank of Egypt.

c/ 31 October.

d/ Mortgage loans only.

e/ 31 March.

f/ 31 August.

1956/57 season (starting September 1956) led to an arrangement between the Ministry of Finance and Economy and a number of local commercial banks in Egypt to advance loans to farmers and merchants against collateral of cotton stocks. In November 1956 the Government issued a law guaranteeing to banks the repayment of these loans by the end of the cotton season. 1/

In 1956 additional funds were made available to the Agricultural and Co-operative Credit Bank and to the Industrial Bank of Egypt to enable them to expand their loans. During the year, the Government raised the amount of guaranteed credit to the Industrial Bank of Egypt from £E 2 million to £E 5 million, and public funds ranging between £E 26 million and £E 28 million - previously put at the provisional disposal of the Agricultural Credit Bank by the Government - became a permanent source of loan funds for the latter bank's lending activity. In addition, the bank was authorized in 1956 to issue bonds guaranteed by the Government. The Government also guaranteed the collection of up to £E 10 million of bills discounted by commercial banks for exporters of cotton to eastern European countries. 2/

In Iran, the central bank, Bank Melli Iran, increased its advances in 1955 and 1956 in order to ease a tight credit situation in the local market and to finance a high level of imports. Its credits to the Government and public bodies remained practically unchanged in 1955 and increased moderately in the latter half of 1956. The Government of Iran had less need to call on it for credits since petroleum revenue had resumed its flow into the Treasury, and the bank restricted its credits to public enterprises except in special cases. 3/ In 1955 a law was passed by the Iranian Parliament setting out the conditions for the establishment and operation of banks, and providing for the appointment of a Bank Supervisory Board to supervise its implementation and to enforce commercial credit policies. This Board began to function in November 1956. 4/ In 1956 the Plan Organization established an Industrial Credit Bank to advance long-term loans at relatively low interest rates to private industries.

In Israel, the Government froze the volume of bank credit at the end of October 1954 and again from August 1955 to early March 1956. The freeze was relaxed in March, and commercial banks were authorized to expand their credits

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1/ On 26 November 1956, the Government issued Law No. 395, which provided for a government guarantee of bank loans covered by cotton from the 1956/57 crop up to 90 per cent of the value of the cotton, calculated on the basis of closing futures prices at Alexandria Cotton Exchange on 30 October 1956. The Government would receive such pledged cotton at the end of August 1957 and reimburse the commercial banks for their loans (National Bank of Egypt, Economic Bulletin, vol. IX, No. 4, 1956).

2/ National Bank of Egypt, Economic Bulletin, vol. IX, No. 2, 1956.

3/ A law ratified by the Iranian Parliament in July 1954 provided that no credits might be granted by Bank Melli Iran to government bodies except for carrying out development projects or for improving industrial production as a whole, and prohibited government banks from advancing any additional loans to municipalities or government enterprises (Bank Melli Iran, Balance Sheet (Tehran), 20 March 1955).

4/ Bank Melli Iran, Balance Sheet, 20 March 1956.

by 3 per cent. In addition, the central bank, Bank of Israel, started rediscount operations in February 1955, and the volume of rediscounted bills had reached £I 21.2 million by the end of June 1956. 5/ The central bank also issued new regulations in May 1956 that allowed commercial banks whose liquidity ratio exceeded the statutory minimum of 15 per cent to use some of their surplus liquidity for granting credit. 6/ Loans to private agricultural and industrial enterprises, financed through the banks from the development budget allocations, also increased in volume in 1955 and 1956. Such loans accounted for a substantial part of the expansion of bank credit to agriculture and industry. As indicated in table 27, more stress was laid upon expansion of credit facilities to agriculture and industry than on loans for building construction and trade.

In Lebanon, the upward trend in the volume of bank loans continued in 1955 and 1956. Though the Bank of Syria and Lebanon did not alter its discount rate, other banks raised their rates of discount on commercial paper from an average of 7 per cent in 1955 to about 8 per cent in 1956, owing to the greater demand for credit during that year. Agricultural, industrial and real estate credit and advances also increased in the latter year. 7/ In Syria, the Monetary and Credit Board raised discount rates on non-agricultural and non-industrial paper in May 1955 with a view to tightening commercial credit, and set a minimum requirement of 15 per cent cash reserves against demand deposits. Consequently, commercial credit declined in 1955, but loans and advances to industry and agriculture rose. In 1956 the volume of loans, advances and discounted bills expanded following the rise in cereal and other exports. 8/

An agreement was reached between the Government and the Bank of Syria and Lebanon putting an end, as from 31 July 1956, to that bank's monopoly of the note issue in Syria against receipt of an annual indemnity of £S 300,000 for the remaining period of its charter. The Central Bank of Syria was officially inaugurated at the beginning of August 1956. Its capital was fixed at £S 10 million, subscribed entirely by the Government of Syria, which entrusts the bank with the administration of exchange control and the implementation of payments agreements, along with regulation of note issues and custody of government deposits. However, the monetary and credit policy of the Central Bank, as well as control of the commercial banks, remain the responsibility of

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5/ The rediscount rate was 8.5 per cent, of which 6 per cent was retained by the Bank of Israel.

6/ At the end of 1955 actual deposits of the commercial banks with the Bank of Israel exceeded the statutory minimum by £I 40.6 million (Government Yearbook, 1956 (Jerusalem, 1956), pages 401-404).

7/ For example, the Agricultural and Real Estate Bank got advances and loans from the Bank of Syria and Lebanon totalling LL 13 million in 1956 to meet the increased demand for credit in these fields. Total loans between June 1955 and the end of August 1956 amounted to LL 13.6 million of which LL 6.8 million was for agriculture, LL 4.5 million for industry and the balance for building loans (Le Commerce du Levant (Beirut), 26 September 1956).

8/ Bills discounted, loans and advances totalled LS 428.7 million at the end of July 1955 and increased to LS 459.5 million by the corresponding date in 1956 (Directorate of Statistics, General Monthly Bulletin of Current Statistics (Damascus), November/December 1956).

the Monetary and Credit Board. Two important changes were introduced into the system of agricultural credit. The first was an increase of LS 20 million in the capital of the Agricultural Bank. The second was the enactment of a law providing for allocation to it of 6 per cent of the proceeds of the tax on agricultural produce for repayment of the loans granted to it by the Issue Department and for an increase in its capital eventually to LS 100 million. The increase in available funds made possible the extension of a larger volume of credit to farmers at lower rates. 9/

Greater interest was shown in the expansion of joint banking activities among the Arab countries of the region. In October 1956 the Arab League concluded preparatory work on statutes for an Arab Reconstruction Bank with a capital of £20 million, to be raised from the member countries in the same proportion as their contributions to the Arab League. Arrangements were made during the year between the Jordan Government and the Iraqi State-owned industrial and agricultural banks for establishment of branches of these banks in Amman to facilitate transfer of funds from Iraq for investment in Jordan. 10/

In Turkey, the Central Bank raised its discount rate from 3 per cent to 4.5 per cent, effective 28 June 1955 and raised it further to 6 per cent in June 1956, in an effort to check credit expansion, but this probably did not effect the demand for money greatly, since the effective rate was then about 10 per cent or even higher. Bank loans to public enterprises were checked, and stress was laid on financing these enterprises from their own resources. A Committee for the Supervision of Bank Credit was organized, which emphasized the need to avoid further expansion of agricultural and commercial credit. In consequence, the Government in June 1956 set a ceiling on the volume of bank loans equivalent to the average volume of credit extended in the previous three-year period (mid-1953 to mid-1956). 11/

A decree issued in September 1956 stipulated that each bank may increase its loans in any given month by up to 20 per cent of the average volume of loans for the corresponding month during the preceding three years. In addition, each bank may exceed such ceiling by the full amount of any increase in its capital and reserves and by 50 per cent of the rise in savings deposits. The maximum limit of credit extension by new banks is to be determined by the authorities. 12/

Budgets

The published budgets for the countries of the region do not give complete information on the cash operations of the Governments and do not always show total receipts and expenditures and how they are balanced. Frequently these budgets are accounting documents of limited significance for economic analysis and in many cases largely estimates covering the receipts and expenditures of the central government only. Municipalities, provincial administrations and other public bodies usually have separate budgets of their own, but information concerning

9/ Law No. 79, May 1955, Official Gazette, No. 27 (Damascus, 1955).

10/ Iraq Times (Baghdad), 22 March 1956.

11/ However, the Committee for the Supervision of Bank Credit was authorized to extend this limit in special cases.

12/ Turkish Information Office, News from Turkey (New York), 20 September 1956.

them is scanty. In addition, in some countries, a number of public enterprises have autonomous or annexed budgets with sizable extra-budgetary receipts and expenditures. However, the general and development budgets together represent normally the major part of public accounts although they do not give a complete picture of the fiscal situation.

Table 28 summarizes the available information on the ordinary budgets. The figures are of limited usefulness for comparison since some countries include expenditures on development and others exclude them. They indicate, however, that estimated expenditures and receipts increased in several countries in the years 1955, 1956 and 1957, and that estimated expenditures exceeded total anticipated ordinary budget receipts in most countries. From other sources it is known that the two were brought into balance by resort to public loans, drawing on reserve funds or on foreign assistance.

The estimates of the general budget for Egypt anticipated small surpluses of ordinary receipts over expenditures in 1956 and 1957, and the provisional closed accounts of the ordinary budget of Lebanon indicate a continued surplus of receipts over expenditures in 1955 and 1956, though the budget estimates for these two years anticipated deficit spending. The ordinary budget estimates for Iran, Iraq and Jordan and the integrated budget of Israel anticipated continued deficits in the years under review.

In addition to ordinary budgets, Egypt, Iran, Iraq, Jordan and Syria had special development budgets and Israel had an ordinary and a development budget integrated in one financial account. The main source for revenue of the development budgets in Iran and Iraq is a certain percentage of petroleum revenue (70 per cent of petroleum revenue in Iraq and 60 to 80 per cent in Iran); in Israel and Jordan it is mainly foreign sources and in Egypt and Syria internal loans and some allocations from the ordinary budget.

Table 28. Summary of Budget Accounts,[a] by Country
(Millions of national currency units)

Country, currency and year	Expenditures	Receipts	Balance
Egypt (Egyptian pound):[b]			
1954/55	195.1	190.7	-4.3
1955/56	208.8	211.0	2.1
1956/57	250.0	252.3	2.3
Iran (rial):[c]			
1954/55	17,943	10,848	-7,095
1955/56	14,844	11,987	-2,857
1956/57	19,865	15,704	-4,161
Iraq (Iraqi dinar):[d]			
1954/55	53.8	52.2	-1.6
1955/56	51.5	51.0	-0.5
1956/57	64.0	61.7	-2.3
Israel (Israeli pound):[e]			
1954/55	511.8[f]	335.5[f]	-176.3[f]
1955/56	662.6[g]	424.4[g]	-238.2[g]
1956/57	636.6	468.3	-168.3
Jordan (Jordan dinar):[h]			
1954/55	17.8	5.9	-11.8
1955/56	17.9	6.7	-11.2
1956/57	23.0	8.0	-15.0
Lebanon (Lebanese pound):[i]			
1955	132.4[g]	179.0[g]	46.6[g]
1956	145.0[g]	190.0[g]	45.0[g]
1957	169.5	169.8	0.3
Syria (Syrian pound):[i]			
1955	260.6	279.7	19.1
1956	324.1	312.8	-11.2
1957	390.0	390.0	-
Turkey (Turkish lira):[j]			
1954/55	2,654.0[f]	2,203.7[f]	-450.4[f]
1955/56	2,976.1	2,976.1	-
1956/57	3,325.0	3,325.0	-

Source: United Nations, Statistical Yearbook, 1956; Iraq: Ministry of Finance, Budget Bill, 1956-1957 (Baghdad); Jordan: Le Commerce du Levant, 30 May 1956; Lebanon: Le Commerce du Levant, 9 February 1957; Syria: Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et le marché syriens, No. 67, March 1956 and No. 79, March 1957 (Damascus).

a/ Estimates of ordinary budget accounts except as noted.

b/ Years ending 30 June. Estimates exclude development budget of the National Production Council and the land reform budget; receipts exclude transfers from the reserve fund.

c/ Years ending 20 March; draft estimates for 1955; including ordinary and development budgets combined.

d/ Years ending 30 April; including ordinary and capital budgets combined.

e/ Years ending 31 March; expenditures include development outlay; receipts exclude receipts for development budget from United States aid, German reparations, and others.

f/ Closed accounts.

g/ Provisional closed accounts.

h/ Years ending 31 March; expenditures include regular, military and development budgets; receipts exclude grants and loans from abroad.

i/ Years ending 31 December; receipts exclude transfers from reserve funds.

j/ Years ending 28 February; excluding annexed budgets; including transfers to State enterprises.

Receipts

Estimates of total ordinary receipts continued to increase in all the countries of the area (see table 29). Customs duties, excise and other forms of indirect taxes constituted the chief source of revenue in all countries. In Israel and Turkey direct taxes on income and wealth, including inheritance taxes, formed a much greater proportion of total revenue from taxation than in the other countries of the region. In 1954/55 income and inheritance taxes furnished 42.3 per cent of tax revenue in Israel, 30.7 per cent in Turkey, 16 per cent in Lebanon, 14.6 per cent in Egypt and a smaller percentage in the other countries. Budget estimates for the year 1955/56 anticipated greater receipts from direct taxes on income and wealth in all countries except Iraq and Jordan. 13/ This was probably true also of 1956/57 due to improved tax collections and anticipated higher incomes. In Iraq, the main reason for smaller estimated revenue from that source in 1955/56 was the amendment of the income tax law, which raised the exemption limit and reduced the rates on personal incomes not exceeding ID 1,500 a year. 14/

There have been few changes in the structure of taxation. Budget estimates anticipated a steady increase in receipts from customs duties, excises and other indirect taxes in most countries. However, the share of these taxes in total tax receipts was expected to decline in 1956/57 in Egypt, Israel, Lebanon and Turkey, 15/ as a result of lower imports or lower taxable imports and larger yields from income taxes, inheritance taxes and land and building taxes. In Iran higher ad valorem rates of customs duties and excises resulted from the valuation of imports at the effective exchange rate (76.5 rials per United States dollar) in place of the previously applied official rate (32.5 rials per dollar), in order to derive greater revenue from that source. 16/

Available data regarding estimated receipts from land taxes, registration fees and stamp duties indicate that revenue from these sources tended to increase in 1955/56 and 1956/57 in Egypt, Israel and Lebanon on account of higher rates

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13/ The general income tax does not apply to agricultural income in Turkey and in the Arab countries apart from Egypt (although Lebanon and Jordan have separate agricultural taxes of a progressive type). There is no inheritance tax in Iraq and Jordan, and inheritance tax rates are low in the other countries (United Nations Relief and Works Agency for Palestine Refugees, "Government Budgets of Middle East Countries", Quarterly Bulletin of Economic Development, No. 13, 1956 (Beirut)).

14/ National Bank of Iraq, Annual Report (Baghdad, 1957).

15/ According to the budget estimates, the relative share of receipts from customs and other indirect taxes was to decline in 1956/57 (as compared with 1955/56) from 73.4 per cent to 69.4 per cent in Egypt, from 56.7 per cent to 55.0 per cent in Israel, from 67.3 per cent to 65.0 per cent in Lebanon, and from 69.3 per cent to 67.9 per cent in Turkey. In the latter, taxes on transactions are included in the calculation of indirect taxes as percentage of total receipts from taxation.

16/ Bank Melli Iran, Balance Sheet, 20 March 1956 (Tehran, 1956).

Table 29. Estimated Budget Receipts, by Country

(Millions of national currency units)

Country, currency and item	1955	1956	1957
Egypt (Egyptian pound): a/			
Income taxes	18.25	19.50	24.50
Inheritance and real estate taxes	22.11	22.14	26.16
Customs and other indirect taxes	105.75	114.68	115.01
Other receipts b/	44.63	54.66	86.58
Total	190.74	210.98	252.25
Iran (rial): c/			
Direct taxes on income and wealth	948.00	1,287.00	1,370.00
Customs and other indirect taxes	6,116.00	9,213.00	10,067.00
Oil revenue d/	2,476.00	-	3,025.00
Other receipts	1,308.00	1,487.00	1,242.00
Total	10,848.00	11,987.00	15,704.00
Iraq (Iraqi dinar): e/			
Direct tax on income and wealth	2.55	2.41	2.66
Taxes on land and produce	3.29	3.07	3.37
Customs and other indirect taxes	20.16	21.20	23.20
Oil revenue d/	17.12	18.13	22.84
Other receipts	4.64	6.16	9.60
Total	47.76	50.97	61.67
Israel (Israeli pound): f/			
Direct taxes on income and wealth	121.71	153.62	181.00
Property taxes	3.23	3.14	4.00
Customs and other indirect taxes	159.93	205.74	229.80
Capital and other receipts	50.67	61.91	53.50
Total	335.54	424.40	468.30
Jordan (Jordan dinar): f/			
Direct taxes on income and wealth	0.84	0.73	...
Indirect taxes	2.67	3.62	...
Fees	0.64	0.92	...
Other receipts	1.78	1.39	...
Total g/	5.93	6.66	8.00
Lebanon (Lebanese pound): h/			
Direct taxes on income and wealth	19.50	26.00	30.50
Land taxes, registration duties, etc.	14.49	16.50	20.50
Customs and other indirect taxes	87.35	87.44	94.50
Other receipts	16.16	21.69	24.00
Total	137.60	151.50	169.50
Syria (Syrian pound): h/			
Direct taxes on income and wealth	35.32)	67.57	...
Taxes on land, animals and produce	30.86)		
Taxes on property transfers	30.11	29.53	34.90
Customs and other indirect taxes	135.05	136.40	156.00
Other receipts i/	48.33	79.31	99.67
Total	279.67	312.81	390.00
Turkey (Turkish lira): j/			
Income tax	651.90	755.00	942.00
Transaction taxes	426.10	510.00	635.00
Customs and other indirect taxes	1,045.30)	1,711.10	(1,359.20
Other receipts	80.40)		(388.80
Total	2,203.70	2,976.10	3,325.00

Source: United Nations, Statistical Yearbook 1956; Iraq: Ministry of Economics, Directorate of Statistics, Statistical Abstract, 1955 (Baghdad, 1956); Jordan: 1957 figures from Le Commerce du Levant, 30 May 1956; Lebanon: 1957 figures from Le Commerce du Levant, 9 February 1957; Syria: Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et le marché syriens, No. 67, March 1956 and No. 79, March 1957.

a/ Twelve months ending 30 June of year stated.
b/ Excluding transfers from the reserve fund and including net receipts of public undertakings.
c/ Twelve months ending 20 March of year stated.
d/ Refers to that part of oil revenues which is allocated to the general budget.
e/ Twelve months ending 30 April of year stated.
f/ Twelve months ending 31 March of year stated.
g/ Excluding grants from abroad such as military grants from United Kingdom and Arab League countries, foreign loans and grants-in-aid.
h/ Calendar year.
i/ Excluding exceptional receipts from Department of Issue.
j/ Twelve months ending 28 February of year stated.

imposed in recent years. 17/ In Turkey, estimated receipts from taxes on transactions increased in consequence of the growth of business and industrial activities, constituting 46.3 per cent of estimated total receipts from taxation in the 1956/57 budget.

In addition to tax receipts, the general budget accounts include substantial amounts of non-tax revenue in all countries. The pattern and magnitude of government receipts from these sources varies considerably from one country to another. Net receipts of government undertakings, including industrial, commercial and financial operations, constitute an important source of revenue in a number. Estimated revenue from this source has risen considerably in the last few years, especially in Egypt, Iran and Israel (where these receipts are incorporated in the general budget) and also in Turkey, where an important part of the government-owned enterprises operate under annexed budgets. Receipts from telephone, telegraph and postal systems have tended to increase in recent years and have gained in importance as a source of budget revenue in all countries except Syria. 18/ Oil receipts are of some significance in Jordan, Lebanon and Syria, but represent a major source of revenue for Iran, Iraq and Saudi Arabia. 19/ Capital receipts, mainly repayment to the Government of loans previously extended to agriculture and industry, though constituting a revenue item in the budgets of most countries, have been of significant magnitude only in Israel.

During the years under review, there have been some changes in the structure of taxation. In Iran, an income tax law was enacted in April 1956, specifying tax rates on income from different sources and, in addition, imposing progressive rates of taxes on global net incomes exceeding 700,000 rials. These progressive rates range from 6 per cent on incomes up to 1 million rials to 50 per cent on incomes over 3 million rials. 20/

In Iraq, the income tax law was amended in 1956, reducing the rates on personal incomes up to 1,500 Iraqi dinars, raising the level of tax-exempt income and increasing credits for dependents. Rates were lowered from 4 per cent to 2 per cent on incomes up to 500 dinars, and from 8 per cent to 5 per cent on incomes between 1,001 and 1,500 dinars. In Egypt, Israel and Syria, a defence tax was imposed in 1956 to meet the increase in public expenditures on defence. In Egypt, the defence tax comprises a given percentage of the assessed rental values of land (3.5 per cent) and of buildings (2.5 per cent) and 3.5 per cent of the net annual income from industrial, commercial and financial activities. The rate of tax on salaries and wages amounts to 1 per cent on incomes up to £E 500 and 2 per cent on higher incomes. The defence tax is applied to global

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17/ The tax rate on buildings was increased from 8 to 10 per cent of the rental charges in Egypt where also an additional defence tax was imposed on land and buildings starting in 1956/57. In Israel, property tax rates have been increased in the past two years. In Lebanon, the tax on land was replaced in January 1955 by a system based upon productivity and progressive tax rates.

18/ Since 1947 the Directorate of Posts, Telegraph and Telephone in Syria has had an independent budget, not included in the general budget of the Government.

19/ See chapter 4.

20/ Bank Melli Iran, Bulletin, No. 172, July 1956 (Tehran), pages 270-284.

incomes at progressive rates (2 per cent on incomes not exceeding £E 3,000 and gradually increasing to 10 per cent on incomes exceeding £E 30,000).

In Israel, the defence tax is derived from various increases in rates of taxes on gasoline, bus and taxi fares, a tax on travel abroad, special levies on postal and telephone services and on private cars as well as a general rise in stamp duties.

The income tax law in Turkey was amended to exempt craftsmen and small traders from income tax liability. The transaction tax was amended to exempt manufacturing industries from the tax and to raise the rates applied to various financial and commercial transactions.

Expenditures

Current expenditures 21/ - as distinguished in this section from capital outlays in the ordinary budgets and from development expenditures in development budgets - are shown in table 30. Estimated current expenditures increased substantially in 1955 and 1956 in all countries, and in 1957 the increase was accelerated in several. Expenditures on economic activities, health, education and other welfare services were generally higher, the rise being partly due to expansion and improvement of these services and partly to higher wage and salary costs. However, the greatest increase in current expenditures in almost all countries was on defence.

During 1955/56 and 1956/57 budget allocations for cost-of-living subsidies continued in Egypt, Iraq and Israel. They gained in importance in Israel, where they were used to limit the rise in food prices. 22/ In Egypt, on the other hand, allocations for food subsidies were drastically cut down in 1955 and 1956 compared with previous years as the cost-of-living index tended to decline or remain fairly stable until mid-1956. Allocations for food subsidies increased somewhat in the budget estimates for 1957. 23/

21/ In Egypt, Iran, Iraq, Lebanon and Syria these include all expenditures on administration, internal security and defence as well as on economic and social services not included in the extraordinary budgets for development, and in Israel they include development expenditures in the integrated budget.

22/ Allocations for food subsidies in the Israeli budget increased from £I 9.97 million in 1954/55 to £I 29.33 million in 1955/56 and £I 40 million in 1956/57 (fiscal years ending 31 March).

23/ Allocations in the Egyptian budget for cost-of-living subsidies declined from £E 6.3 million in 1953/54 to £E 1.73 million in 1954/55 but rose moderately to £E 1.92 million and £E 3 million in 1955/56 and 1956/57 (United Nations, Statistical Yearbook, 1956).

Table 30. Current Expenditures in General Budgets, by Country

(Millions of national currency units)

Country and currency	1955	1956	1957
Egypt (Egyptian pound)[a]	175.2	187.0	221.2
Iran (rial)[b]	15,093.0[c]	11,634.0	16,155.0
Iraq (Iraqi dinar)[d]	53.8[e]	51.5	64.0
Israel (Israeli pound)[f]	301.0[e]	387.0[g]	419.8
Jordan (Jordan dinar)[h]	14.3	14.7	...
Lebanon (Lebanese pound)[i]	111.2	124.1	136.5
Syria (Syrian pound)[j]	237.5	307.8	376.2
Turkey (Turkish lira)[k]	2,059.0[e]	2,098.7	2,369.7

Source: United Nations, Statistical Yearbook, 1956 (sales number: 1956.XVII.5); Lebanon: Le Commerce du Levant, 9 February 1957; Syria: Bureau of Documents for Syria and Other Arab Countries, Etude sur la Syrie économique, 1955.

a/ Years ending 30 June; total expenditures in general budget, excluding credits to production development budget and expenditures on new works; defence appropriations included.

b/ Years ending 20 March; total expenditures in the general budget excluding outlays of the Plan Organization.

c/ Draft estimates submitted to Parliament.

d/ Years ending 30 April; total expenditures in the ordinary budget.

e/ Actual expenditures.

f/ Years ending 31 March; total expenditure in the integrated budget of the Central Government, excluding development outlays.

g/ Preliminary total of actual expenditures.

h/ Years ending 31 March; total expenditures excluding capital works and development allocations.

i/ Years ending 31 December; total expenditures excluding capital works and development outlays.

j/ Years ending 31 December; total expenditure in the general budget, excluding public works.

k/ Years ending 28 February; current expenditures in general budget and annexed budgets.

Estimated expenditures on servicing the public debt increased in 1956 and 1957 in Egypt, Israel, Syria and Turkey, the only countries for which data are available. 24/

Capital outlays and development expenditures increased in most countries in 1955, and allocations for development in the budget estimates for 1956 and 1957 appear to be greater than in 1955 in most countries for which data are available (see table 31). The increase was steady and generally moderate in Iran, Iraq, Lebanon and Turkey. In Egypt and Israel, however, projected expenditures for development in 1957 was less than in 1956. In Egypt, this was due in part to the transfer of some economic developments to the 1957 ordinary budget in order to meet part of the expenditure from ordinary receipts and thus reduce its dependence on loans for financing capital expenditures. 25/ In Israel capital expenditures, after rising substantially in 1956, were curtailed in 1957 to avoid inflation. 26/

In Iran and Iraq scheduled expenditures on development increased as receipts from petroleum increased. In addition, in 1956/57 the Plan Organization in Iran concluded an agreement with the International Bank for Reconstruction and Development for a loan of $75 million to be allotted to development projects. 27/

24/ Interest payments on the public debt were estimated as follows: for Egypt, £E 4.5 million in 1956 and £E 5.4 million in 1957; for Israel, £I 29.6 million in 1956 and £I 40 million in 1957; for Turkey, LT 267.2 million and LT 292.8 million respectively (United Nations, Statistical Yearbook, 1956). In Syria, estimated expenditure for debt service amounted to LS 20.7 million in 1954, LS 29 million in 1955 and LS 44.7 million in 1956 (Bureau of Documents for Syria and Other Arab Countries, Etude sur la Syrie économique, 1955, annex 39).

25/ In the meantime, projects of the Social Services Council were transferred to the relevant government departments since current expenditures on welfare services require a continuous source of income while the proceeds of sales of confiscated properties of the former royal family, with which proceeds these projects were begun, are not a recurrent source (Ministry of Finance and Economy, Budget Message for 1956-1957 Fiscal Year (Cairo, 1956)).

26/ Government Yearbook, 1956.

27/ According to the loan agreement, which was ratified by the Iranian Parliament, the Plan Organization is pledged to spend no more than the equivalent of $70 million from August 1956 to 20 March 1957, $65 million from the latter date to September 1957 and $70 million from then to 20 March 1958. The reduction in spending would reduce the anticipated deficit over these three years by about $80 million (from $220 million to $140 million) (Ettelaat (Tehran), 31 December 1956).

Table 31. Budgeted Development Expenditures,[a] by Country
(Millions of national currency units)

Country, currency and item	1955	1956	1957
Egypt (Egyptian pound):			
Capital works	19.9	21.6	28.7
National Production Council	42.9	54.2	45.7
Public Services Council	16.4	22.7	-
Iran (rial):			
Plan Organization	2,850[b]	3,210[b]	3,710
Iraq (Iraqi dinar):			
Development Board	46.6[b]	61.0	75.0
Israel (Israeli pound):			
Development expenditures in integrated budget	210.8[b]	275.6[c]	216.8
Jordan (Jordan dinar):			
Capital works and development expenditures	3.5	3.2	...
Lebanon (Lebanese pound):			
Capital works	22.6[b]	27.4)	39.0
Development expenditures	14.2	8.3)	
Syria (Syrian pound):			
Capital works	23.1	16.3	14.8
Development expenditures	9.6	3.9	39.1
Turkey (Turkish lira):			
Capital outlays in the general budget . .	595.1[b]	877.4[b]	955.3

Source: United Nations, Statistical Yearbook, 1956; Iran: Plan Organization, Weekly Bulletin (Tehran); Iraq: National Bank of Iraq, Annual Report, January-December 1955; Lebanon: Le Commerce du Levant, 9 February 1957; Syria: Bureau of Documents for Syria and Other Arab Countries, Etude sur la Syrie économique, 1955; Etude mensuelle sur l'économie et le marché syriens, No. 79, 25 March 1957. Fiscal years as given in table 30.

a/ Including capital works expenditure in the ordinary budget.

b/ Actual expenditure.

c/ Estimated actual expenditure.

Balance of Receipts and Expenditures

Table 28 shows the balance between estimated expenditures and receipts in the integrated budget of Israel and in the general budgets of other countries. It should be recalled, however, that in most countries the figures exclude the special development budgets. It appears that a surplus of receipts above expenditures was expected in the general budget of Egypt and in that of Lebanon in fiscal years 1956 and 1957 and that ordinary receipts were expected to cover expenditures in Turkey. On the other hand, estimated expenditures ran ahead of ordinary budget receipts in Iran, Israel, Jordan and Syria in 1956, and it was anticipated that the deficit would continue in the following year, though it would be somewhat smaller in Iran and Israel. 28/ In Syria, however, ordinary receipts were expected to cover expenditures in 1957.

The means used to cover the estimated deficits varied from country to country, and included transfers from Treasury reserve funds, drawings on foreign aid, flotation of government bonds and borrowing from the central banking authority.

Expenditures on development were to be financed in almost all countries through extraordinary budget receipts. In Egypt, development outlays have been to a great extent dependent on government borrowing and only in part covered from the ordinary budget. Two flotations of development bonds amounting to £E 25 million each took place, one in December 1954 and the other in March 1956. In addition, as already noted, development expenditures on social welfare projects were at first financed mainly from the proceeds of sales of confiscated properties 29/ of the former royal family. Revenue from this source and expenditures on social welfare projects were integrated into the ordinary budget in 1956/57. In addition, government borrowing from the National Bank of Egypt increased in 1956 and 1957 to meet the rise in development expenditure. 30/

28/ This is attributed on the revenue side to increased tax collections in both countries and a rise in oil revenue in Iran, and on the expenditure side to more moderate increases in total expenditures in Iran and a decline in estimated development expenditures in Israel in 1957.

29/ The total value of these was estimated at about £E 50 million, of which approximately £E 40 million consist of land to be distributed to small cultivators on a thirty-year payment schedule.

30/ Law No. 242 of May 1955 authorized the Minister of Finance to issue up to £E 150 million of tax-exempt Treasury bills, the limit to be raised to £E 200 million upon the approval of the Council of Ministers. Of the total, £E 40 million would be earmarked to finance the marketing of cotton and the balance for short-term financing of economic development projects. The amount of Treasury bills - excluding those used as cover for bank-note issues - increased from £E 71 million on 31 December 1955 to £E 97 million by 30 June 1956 and to £E 136 million by 30 November 1956 (National Bank of Egypt, Economic Bulletin, vol. IX, Nos. 3, 4, 1956 (Cairo)).

In Iran, deficits in the general budgets for 1956 and 1957 were to be covered by United States financial aid and loans from Bank Melli Iran and other sources. 31/

In Iraq, where development expenditures were financed exclusively from petroleum revenue, actual disbursements in 1955/56 and 1956/57 have lagged behind budgeted expenditures, producing in effect a sizable accumulation of surplus since 1952. In the meantime, the deficits in the general budgets have been covered by accumulated reserves from the budgets of previous years. 32/

In Israel, current expenditures in the integrated budget were largely covered from ordinary receipts. On the other hand, development expenditures were financed almost exclusively from extraordinary revenues, mainly German reparations and United States Government aid. Receipts from the latter two sources, which totalled £I 94.7 million in 1954, amounted to £I 182.0 million in 1955 and £I 173.4 million in 1956. For the fiscal year 1957, however, they have been estimated at £I 144 million, divided equally between German reparations and United States Government aid. The second largest source of revenue for development has been the Independence and Development Loans, which together yielded £I 32.0 million in 1954, £I 51.7 million in 1955 and £I 51.9 million in 1956. In addition, funds were borrowed from the Insurance and Pension Funds for development purposes.

In Jordan, the ordinary receipts of the general budget were insufficient to cover the total of current and development expenditures, and the former have been supplemented by official grants, mainly from the United Kingdom and more recently from Arab League countries, as well as from the United Nations Relief and Works Agency and Expanded Technical Assistance Programme and United States assistance funds. The total of such grants was estimated at JD 9.06 million in 1955, JD 8.70 million in 1956 and JD 11.2 million in 1957. The greater part of these grants has been earmarked for defence expenditures. United States aid in 1955 amounted to $5 million and in 1956 the same. Expenditures of the Development Board were financed entirely through British loans.

In Lebanon and Syria, expenditures of the general budget were covered by ordinary receipts and, in the latter country to some extent by withdrawals from the reserve fund. The estimated total of current expenditures in Lebanon was

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31/ Total claims on the Government of Iran and public bodies, including the Plan Organization, were 17.32 billion rials at the end of 1955 and 17.82 billion rials at the end of November 1956 (International Monetary Fund, International Financial Statistics, March 1957). United States financial assistance to that country amounted to $325 million in the period March 1953 to March 1957. For the fiscal year beginning 21 March 1957, the sum of $52.5 million has been allocated for the same purpose: $23 million in the form of a loan and the balance in grants and in the form of technical assistance. These sums exclude approximately $100 million of military assistance allocated during the five-year period, 21 March 1953 to 20 March 1958 (Ettalaat, 31 December 1956).

32/ The Iraqi Minister of Finance declared on 21 February 1957 that the deficits in the budget estimates for 1955, 1956 and 1957 were covered from a surplus of ID 18.5 million accumulated in previous years (Iraq Times, 22 February 1957).

below total receipts owing mainly to the increase in customs revenues and other indirect taxes. Net additions to the reserve funds continued. 33/ Most of the larger capital works have been financed through the Development Works Fund (created in April 1944), which is financed from the reserve fund. 34/ Apart from the loan of $27 million from the International Bank for Reconstruction and Development for the Litani project in 1955, the public debt of Lebanon is small and internal.

In Syria, the increase in revenue from petroleum transit 35/ and from customs duties and other indirect taxes apparently were expected to cover the increased ordinary expenditures in 1955 and 1956. The bulk of expenditures on development, however, were to be financed from drawings on the reserve fund, in addition to borrowing from the central bank and other sources.

Available figures on receipts and expenditures of the general budget of Turkey indicate that deficits were minor in 1955 and 1956, and were covered partly by flotation of loans and partly by United States aid. Total direct aid from the United States Government rose from $76 million in 1954 to $100 million in 1955 (years ending 30 June) and increased further in the following year. 36/

The Money Supply

Money supply increased in 1955, as compared with 1954, in all countries included in table 32 except Syria. Increases took place in all countries in 1956. The annual rates of change in the money supply in the individual countries were different (see table 33) but were greatest in Iran, Israel, Syria and Turkey.

Money in circulation increased proportionately more than deposits in 1956 in Egypt, Israel, Lebanon and Syria. Total gold and foreign exchange holdings of official and banking institutions declined appreciably in 1956, especially

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33/ Actual expenditures in the ordinary budget of Lebanon are estimated at LL 111.2 million, LL 134.2 million and LL 145.0 million in the years 1954, 1955 and 1956, respectively - below budget estimates. On the other hand, total estimated receipts were LL 157.5 million, LL 179.0 million and LL 190.0 million in the same years. In consequence, additions to the reserve funds were estimated at LL 46.3 million in 1954, LL 47.0 million in 1955 and LL 45.0 million in 1956 (Le Commerce du Levant, 9 February 1957).

34/ The gross balance of the reserve fund amounted to LL 178 million on 31 December 1954, but the unencumbered balance amounted to only LL 38 million on 31 December 1955 (United Nations Relief and Works Agency, Quarterly Bulletin of Economic Development, No. 13, 1956).

35/ See chapter 4. Actual receipts from customs duties alone, amounting to LS 65.6 million in 1955 and LS 68.2 million in 1956, were well above budget estimates (Bureau of Documents for Syria and Other Arab Countries, Etude mensuelle sur l'économie et le marché syriens, No. 77, 25 January 1957).

36/ Central Bank of the Republic of Turkey, Monthly Bulletin, vol. IV, No. 10, October 1956 (Ankara), and Turkish Information Office, News from Turkey, 15 November 1956.

Table 32. Money Supply,[a] by Country
(Millions of national currency units)

Country and item	1954	1955	1955 October	1956 October
Egypt (Egyptian pound):				
Currency	188.8	185.7	180.0	206.0
Deposit money	170.0	183.0	170.0	184.0
Total	358.8	368.7	350.0	390.0
Iran (rial):				
Currency	9,570.0	9,720.0	9,630.0	10,540.0
Deposit money	8,940.0	10,500.0	9,760.0	12,400.0
Total	18,510.0	20,220.0	19,390.0	22,940.0
Iraq (Iraqi dinar):				
Currency	41.2	43.2	43.6	46.1[b]
Deposit money	20.0	21.9	21.6	24.1[b]
Total	61.2	65.1	65.2	70.2[b]
Israel (Israeli pound):				
Currency	146.6	172.5	173.3	226.7
Deposit money	201.9	247.2	240.3	264.9
Total	348.5	419.7	413.6	491.6
Lebanon (Lebanese pound):[c]				
Currency	246.0	271.0	270.0	308.0
Deposit money	362.0	444.0	442.0	467.0
Total	608.0	715.0	712.0	775.0
Syria (Syrian pound):				
Currency	335.0	316.0	...	...
Deposit money	100.0	105.0	...[b]	...[b]
Total	435.0	421.0	400.0	499.0
Turkey (Turkish lira):				
Currency	1,321.0	1,820.0	1,963.0	2,134.7[d]
Deposit money	2,548.0	3,062.0	3,011.6	3,590.8[d]
Total	3,869.0	4,882.0	4,974.6	5,725.5[d]

Source: International Monetary Fund, International Financial Statistics, April 1957; United Nations, Monthly Bulletin of Statistics, April 1957; Turkey: Central Statistical Office, Monthly Bulletin of Statistics, Nos. 30-32, 1956.

a/ At end of period stated.

b/ End of September.

c/ Including currency holdings of banks and inter-bank deposits.

d/ End of August.

during the second half of the year, in Egypt, Israel and Syria. 37/ On the other hand, in Iran, Iraq, Lebanon and Turkey, such holdings rose and thereby contributed to the expansion in the supply of money.

Increased government borrowing from the central bank contributed to the rise in means of payment in several countries. This was particularly apparent in Egypt, Israel and Syria, where the increase in Treasury bills discounted with the central banks paralleled the rise in note issues.

Table 33. Changes in Money Supply,[a/] by Country

(Percentage change from preceding year)

Country	1953	1954	1955	1 October 1955 to 30 September 1956
Egypt	-3	-3	3	9
Iran	23	2	9	20
Iraq	17	21	6	8
Israel	20	9	20	17
Lebanon	5	13	17	10
Syria	18	25	-3	18
Turkey	25	9	26	18[b/]

Source: International Monetary Fund, International Financial Statistics, April 1957; Turkey: Central Statistical Office, Monthly Bulletin of Statistics, No. 32, October 1956.

a/ Based on figures for end of year, except as stated.

b/ 1 September 1955 to 31 August 1956.

37/ Total holdings of gold and foreign exchange by all banks in Egypt declined from the equivalent of $671 million on 31 December 1955 to $594 million on the corresponding date in 1956; in Syria, they declined from $68 million at the end of 1955 to $64 million on 30 September 1956. In Israel, holdings of foreign exchange by the Bank of Israel and the commercial banks increased from $84.8 million at the end of 1955 to $103.4 million on 30 June 1956, but declined to $82.8 million by the end of 1956 (International Monetary Fund, International Financial Statistics, April 1957).

Wholesale Prices and the Cost of Living

Although changes in whole sale prices showed wide divergence in the individual countries of the Middle East in 1954 and 1955, the trend of these was upward in all countries during the second half of 1955 and throughout 1956. On the whole, the rate of price rises in 1956 was substantially higher than in 1955 in most countries, as indicated in table 34. The rise in prices of a number of raw materials, especially cotton and tobacco, in 1956, was largely responsible for the increase in wholesale price indices, particularly in Egypt, Iran and Turkey. 38/ However, prices of foodstuffs, fuel and construction materials also rose in all countries for which data are available. Over-all price increases can be explained only to a small extent by the rise in prices of imported goods, except in Israel and Lebanon. They reflected rather the fact that the total supply of goods and services failed to keep pace with demand in most countries of the region.

The cost-of-living indices followed, in general, the movements of the indices of wholesale prices. The upward trend in the cost-of-living index was particularly influenced by the rise in the cost of food. Food prices increased generally, however, as a result of the decline in output of wheat and a number of other agricultural products, especially in Egypt, Iraq, Israel, Jordan, Lebanon and Syria, mainly as a result of unfavourable weather conditions in 1955. However, where the essential foodstuffs were subject to price controls or to government subsidies, as in Egypt, Iraq and Israel, their rise was somewhat restrained. The expansion of output in 1956 failed to prevent further increases in food prices in the second half of 1956, due largely to accelerated monetary expansion and speculative hoarding of foodstuffs late in the year. Although volume of imports increased in all countries except Turkey in 1956, the rise was accounted for mainly by capital goods, imports of consumer goods being kept to a minimum. In addition, prices of imported goods were generally higher than in the previous years (except in Iran), 39/ thus contributing to the rise in price indices in 1956.

38/ Wholesale price indices for raw materials in Iran and Turkey showed greater increases than for all items. In Egypt, the price index for cotton exports (1953 = 100) rose from 115 in 1955 to 125 in 1956 for medium-staple cotton, and from 117 to 129 for long-staple varieties (International Monetary Fund, International Financial Statistics, April 1957, page 88).

39/ In Iran the wholesale price index of imported goods (1953 = 100) fell from 107 in 1954 to 105 in 1955 and to 96 in 1956 (United Nations, Monthly Bulletin of Statistics, March 1957).

Table 34. Indices of Cost-of-Living and Wholesale Prices,[a] by Country

(1953 = 100)

Country and item	1954	1955	1956
Egypt (Cairo):			
Cost of living, all items	96	96	98
Cost of living, food	101	103	104
General wholesale prices	97	99	110
Iran (Tehran):			
Cost of living, all items	118	122	130
Cost of living, food	114	114	121
General wholesale prices	118	115	123
Iraq (Baghdad):			
Cost of living, all items	98	101	107
Cost of living, food	98	102	110
General wholesale prices	96	97	104
Israel (Haifa, Jerusalem, Tel Aviv):			
Cost of living, all items	112	119	127
Cost of living, food	113	117	126
General wholesale prices	118	124	131
Lebanon (Beirut):			
Cost of living, all items	95	97	102
Cost of living, food	93	96	105
General wholesale prices	92	93	98
Syria (Damascus):			
Cost of living, all items	...	...	...
Cost of living, food	92[b]	91[b]	104[b]
General wholesale prices	93[b]	94[b]	98[b]
Turkey (Istanbul):			
Cost of living, all items	110	119	136
Cost of living, food	109	114	131
General wholesale prices	110	119	139

Source: Statistical Office of the United Nations and Monthly Bulletin of Statistics, May 1957. Syria: Ministry of National Economy, General Monthly Bulletin of Current Statistics, January 1957 (Damascus).

a/ Annual averages, except as stated.

b/ 1952-1954 = 100.

Chapter 7

PRELIMINARY REVIEW OF THE ECONOMIC IMPACT OF THE SUEZ CANAL CRISIS ON THE MIDDLE EAST

While it is difficult to isolate clearly the economic repercussions of the Suez crisis from those of current economic forces in the countries of the Middle East, there are nevertheless a number of economic changes that have ensued from the events of the latter part of 1956 which it may be useful to consider. The object of this chapter is to describe and analyse these in a preliminary way.

Suez Canal Traffic

In 1955 traffic through the Suez Canal accounted for about 13 per cent, in volume, of world seaborne trade. Tanker cargo alone accounted for approximately 8 per cent of the total volume of international trade and 19 per cent of all cargo carried by tankers. 1/ It is estimated that it costs probably $600 million more per year to carry the same cargo around the Cape of Good Hope and that about half of that extra cost would be needed to transport crude oil from the Middle East to western Europe and North America with present facilities. Apart from oil, the main northbound goods that utilize the canal are raw materials, including metals, cereals, vegetable oils and seeds, spices, sugar and textile fibres. Southbound traffic carries mainly cement, fertilizers, paper, sugar, machinery and a variety of other manufactured goods from Europe to Asia, Australia and eastern Africa. The growth of canal traffic is indicated in table M in the appendix.

To the countries of the Middle East themselves, the Suez Canal as a sea route has been of minor importance except as a passage for the exports of the oil producing countries. By far the largest part of the region's international trade in commodities other than oil is carried on with countries west of the Suez Canal or within the area itself. Middle East countries which have no direct access to the eastern Mediterranean seaboard - Jordan, Iraq, Iran, the Sudan and the Arabian peninsula - find it convenient to transport part of their commodities destined for western Europe and America across Lebanon and Syria by rail, truck or air. 2/ The significance of the Suez Canal for the international trade of the region and for the passage of oil is indicated by table 35.

The total value of Middle East trade that passed through the canal in 1955 is estimated at $2 billion. This compares with an estimated value of $11 billion for all goods that passed through the canal during that year. 3/ Of the Middle East trade using the canal, approximately $900 million - 47 per cent - represented exports of crude oil and oil products. In volume of cargo, however, the Middle East figures much more prominently, owing to the relative bulk of oil exports.

1/ United Nations, Monthly Bulletin of Statistics, December 1956.

2/ About one-tenth of the Sudan's foreign trade is also carried through Egypt.

3/ Estimate of the Statistical Office of the United Nations.

Table 35. Dependence of Middle East Trade on the Suez Canal, 1955

Country	Total trade (millions of dollars)			Trade using Suez Canal (per cent)			Oil and oil products using Suez Canal	
	Imports	Exports	Total	Imports	Exports	Total	Per cent of total exports	Per cent of exports using canal
North of Suez:								
Cyprus	85	51	136	8	4	7	-	-
Egypt a/	536	419	955	-	-	-	-	-
Israel	326	86	412	4	3	4	-	-
Jordan	76	7	83	10	-	4	-	-
Lebanon	218	33	251	4	5	4	-	-
Syria	179	128	307	11	6	9	-	-
Turkey	498	313	811	3	1	2	-	-
Total, above countries	1,918	1,037	2,955	4	2	3	-	-
South of Suez:								
Aden	207	175	382	20	20	20	10	60
Iran	278	337	615	75	60b/	65	20	35
Iraq	272	518	790	70	20	40	10	55
Saudi Arabia	265	540c/	805	70b/	20	35	20	100
Sudan	140	151	191	60	70	65	-	-
Kuwait, Bahrain, Qatar	170	950c/	1,120	70b/	70	70	65	100
Total, above countries	1,332	2,671	4,003	60	45	50	35	85
Total d/	3,250	3,708	6,963	25	30	30	25	85

Source: Bureau of Economic Affairs and Statistical Office of the United Nations. Trade using the Suez Canal is an approximate estimate based on United Nations Direction of International Trade, vol. VII, No. 6, except for Jordan, and on Suez Canal Company returns on passage of oil and oil products. Value of oil is based on posted f.o.b. price of main type of oil products exported by each country.

a/ Egypt's trade through the canal has been excluded since Egyptian ports have access to both the Mediterranean and Red Sea.

b/ Based on figures derived from returns of trading partners. The estimate is approximate since exports are largely given at c.i.f. prices of importing country, and imports at f.o.b. prices of exporting country.

c/ Exports of Saudi Arabian oil to Bahrain refinery are included only once, under exports of Bahrain.

d/ Totals differ from those given in the chapter on foreign trade because of (a) the exclusion of Saudi Arabian oil from the exports of Saudi Arabia and imports of Bahrain and (b) the exclusion of gold from the trade of Syria and Iran.

Out of the total traffic through the Suez Canal, estimated at 107.5 million metric tons in 1955, the Middle East accounted for 66 per cent, while 60.4 per cent represented oil exports of the region.

The Suez Canal in the Economy of Egypt

The economic benefits to Egypt of the Suez Canal are derived from two sources which directly add to the national income of the country. The first is that part of transit dues which is transferred to Egypt or is spent by the Suez Canal Company (Compagnie universelle du canal maritime de Suez) in the country. The second source is the expenditure of passing ships and their passengers on goods and services during their short stops in canal ports. The latter factor is difficult to estimate except where the supplying of such goods and services, for example, water, fuel and ship repairs, is handled by the authority in charge of the canal. The total direct addition to the national income of Egypt arising from the above-mentioned known sources has been estimated at approximately £E 11 million in 1955 and at around £E 9 million in each of the four previous years. For 1955 this was less than 1.5 per cent of Egypt's national income and about 5.7 per cent of the budget revenue. The amount for 1955 was considerably larger than in the period before 1947, when transit dues did not exceed one-fifth of the 1955 level. 4/

An important part of the expenditure of the Suez Canal Company in Egypt was on wages and salaries of employees. In July 1956 it employed over 5,100 workers in Egypt, 5/ of whom the majority in the labourer group were Egyptian. About 42 per cent of those in the administrative and technical groups were Egyptian.

Income created by sources other than the Suez Canal Company, but dependent indirectly on the operation of the canal, includes the income of workshops in Port Said employing about 1,400 workers and doing business other than for the Suez Canal Company; the income of trades and services supplying tourists; and the income of industry and services supplying fuel, water, food and power to ships directly or to the Suez Canal Company as intermediary. It is impossible to estimate with any precision the total amount of this indirect income.

Practically all receipts from traffic and tourists passing through the Suez Canal are in foreign exchange; these receipts have risen considerably in the post-war period. Of these receipts a large part was transferred abroad by the Suez Canal Company for distribution of dividends, additions to reserves and to its pension fund. The balance, which remained in Egypt, was significant as a source of foreign exchange (see table 36).

4/ The rate of expenditure of the Suez Canal Company in Egypt since 1950 has changed little; consequently, the multiplier effect of changes in rate of expenditure during this period is negligible. Direct payments of the company to the Egyptian Government in taxes and share of profits varied between £E 4 million and £E 6 million annually in the period 1951 to 1955.

5/ It employed, in addition, more than 200 in other countries.

Table 36. Suez Canal Transactions and the Balance of Payments of Egypt

(Millions of Egyptian pounds)

Item	1951	1952	1953	1954	1955	1956 Six months
Receipts:						
Total foreign exchange receipts of Egypt	(292.2)	(218.7)	(215.1)	(222.2)	(227.3)	(131.2)
Suez Canal dues:						
American monetary area	4.2	3.7	3.3	3.4	3.4	1.8
Sterling area a/	11.9	12.6	14.0	13.9	12.6	7.4
Western Europe	8.7	8.7	9.9	11.3	10.6	5.0
Eastern Europe	1.2	1.2	1.5	1.4	...	0.7
Middle East	0.1	0.1	0.1	0.1	0.1	-
Others	0.3	0.3	0.3	0.5	5.1	7.1
Total	26.4	26.6	29.1	30.6	31.8	22.0 b/
Disbursements:						
Total current disbursements of Egypt	(307.4)	(272.1)	(223.0)	(218.6)	(261.3)	(144.3)
Suez Canal Company disbursements c/:						
Dividends, interest and redemption of capital and bonds d/	9.7	9.7	9.9	9.9	10.1	...
Investments abroad e/	3.6	3.1	2.4	3.6	4.0	...
Employees' remittances and pension payments f/	1.2	1.1	1.3	1.3	1.4	...
Imports of Suez Canal Company g/	1.8	2.5	3.3	3.3	3.6	...
Total	16.3	16.4	16.9	18.1	19.1	12.0 h/
Net effect on balance of payments .	+10.1	+10.2	+12.2	+12.5	+12.7	+10.0 h/

Source: Receipts are taken from the balance of payments figures for 1951-1956 given in National Bank of Egypt, Quarterly Bulletin (Cairo); other figures are based on the Suez Canal Company's annual reports.

a/ Excluding Iraq, Jordan and Libya, which are included under the Middle East.

b/ Including £E 3 million transferred to Egypt and included under "others".

c/ Distribution among different monetary areas of total "interest, dividends and other revenues", which are mainly current transactions of the Suez Canal Company, but which include, as well, those of some oil companies, and others, are given in the balance of payments estimates as follows:

	1951	1952	1953	1954	1955	1956 Six months
American monetary area	0.8	1.7	2.4	1.7	1.5	0.2
Sterling area	7.7	5.6	6.2	7.3	7.1	2.9
Western Europe	8.4	9.0	8.2	8.8	8.2	3.5
Eastern Europe	0.2	0.2	0.1	0.1	-	0.1
Middle East	0.3	0.4	0.3	0.2	0.3	0.2
Others	-	-	0.2	-	-	0.1
Total	17.4	16.9	17.4	18.1	17.1	7.0

d/ Estimate based on total interest and redemption of share capital (1,153 million French francs each year), interest on bonds (about 500 million francs each year) and 95 per cent of distributed profits after deduction of Egyptian taxes. The 5 per cent is deducted to allow for part of the 4 per cent of profits that accrues to employees and directors (some of whom are Egyptians) and for interest and dividends paid in Egypt.

e/ Additions to reserves and 60 per cent of additions to pension fund.

f/ Estimate based on 30 per cent of allocation to the pension fund plus one-third of estimated salaries of non-Egyptian personnel.

g/ Estimate based on 50 per cent of allocations to development works plus 20 per cent of administration expenditures in Egypt. One source estimates it at $10 million or more per year (Egyptian Economic and Political Review, August 1956).

h/ Estimate.

Nationalization of the Suez Canal Company, which took place on 26 July 1956, did not have any significant direct effect on the flow of traffic. 6/ However, it led to the blocking of Egyptian government assets in France, the United Kingdom and the United States. Traffic through the canal ceased completely, however, with the outbreak of hostilities at the end of October.

Following nationalization and up to the closing of the canal at the end of October, Egypt received only a part of the transit dues paid by canal traffic, the rest being paid into the accounts of the Suez Canal Company abroad. Total dues during the period were of the order of £E 10 million, of which around £E 4 million accrued to Egypt. 7/ The cost of maintaining and running the canal for an equal period in 1955 was just under £E 3 million. Thus, Egypt's receipts from transit dues between July and October did not greatly exceed current expenditure on the canal during the period. Such expenditure was largely made, however, in local currency, and the dues which were received in foreign exchange were thus at a rate comparable to that which prevailed before nationalization. Apart from transit dues, however, a sum of about £E 8 million was transferred by the Suez Canal Company to Egypt before nationalization, as a result of a previous agreement with the Government in May 1956 on relocation of investments.

Of Egypt's assets held abroad, only the blocking of "Sterling Account No. 1", which had been transferable into most currencies outside the dollar area, affected Egypt's ability to pay for current imports. Of that account £11.7 million (£E 11.4 million) was blocked. On the other hand, "Sterling Account No. 2", which amounted to £103 million (£E 100.5 million), had been blocked earlier and the next release of £20 million to Account No. 1, made on 1 January 1957, also remained frozen. Egypt's assets in France were negligible or negative, and those held in the United States were estimated at about $45 million (£E 15.7 million).

The exclusion of Egypt from the "transferable sterling area" and the short interruption of trade in November reduced materially the total of its imports during the last two months of 1956 (table 37). Exports during the period also fell below the 1955 level despite the improvement in cotton prices and larger exports of rice. This was mainly due to the smaller size of the 1956 cotton harvest and to the fact that cotton stocks had been reduced considerably in the previous period.

The direction of Egypt's foreign trade adapted itself to the change in Egypt's international payments position following the freezing of its assets abroad. Imports from the sterling area were substantially reduced and those from eastern Europe increased correspondingly. Imports from the latter area included in particular wheat and crude oil. Clearing accounts in favour of Egypt that had

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6/ Daily passage of ships through the canal, in the period between 27 July and the end of October, reached an average of 41.1 compared with 40.2 for the year 1955 and 44.6 for the first half of 1956.

7/ Between July and September £E 5.4 million was paid into the accounts of the Suez Canal Company abroad and £E 3.1 million received by Egypt (National Bank of Egypt, Economic Bulletin, No. 4, 1956). Tolls in October totalled £E 2.9 million and from August to October £E 8.4 million (International Monetary Fund, International Financial Statistics (Washington, D.C.), March 1957).

Table 37. Egypt: Foreign Trade, 1955-1956

(Millions of Egyptian pounds)

Period	Imports	Exports	Balance
1955:[a]			
First half	84.4	67.2	-17.6
Second half	98.1	71.2	-26.9
November and December	39.7	32.5	- 7.2
1956:			
First half	104.8	90.8	-14.0
Second half	81.2	51.5	-29.7
November and December	17.2	18.9	1.7

Source: International Monetary Fund, International Financial Statistics, May 1957.

a/ Excluding trade with the Sudan.

been accumulated with eastern European countries amounted to £E 9.6 million net by the end of July; these were utilized to pay for imports from eastern Europe or to settle payments for imports from western European countries. 8/ Credits opened by India, Indonesia and Japan, countries which accepted payments in Egyptian pounds or deferred payments for their exports to Egypt, and credits in Swiss francs advanced by the People's Republic of China supplemented available foreign exchange. 9/ In addition, Egypt withdrew $15 million from the International Monetary Fund in September 1956 and obtained a credit of $15 million from Saudi Arabia. These measures enabled the Government to purchase essential imports and at the same time to maintain the level of its short-term balances. 10/ They also enabled Egypt to add £E 5 million in gold to its currency cover in October and December and thus to increase its total holdings of gold and foreign exchange by the end of 1956 above their level in July of that year (table 38).

8/ These accounts were reduced to a net credit of £E 3.2 million by the end of November (National Bank of Egypt, Economic Bulletin, Nos. 3 and 4).

9/ Credits by the People's Republic of China totalling 40 million Swiss francs (£E 4.4 million) helped Egypt to pay for some of its imports from western Europe and the transferable sterling area. Half this amount was later offered as a grant for Port Said refugees.

10/ Egypt's balances of United States and Canadian dollars, Swiss francs, Indian rupees and Belgian francs reached £E 25.5 million on 4 December 1956 compared with £E 23.4 million on 29 October 1956 (statement by the Minister of Finance, Al Ahram (Cairo), 9 December 1956). The remaining disposable assets were largely gold placed in the currency cover.

Table 38. Egypt: Gold and Foreign Exchange Spot Assets
(Millions of Egyptian pounds)

Year and month a/	Gold	Foreign exchange	Assets: Total	Assets: Currently disposable b/
1955:				
December	60.6	176.7	237.3	112.4
1956:				
June	60.6	152.8	213.4	112.0
July	60.6	147.2	207.8	77.2
August	60.6	145.4	206.0	78.4
September	60.6	150.6	211.2	85.7
October	62.9	148.4	211.3	87.7
November	62.9	147.2	210.1	86.3
December	65.5	141.3	206.8	83.0

Source: National Bank of Egypt, Economic Bulletin, Nos. 2, 3 and 4, 1956; International Monetary Fund, International Financial Statistics, April 1957. Spot assets, all banks in Egypt; foreign investments included at par value.

a/ End of month.

b/ Estimate based on the assumption that assets belonging to the Egyptian Government and blocked in the United States at the end of July 1956 totalled $45 million.

Economic Consequences of Military Operations

Military operations late in October and in early November 1956 were almost completely limited to Egyptian territory and involved, directly, only two Middle Eastern countries: Egypt and Israel. Thus, except for losses of the Israeli forces in Sinai the direct material losses were incurred wholly in Egypt and the Gaza Strip. No estimate of these losses is available. Damage fell particularly in the field of transport and included airports, airplanes, roads, military vehicles, railways and the floating equipment 11/ used in operating the Suez Canal. Other property, both public and private, was also destroyed on both sides of the Suez Canal, particularly in the Port Said area, Sinai and the Gaza Strip.

Indirect losses to Egypt resulting from military operations were also quite substantial. With the blocking of the canal, Egypt ceased to receive that part of the transit dues which it had been receiving. Suez Canal workers, numbering over 5,100, and workers who had supplied goods and services to ships in transit were unemployed. Loss of income from these sources was at an annual rate of £E 11 million. Loss of secondary income was also substantial. Following the withdrawal of British and French troops from the Port Said area in December, the Egyptian Government started a construction and public works programme, which helped to relieve unemployment.

At this time work began also on clearing the canal and reopening it to shipping. For the cost of clearing the canal, under United Nations supervision, an amount of $11 million was contributed by Member Governments, and the costs were not expected to exceed this amount. This figure does not include the cost of repairing damaged installations and structures or the cost of dredging the accumulating silt. It is not known what part of these costs will be finally borne by Egypt. Traffic in the port of Alexandria fell off in November, tourist trade came to a standstill 12/ and many non-Egyptian experts and businessmen left the country.

In November the Egyptian Government appropriated vehicles and military materials in the stores of the Suez Canal military base which had been evacuated by the British. It also placed under sequestration, or public custody, a considerable number of British, French and other establishments located in Egypt, a large proportion of which were released by mid-February.

The largest concerns which were put under custody included oil producing and distributing companies, particularly the Anglo-Egyptian Oil Company, which owned an oil refinery and five oilfields, three of which are located in the Sinai peninsula. Eleven banks with a total capital of £E 2.2 million, a large number of branches of insurance companies and several import agencies were also sequestrated.

11/ Including floating cranes, dredges, floating docks, tugs and other boats. Total book value of all equipment and materials of the Suez Canal Company (excluding buildings and waterworks but including workshops) in Egypt at the end of 1955 amounted to £E 14 million. Most of it was destroyed during the fighting.

12/ Egyptian official receipts of foreign exchange from travel amounted to £E 1.5 million in 1955; actual expenditure of foreign visitors was probably several times that amount.

In January 1957 ownership of six sequestrated banks and of the insurance companies was transferred to a Public Economic Establishment. This body was created to invest funds in public projects with a view to transferring them finally to private Egyptian hands. According to an official statement, compensation for the banks and insurance companies that were taken over would be paid to the Public Custodian pending final settlement of claims.

Israel, like Egypt, also suffered economic losses as a result of the military action and its consequences. Preparation for the campaign by purchases of arms, the slowdown in production owing to extensive mobilization for a period of several weeks, the cost of the campaign itself, the consequent suspension of United States aid 13/ and the fall in receipts from tourists, 14/ all these factors strained Israel's foreign exchange position and generally reduced output in the last two months of 1956. In consequence, the inflationary pressures within the economy appear to have increased and prices showed a tendency to rise.

A considerable quantity of military supplies and crude oil was acquired by Israel from the Sinai. Supply of crude oil from regular sources, however, was interrupted. A contract with the Soviet Union to supply about 1 million tons of crude oil (about two-thirds of Israel's annual consumption) during 1957/58 was cancelled. Restrictions were imposed on road transport to conserve supplies of oil.

To finance the additional expenditures that ensued from the short campaign, as well as to restrain inflationary pressures, the Government took several fiscal and monetary measures. Tax rates were raised or new taxes were imposed on petroleum products, travel tickets, postage, telephones and other items. This measure was expected to raise revenue by £I 15.4 million annually. The Government was also authorized in November to issue a special defence loan in three types of bonds with a total value of £I 40 million.

Impact of the Suez Crisis on the Middle East Oil Industry

Blocking of the Suez Canal and interruption of the oil flow through pipelines via Syria resulted in a widespread change, in the last two months of 1956 and early months of 1957, in patterns of oil production, transport, supply, refining and revenue in the Middle East.

Production of crude oil during 1956 as a whole was 5.7 per cent higher than in 1955. However, during November and December production fell by about 38 per cent below the rate of the preceding months of 1956. This was essentially due

13/ In the fiscal year ending 30 June 1956, this item totalled $34.4 million in direct aid, $22.4 million in surplus foods and $12.0 million in advances (International Co-operation Administration, Counterpart Funds and the ICA Foreign Currency Accounts, Data as of 30 June 1955 and Data as of 30 June 1956). United States technical assistance in the same fiscal year reached $1.5 million. In addition, plans of a mission group of the Export-Import Bank of Washington, scheduled to go to Israel to arrange for a $75 million loan to that country, were suspended.

14/ Currency changed by tourists in 1955 totalled $7 million. Travelling expenses of tourists raise the figure by a further $5 to $6 million (Economic Report of the Minister of Finance (Jerusalem), 14 February 1956).

to the reduction in effective means of transport. The quality of oil shipped by tanker was substantially reduced as a result of rerouting tankers around Africa; the amount of oil transported through pipelines to the Mediterranean seaboard also fell, by 64 per cent (table 39).

The country most affected by the reduced production of crude oil was Iraq, which previously exported three-quarters of its oil through the Kirkuk-Baniyas pipeline and the two Kirkuk-Tripoli pipelines. The flow through these three pipelines ceased after 2 November, when three pumping stations in Syria were damaged. Without the pipelines, Iraqi oil could be exported only through the port of Fao, but the port facilities were not capable of expansion at short notice. Oil flow through the damaged pipelines was partially resumed in March 1957, at 44 per cent of normal rate.

The pipeline from Dhahran in Saudi Arabia to Sidon in Lebanon was not affected. However, the blocking of the Suez Canal substantially reduced exports and production of oil in both Saudi Arabia and Kuwait, 15/ which depended heavily on the canal. Saudi Arabia also placed an embargo on export of crude petroleum to the refinery at Bahrain. 16/ Iran was only slightly affected by the shortage of tankers, partly because of shipments of crude petroleum to Bahrain to replace the latter's imports from Saudi Arabia. The over-all change in production and export patterns of the various countries is indicated in table 40.

Table 39. Production and Transport of Petroleum and Petroleum Products of Oil Producing Countries in the Middle East

(Quantities in millions of metric tons)

Period	Production of crude petroleum		Exports		
	Quantity	Index (1955 = 100)	Crude and refined oil via Suez	Crude oil via pipelines	Refined products via Suez
1955, full year	162.5	100	64.9	41.1	4.6
1956, full year	171.8	106	63.6	37.0	5.5
January through June .	89.5	110	37.1	20.3	3.3
July through October .	63.3	117	26.5 a/	14.2	2.2 a/
November through December	19.0	70	-	2.5 a/	-

Source: United Nations Bureau of Economic Affairs; estimate based on various official and non-official sources.

a/ Partially estimated.

15/ In Kuwait also one pipeline was damaged.

16/ In 1955 Saudi Arabia exported 8.4 million tons of crude oil to Bahrain - 18 per cent of Saudi Arabia's total production.

Table 40. Production and Transport of Crude Petroleum, by Country

(Millions of metric tons)

Country	1955, Full year			1956, Full year			November and December 1956 a/		
	Production	Exports via		Production	Exports via		Production	Index c/	Exports via Pipelines
		Suez Canal	Pipe-lines		Suez Canal b/	Pipe-lines			
Bahrain	1.5	-	-	1.5	0.1	-	0.3	100	-
Egypt	2.0	0.1	-	1.8	-	-	...	...	-
Iran	17.1	4.4	-	26.5	7.1	-	4.4	100	-
Iraq	33.7	3.9	25.1	31.3	3.6	21.0	1.6	27	-
Kuwait	54.8	42.5	-	55.0	37.2	-	5.8	59	-
Neutral Zone . . .	1.3	-	-	1.6	0.5	-	...	...	-
Catar	5.4	3.9	-	5.9	4.1	-	0.8	78	-
Saudi Arabia . . .	47.0	5.6	16.0	47.9	5.5	16.0	5.7	69	2.5
Turkey	0.2	-	-	0.3	-	-	...	...	-
Total	163.0	60.3	41.1	171.9	58.1	37.0	19.0	62	2.5

Source: United Nations Bureau of Economic Affairs. Only pipelines that carry oil to the Mediterranean coast are included.

a/ Preliminary estimates.

b/ Estimate for the period 1 January to 28 October 1956 at rate prevailing during January - June 1956.

c/ Average monthly rate of production in November and December 1956 as a percentage of the average monthly rate in the preceding ten months.

The fall in production and exports resulted in a parallel change in receipts of oil royalties and profits by the major oil producing countries, particularly Iraq, Saudi Arabia and Kuwait, and by the transit countries for Iraqi oil - Syria and Lebanon. For the area as a whole, income from petroleum showed an increase for the whole of 1956 as compared with 1955 despite the considerable fall in exports during the last two months of the year. Expenditure of oil companies within the area probably decreased slightly as a result of the slowdown in production and pumping. As a result of the crisis, plans to connect a partly built Iraq Petroleum Company pipeline from northern Iraq to Baniyas in Syria were deferred and, alternatively, development of the Basra oilfields in the south was stepped up. In Israel an eight-inch pipeline 140 miles long was completed, joining Eilat on the gulf of Aqaba with Beersheba to carry crude oil imported by tanker. 17/

Oil revenue of Iraq totalled ID 68.8 million in 1956, compared with ID 73.7 million in 1955. In the third quarter of 1956 revenue reached ID 20.9 million, while in the last quarter it fell to ID 10.0 million. 18/ On this basis the possible loss to Iraq would be about ID 5.5 million ($15.4 million) per month for a period of four and a half months, November to mid-March. The reduced oil flow through the pipelines for several months after that date was expected to keep total revenue below the 1956 rate.

In Syria, receipts from oil companies in 1956 totalled approximately LS 115 million compared with about LS 50 million in 1955 and LS 6 million in 1954. Loss of revenue was of the order of LS 8 million a month from the time that flow through the pipeline was disrupted in November to mid-March 1957 and perhaps half that sum for several months after the flow was partially resumed in March. Receipts from transit dues from the Iraq Petroleum Company in 1956 reached £4.9 million sterling (LS 49 million). In addition, £5 million sterling (LS 50 million) was paid on past account, in accordance with the agreement of November 1955. 19/ Revenue from the Trans-Arabian Pipeline remained stable.

The Suez crisis affected the normal supply pattern of crude oil and oil products in the non-exporting countries. As noted earlier, Egypt balanced its loss of crude oil from the Sinai peninsula by importing crude oil from the Soviet Union and from Saudi Arabia. Israel replaced imports of Russian crude oil partly by transporting oil from the Sinai oilfields in November and December and partly from other sources. Syria, Lebanon and Jordan, following interruption of the

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17/ The carrying capacity of the pipeline is estimated at 750,000 tons a year or about one-half of Israel's annual consumption of crude oil. It was expected to cost £I 12 million. A plan to extend it a further sixty miles to the refinery at Haifa was also considered early in 1957 (Financial Times (London), 13 December 1956 and 1 January 1957; Petroleum Press Service (London), December 1956).

18/ The Iraq Times (Baghdad), 10 January 1957.

19/ This is part of £8.5 million sterling paid in 1955/56 in settlement of all past claims between Syria and the company in accordance with the above-mentioned agreement.

oil flow from Iraq, obtained oil products from the refineries of Tripoli and Sidon, the former being supplied in January partly by crude oil from the tanks of the Baniyas terminal. 20/ In Turkey the stoppage of imports of refined products from the Persian Gulf caused a shortage and rationing of fuel.

The posted prices of Middle East crude oil were not altered as a result of the crisis, except at the pipeline terminals on the Mediterranean, where prices of crude petroleum were raised by 9.4 per cent in December 1956. This caused a corresponding rise in the price of refined products in Syria, Lebanon and Jordan. The supply difficulties in the oil importing countries of the Middle East also caused a general rise in prices of oil products as well as rationing of some products in Egypt, Israel and Turkey.

General Economic Effects on the Middle East

The direct economic impact of events in October and November 1956 was short-lived and quickly diffused. However, the effects of the events were felt beyond the area of the immediate conflict. The heightened political tension created by the attack stimulated additional military expenditure in several countries not directly involved in the conflict. Speculation and hoarding in several of them were followed by supply shortages and a rise in prices of various essential consumer goods besides oil products. At the end of October and early in November there were heavy withdrawals of bank deposits for a short period in countries surrounding the area of conflict - for example in Lebanon, Syria and Jordan - as well as in Israel. These developments, together with the more direct financial burdens of the conflict itself, produced a general rise in the supply of money and credit in Egypt, Israel, Lebanon and Syria, and a strain on the foreign exchange resources of Egypt, Israel, Saudi Arabia and Syria. Iraq and the Persian Gulf States were less affected, owing to their large accumulated revenues of foreign exchange. Turkey, Iran, the Sudan and Cyprus lay largely outside the orbit of the conflict.

The crisis did not cause any serious dislocation in the development projects and the expenditure planned for these. Nevertheless, the effects of the loss of income, oil revenue and foreign aid in the last two months of 1956 and first quarter of 1957 in Egypt, Israel and Syria probably led to a reduction in their development expenditure, although it is too early to assess the extent of such reduction. Iraq maintained its development expenditure as planned since the Development Board of Iraq had accumulated large unspent balances in previous years.

Several Arab countries severed relations with the United Kingdom and France. Thus, Iraq and Jordan severed relations with France; Egypt, Saudi Arabia, Syria and Yemen severed relations with both the United Kingdom and France. In its economic aspects, the break in relations resulted in the prohibition by Saudi Arabia of exports of oil to Bahrain or, through the pipeline at Sidon, to the United Kingdom and France. Jordan and Iraq stopped imports from France, and in December Syria demanded payments for exports to the United Kingdom in hard currency only, a regulation which effectively prohibited such exports.

20/ The oil tanks at Baniyas held 179,000 tons of crude oil, which Syria retained for the use of the three countries. It was refined in Tripoli, Lebanon.

In the field of air transport, international civil flights ceased for a time in Egypt in the early part of the crisis, and later the decline in tourism to the area as a whole reduced activity substantially. In November, Syria prohibited the flight of British and French aircraft over its territory, and a detour from Beirut over Turkey and Iraq had to be made by international flights. As a result of these events, the international airport at Beirut received 72 per cent fewer planes and 83 per cent fewer passengers in November than in the previous month.

Shipping to the Middle Eastern countries was naturally affected by the blocking of the Suez Canal, though not by its nationalization. As noted earlier, only a small proportion of Middle East trade other than oil passes through the canal. Countries with ports to the east of the canal were more seriously affected, since their trade with western Europe had to be detoured around the Cape of Good Hope. Ports of call, particularly Aden, Suez and Port Sudan, were directly hit by this rerouting. The blocking of the canal led to a general rise in freight and insurance rates on shipping to Middle Eastern countries, east of Suez. It also had the effect of expanding trade by land routes. Thus, trade via Lebanon and Syria to Jordan, Iraq and Iran increased in volume, and charges were raised. Rates from Beirut to Iraq, for example, were raised by 10 per cent. 21/

21/ United States Department of Commerce, Foreign Commerce Weekly (Washington, D.C.,), 17 December 1956.

APPENDIX

Table A. Acreage of Principal Crops, by Country

(Thousands of hectares)

Crop and country	Annual average 1948-1952	1953	1954	1955	1956
Wheat	9,848	12,552	12,819	13,523	14,335
Cyprus	75	74	74	81	75
Egypt	605	752	754	640	660
Iran	2,080 a/b/	2,300 b/	2,300 b/	2,300 b/	2,900 b/
Iraq	936	1,182	1,390	1,425	1,314
Israel	34 a/	30	31	47	57
Jordan	182	246	273	270	260 b/
Lebanon	70	70	70	70	70
Syria	994	1,314	1,347	1,463	1,531
Turkey c/	4,770	6,547	6,541	7,186	7,428
Other countries d/.	34	37	39	41	40 b/
Barley	4,301	5,080	5,293	5,576	5,827
Cyprus	53	57	56	57	55
Egypt	64	49	51	57	56
Iran	757 b/	800 b/	800 b/	800 b/	1,000 b/
Iraq	934	1,096	1,122	1,205	1,171
Israel	52 a/	70	78	62	58
Jordan	62	92	104	101	80 b/
Lebanon	20	20	20	20	15
Syria	369	439	543	614	712
Turkey	1,972	2,437	2,500	2,640	2,600
Other countries d/.	18	20	19	20	20
Maize	1,350	1,553	1,603	1,556	1,573
Egypt	660	847	800	770	770
Turkey	598	621	720	706	714
Other countries . .	92	85 b/	83 b/	80 b/	79
Rye	493	649	613	641	640
Turkey	493	649	613	641	640
Oats	323	333	359	380	381
Turkey	307	320	348	369	370
Other countries . .	16	13	11	11	11
Millet	553	913	820	787	...
Sudan	354 e/	686	600 b/	600 b/	...
Syria	93	98	102	70	...
Turkey	74	83	79	79	...
Other countries . .	32	46	39	38	...
Sorghum	1,081	1,172	1,208	1,070	...
Egypt	191	204	192	184	202
Sudan	820	871	900 b/	810	...
Other countries . .	70	97	116	76	...

Table A (continued)

Crop and country	Annual average 1948-1952	1953	1954	1955	1956
Rice (paddy)	689	581	681	584	689
Egypt	256	178	256	252	293
Iran	222	250	251	243	280
Iraq	174	95	120	54	70
Turkey	31	51	46	29	40
Other countries . .	6	7	8	6	6
Pulses g/.	719	714	742	772	745
Egypt	194	159	171	190	182
Turkey	268	286	288	304	308
Other countries . .	257	269	283	278	255
Cotton lint	1,723	1,811	1,979	2,185	2,219
Egypt	761	556	663	763	694
Iran	133	225	200	230	210
Sudan	207	264	279	242	310
Syria	106	128	187	249	293
Turkey	478	605	582	625	635
Other countries . .	38	33	68	76	77
Sugar-beets	85	101	114	145	163
Iran	34	44	38	46	47
Syria	1 e/	4	5	3	3
Turkey	50	53	70	95	112
Israel	-	-	1	1	1
Sugar-cane	37	44	48	47	...
Egypt	37	44	48	47	...
Tobacco	156	210	203	201	220
Iran	16	27	17	19	21 b/
Iraq	6 h/	8	10	8 b/	8 b/
Syria	7	6	7	7	7
Turkey	118	159	156	156	172
Other countries . .	9	10	13 b/	11 b/	10 b/

Source: Food and Agriculture Organization of the United Nations. Totals are for Arabian peninsula, including Aden, and also Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Sudan, Syria and Turkey, except in the case of rye, sugar-beets and sugar-cane. Crop years ending in year specified.

a/ Average of four years.

b/ Estimated.

c/ Crop includes spelt.

d/ Including Arabian peninsula countries and the Sudan.

e/ Average of three years.

f/ Average for Lebanon and Syria; sorghum is included.

g/ Dry beans, dry peas, broad beans, chick-peas and lentils.

h/ Annual average, 1947-1951.

Table B. Production of Principal Crops, by Country

(Thousands of metric tons)

Crop and country	Annual average 1948-1952	1953	1954	1955	1956
Wheat	9,238	13,835	11,402	11,973	13,061
Cyprus	48	67	71	62	65
Egypt	1,113	1,547	1,729	1,451	1,547
Iran	1,860 a/	2,240 a/	2,100 a/	2,313 a/	2,700 a/
Iraq	448	762	1,160	473	776
Israel	24 b/	30	34	36	74
Jordan	127	100	233	79	135
Lebanon	51	50	60	60	62
Syria	762	870	965	438	1,051
Turkey c/	4,771	8,130	5,010	7,016	6,612
Other countries d/	34	39	40	45	39
Barley	4,388	6,366	5,522	5,052	5,742
Cyprus	47	67	70	53	65
Egypt	123	103	116	127	128
Iran	767 a/	820 a/	820 a/	880 a/	1,000 a/
Iraq	722	1,111	1,239	757	1,016
Israel	44 b/	64	90	42	85
Jordan	52	43	104	25	50
Lebanon	25	26	27	26	15
Syria	321	472	635	137	462
Turkey	2,270	3,640	2,400	2,985	2,900
Other countries d/	17	20	21	20	21
Maize	2,229	2,720	2,597	2,685	2,815
Egypt	1,378	1,853	1,568	1,714	1,790
Turkey	747	760	914	855	900
Other countries	104	107 a/	115 a/	116 a/	125
Rye	500	730	440	650	570
Turkey	500	730	440	650	570
Oats	339	428	336	365	390
Turkey	326	416	325	356	380
Other countries	13	12	11	9	10
Millet	307	605	545	501	...
Sudan	130 e/	326	300 a/	300 a/	...
Syria	62	124	114	71	100
Turkey	78	103	88	92	...
Other countries	37 a/	52 a/	43 a/	38	...
Sorghum	1,189	1,788	1,748	1,669	...
Egypt	518	582	549	537	591
Sudan	608	1,141	1,100 a/	1,075	...
Other countries	63	65	99 a/	57	...

Table B (continued)

Crop and country	Annual average 1948-1952	1953	1954	1955	1956
Rice (paddy)	1,731	1,513	2,029	1,831	2,233
Egypt	971	652	1,118	1,310	1,520
Iran	432	499	526	322	440
Iraq	203	163	180	83	111
Turkey	109	181	183	102	149
Other countries	16	18	22	14	13
Pulses a/	780	817	822	789	765
Egypt	315	264	307	320	264
Turkey	264	310	282	306	305
Other countries	201	243	233	163	196
Cotton h/	651	650	729	742	776
Egypt	396	318	348	334	332
Iran	26	50	60	60	60
Sudan	73	90	88	95	114
Syria	30	47	80	84	91
Turkey	120	139	142	157	165
Other countries	6	6	11	12	14
Sugar-beets	1,321	1,751	1,692	2,328	2,431
Iran	349	531	455	536	562
Israel	2a/	-	21	21	30
Syria	7i/	50	51	35	45
Turkey	963	1,170	1,165	1,736	1,794
Sugar-cane	2,191	2,819	3,190	4,128	...
Egypt a/	2,185	2,818	3,190	4,128	...
Lebanon	6	1	1	-	-
Tobacco	111	155	132	148	143
Iran	12a/	18a/	12a/	11a/	13a/
Iraq	3	8	9	5	6
Syria	6	5	6	6	5
Turkey	86	118	98	120	113
Other countries	4	6	7	7	6a/
Olives	412j/	435	698	309	
Cyprus	10j/	14	8	7a/	
Egypt	2	3	3	5	...
Iran	...	10	...	...	
Israel	6j/	14	22	4	25
Jordan	23	49	61	40a/	...
Lebanon	32	42	36	14	52
Syria	61j/	49	36	29	57
Turkey	268j/	254	522	200	...

Table B (continued)

Crop and country	Annual average 1948-1952	1953	1954	1955	1956
Olive Oil	74 [j/]	79	124	60	121 [a/]
Cyprus	2 [j/]	2	1	1	...
Israel	1 [j/]	2	4	1	4
Jordan	4 [j/]	9	15	8	...
Lebanon	9 [j/]	10	12	2	13
Syria	9 [j/]	11	8	5	10
Turkey	48 [j/]	44	83	41	80
Oil-seeds k/	1,570	1,729	1,850	1,912	2,040 [a/]
Egypt	760	651	716	693	672
Iran	61	114	134	134	134 [a/]
Syria	72	92	159	165	223
Turkey	392	455	462	512	478
Other countries . .	285	417	379	408	533 [a/]
Citrus fruits	835	1,150	1,090	1,246	...
Cyprus	35	56	48	51	...
Egypt	293	361	331	365	376
Iran	47	45	35	40	45
Israel	302	470	392	450	...
Lebanon	75	100	103	115	...
Turkey	78	113	175	217	...
Other countries . .	5	5	6	8	...
Dates	838 [l/]	1,051	1,135	1,120	...
Egypt	185 [b/]	289	379	329	...
Iran	125	125	141	100	132
Iraq	310	350	322	399	304
Saudi Arabia . . .	182 [m/]	250 [a/]	...	...	...
Sudan	31	24	30	25	...
Aden	5	13	13	15	...
Raisins	181	223	221	222	220
Iran	41	49	50	60	62
Turkey	126	148	138	141 [a/]	...
Other countries . .	14	26	33	21	...
Figs n/	204	263	227	201	...
Jordan	16 [m/]	61	18	8	...
Syria	42	53	56	50	46
Turkey	107	105	107	100	...
Other countries . .	39	44	46	46	...

(Source and footnotes on following page)

(Source and footnotes to table B)

Source: Food and Agriculture Organization of the United Nations. Totals are for Arabian peninsula, including Aden, and also Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Sudan, Syria and Turkey.

a/ Estimated.

b/ Average of four years.

c/ Crop includes spelt.

d/ Including Arabian peninsula countries and the Sudan.

e/ 1948-1949.

f/ Average for Lebanon and Syria; sorghum is included.

g/ Dry beans, dry peas, broad beans, chick-peas and lentils.

h/ Cotton lint; cotton-seed not included.

i/ Average of three years.

j/ Annual average, 1947-1952.

k/ Soya beans, ground-nuts, cotton-seed, linseed, sesame seed, sunflower seed.

l/ Based on estimates for the missing years in respect of Egypt and Saudi Arabia, the total is 830,000 metric tons.

m/ Average of two years.

n/ Fresh basis.

Table C. Gross Inland Consumption of Solid and Liquid Fuels, by Country
(Thousands of metric tons, hard coal equivalent)

Country and year	Solid fuels	Liquid fuels	Total
Bahrain:			
1937	-	144	144
1950	-	624	624
1954	-	692	692
Cyprus:			
1929	9	15	24
1937	5	39	44
1950	2	127	129
1954	3	216	219
Egypt:			
1929	1,245	903	2,148
1937	1,311	736	2,057
1950	191	2,900	3,091
1954	141	5,150	5,291
Iran:			
1929	1	793	794
1937	-	1,545	1,545
1950	175	4,339	4,514
1954	155	2,211	2,366
Iraq:			
1929	7	70	77
1937	3	132	135
1950	-	929	929
1954	-	1,317	1,317
Israel/Palestine: a/			
1929	33	72	105
1937	288	491	779
1950	34	982	1,016
1954	46	1,594	1,640
Jordan: b/			
1950	-	79	79
1954	-	108	108
Kuwait:			
1950	-	248	248
1954	-	315	315
Lebanon: c/			
1950	-	396	396
1954	5	540	545
Saudi Arabia:			
1937	1	3	4
1950	-	725	725
1954	-	1,055	1,055
Syria: d/			
1929	47	100	147
1937	143	131	274
1950	4	347	351
1954	1	712	713
Turkey:			
1929	1,075	138	1,213
1937	2,026	153	1,179
1950	4,761	620	5,381
1954	6,407	1,340	7,747

Source: Statistical Office of the United Nations.

a/ Including data for Jordan in 1929 and 1937.

b/ 1929 and 1937 figures included under Palestine.

c/ 1929 and 1937 figures included under Syria.

d/ Including data for Lebanon in 1929 and 1937.

Table D. Railway Freight Traffic, Selected Countries

Item and country	1953	1954	1955	1956 First half
Net ton-kilometres (millions):				
Egypt a/	1,215	1,463	1,647	...
Iran b/	1,024	1,187	1,252	692
Iraq c/	855	...	...	...
Israel	98	124	131	82
Lebanon	44	42	44	18
Sudan	1,112	1,109	1,194	751
Syria	130	139	124	63
Turkey d/	3,564	3,792	3,972	2,036
Tons carried (thousands of metric tons):				
Egypt a/	4,714	5,805	6,575	...
Iran b/	1,800	2,136	2,376	1,267
Iraq c/	2,519	...	...	...
Israel	995	1,312	1,324	767
Lebanon	608	555	645	326
Sudan d/	1,422	1,438	1,502	984
Syria	1,012	939	997	...
Turkey d/	10,260	10,860	11,328	5,468

Source: United Nations, Statistical Yearbook, 1956 and Monthly Bulletin of Statistics, April 1957; Egypt: National Bank of Egypt, Economic Bulletin, vol. VII, No. 4 (1954); Ministry of Finance and Economy, Statistical Pocket Yearbook, 1955 (Cairo, 1956); Iraq: Ministry of Economics, Statistical Abstract, 1955 (Baghdad, 1956); Syria: Ministry of National Economy, Statistical Abstract of Syria, 1955 (Damascus, 1956).

a/ Prior to 1953, twelve months ending 28 February of year stated; starting 1953, twelve months ending 30 June. Excluding livestock.

b/ Twelve months beginning 22 March of year stated.

c/ Twelve months beginning 1 April of year stated.

d/ Excluding livestock.

Table E. Railway Passenger Traffic, Selected Countries

Country and year	Number of passengers (thousands)	Passenger-kilometres (millions)
Egypt: a/		
1953	78,200	3,060
1954	80,300	3,263
1955	86,300	3,577
Iran: b/		
1953	...	386
1954	...	412
1955	...	473
Iraq: c/		
1953	3,014	525
1954	...	...
1955	...	...
Israel: d/		
1953	2,530 e/	169
1954	3,060 e/	200
1955	3,400 e/	234
Lebanon:		
1953	60	6
1954	93	8
1955	89	7
Syria:		
1953	...	37
1954	...	48
1955	...	47
Turkey:		
1953	63,048 f/	3,498
1954	61,968	3,893
1955	57,300	3,917

Source: United Nations, Statistical Yearbook, 1956; Egypt: National Bank of Egypt, Economic Bulletin, vol. VII, No. 4, 1954; Ministry of Finance and Economy, Statistical Pocket Yearbook, 1955 (Cairo, 1956); Iraq: Statistical Abstract, 1955 (Baghdad, 1956); Israel: Government Yearbook, 1956 (Jerusalem, 1956); Lebanon: Bulletin statistique trimestriel, vol. VII, No. 2, 1956; Turkey: Central Statistical Office, Monthly Bulletin of Statistics, No. 31, 1956.

a/ Prior to 1953, twelve months ending 30 April of year stated; beginning in 1955, twelve months ending 30 June.

b/ Twelve months beginning 22 March of year stated.

c/ Twelve months beginning 1 April of year stated.

d/ Including military traffic

e/ Twelve months beginning 1 April of year stated.

f/ Twelve months beginning 1 March of year stated.

Table F. Number of Motor Vehicles in Use, Selected Countries

(Thousands of units)

Country and item	1953	1954	1955
Egypt:			
Passenger cars	69.4	71.0	73.2
Commercial vehicles	19.5	20.5	21.7
Iran:			
Passenger cars	24.1	29.3	...
Commercial vehicles	21.2	24.8	...
Iraq:			
Passenger cars	13.0	18.4	20.6
Commercial vehicles	11.5	11.5	12.4
Israel:			
Passenger cars	15.0	16.1	...
Commercial vehicles	19.0	20.6	...
Lebanon:			
Passenger cars	16.6	18.7	22.6
Commercial vehicles	4.2	4.5	5.3
Syria:			
Passenger cars	7.2	8.5	12.8
Commercial vehicles	6.0	8.2	7.6
Turkey:			
Passenger cars	23.9	27.7	28.6
Commercial vehicles	30.2	33.4	36.9

Source: United Nations, Statistical Yearbook, 1956.

Table G. International Seaborne Shipping, Selected Countries
(Thousands of metric tons)

Item and country	1952	1953	1954	1955	1956
Goods loaded:					
Egypt	1,995	2,605	2,720	2,813	2,519
Iran	561	328	2,102	6,263	...
Iraq a/	542	719	747	561	...
Israel	230	367	615	627	670 b/
Lebanon c/	242	305	376	405	442
Syria d/	265	352	670	248	457 e/
Turkey f/	...	2,700	2,220	1,968	1,837 g/
Goods unloaded:					
Egypt	4,866	4,163	4,755	5,023	4,927
Iran	457	481	514	716	...
Iraq	401	478	475	727	...
Israel	1,122	1,230	1,402	1,538	1,337 b/
Lebanon c/	879	949	1,129	1,482	1,527
Syria d/	166	202	208	283	291 e/
Turkey f/	...	2,892	2,592	3,444	1,846 g/

Source: United Nations, Statistical Yearbook, 1956 and Monthly Bulletin of Statistics, April 1957; Syria; Ministry of National Economy, General Monthly Bulletin, January 1957.

a/ Excluding petroleum.

b/ Eleven months.

c/ Port of Beirut only; including coastal shipping.

d/ Port of Latakia only.

e/ Ten months.

f/ Excluding timber and livestock.

g/ Nine months.

Table H. Civil Aviation Revenue Traffic, by Country[a/]

(Thousands)

Traffic	Aden	Cyprus	Egypt	Iran	Iraq	Israel	Jordan	Lebanon	Saudi Arabia[b/]	Sudan	Syria[b/]	Turkey	Total
Kilometres flown:													
1952	1,463	1,739	3,418	1,156[b/]	1,024	3,703	925	2,726	1,775	1,000	185	2,986	22,100
1955	1,730	2,104	3,187	4,330[b/]	1,380	4,237	1,190	4,514	4,000	2,000	1,350	4,293	34,315
Percentage change . . .	18	21	-7	275[b/]	35	14	29	66	125	100	630	44	55
Passenger kilometres:													
1952	15,255	21,286	36,958	13,889[b/]	10,932	104,051	2,770	34,461	17,770	6,093	2,370	46,444	312,279
1955	16,849	29,320	47,527	22,490[b/]	20,923	141,404	14,255	73,351	70,000	12,000	15,735	67,967	531,821
Percentage change . . .	10	38	29	62[b/]	91	36	415	113	295	97	564	46	70
Cargo (ton/kilometres):													
1952	869	387	1,339	189[b/]	216	3,094	85	970	295	112	35	833	8,424
1955	1,287	560	1,165	595[b/]	228	3,035	175	2,662	1,000	225	130	1,217	12,279
Percentage change . . .	48	45	-13	215[b/]	6	-2	106	174	239	101	272	46	46
Mail (ton/kilometres):													
1952	132	92	55	16[b/]	17	518	30	30	20	19	10	79	1,018
1955	145	281	92	35[b/]	21	508	55	77	75	40	45	93	1,467
Percentage change . . .	10	205	67	119[b/]	24	-2	83	157	275	111	350	18	44

Source: International Civil Aviation Organization.

a/ Figures refer to traffic of national airlines in scheduled domestic and international services, without regard to point of departure or destination.

b/ Estimated.

Table I. Major Exports Excluding Petroleum, by Country
(Weight in thousands of metric tons; value in millions of dollars)

Country and item	1954		1955		1955 First half		1956 First half	
	Weight	Value	Weight	Value	Weight	Value	Weight	Value
Cyprus:								
Fruits and vegetables	...	9	...	8	...	4	...	5
Metalliferous ores and concentrates	...	23	...	15	...	6	...	14
All exports a/		45		49		25		33
Egypt: b/								
Vegetables (fresh, dry, preserved) and vegetable preparations	217	10	221	10	188	8	239	15
Cotton, raw	288	325	278	309	126	150	167	190
Cotton yarn	11	13	10	13	6	7	4	4
Rice	49	8	186	21	65	8	150	17
All exports		413		419		193		261
Iran: c/								
Rice	61	8	28	3	...	...	...	...
Dried fruits and nuts	93	18	90	15	...	...	...	...
Cotton, raw	45	35	36	22	...	...	...	...
Wool	8	7	9	9	...	...	...	...
Carpets, woollen	5	15	5	16	...	...	...	...
All exports		121		103		...		...
Iraq: d/								
Dates	218	10	244	8	...	...	...	...
Barley and wheat	519	26	390	22	...	...	...	...
Livestock (thousands)	385	4	151	1	...	...	...	...
All exports		52		49		...		...
Israel:								
Oranges and grapefruits (thousands of cases)	8,096	33	6,914	29	6,256	26	6,993	30
Diamonds, polished (thousand carats)	184	16	227	21	108	10	126	12
Other items, wholly or mainly manufactured	...	29	...	29	...	15	...	13
All exports		88		88		56		63
Lebanon: e/								
Vegetables	91	5	80	4	34	2	36	3
Citrus fruits	46	3	43	3	22	1	29	2
Other fresh fruits	24	3	25	3	12	2	17	2
All exports		29		33		16		19
Sudan:								
Cotton, ginned	60	62	95	87	34	34	63	65
Cotton-seed	106	8	101	9	60	5	90	8
Gum arabic	38	11	42	13	24	8	25	8
All exports		116		147		65		108
Syria: e/								
Barley	431	24	29	2	26	2	13	1
Wheat and wheat flour	261	22	35	3	35	3	4	0.3
Cotton, raw	42	35	89	65	40	32	37	29
Wool, raw	5	7	7	9	3	4	5	5
Sheep (thousands)	520	6	735	8	460	5	544	7
All exports		129		128		66		54
Turkey:								
Wheat	950	67	160	12	71	6	177	18
Fruits and nuts	123	46	112	62	52	23	26	15
Tobacco	64	86	60	89	27	39	46	72
Cotton	61	52	53	46	37	32	20	15
Chrome ore	357	16	560	20	316	12	280	10
Copper	17	10	16	12	8	6	10	10
All exports		335		313		151		176

Source: Statistical Office of the United Nations. The totals shown in this table differ in certain cases from those shown elsewhere in this publication because of inclusions or exclusions which are noted in the footnotes. Unless otherwise stated, total exports represent "special trade".

a/ Domestic exports, excluding re-exports.

b/ Including trade with the Sudan.

c/ Years beginning 20 to 21 March of year stated. Data include exports of fishery products and exclude exports of petroleum.

d/ Excluding exports of petroleum.

e/ Values converted to dollars at rates applicable to total exports; excluding gold.

Table J. Major Imports, by Country

(Totals in millions of indicated currency units; details in percentage of total value)

Country and item	1953	1954	1955	1955 (first half)	1956 (first half)
<u>Egypt</u>:					
Total imports (millions of Egyptian pounds)	176.8	160.2	182.9	86.3	104.8
Commodity groups (as percentage of total):					
Wheat and wheat flour	14.5	1.5	-	-	4.9
Tea and coffee	4.4	5.1	5.4	6.1	4.8
Sugar, refined	1.3	0.5	-	-	-
Cotton and miscellaneous fabrics . .	3.4	2.5	2.1	...	...
Petroleum and products	8.0	11.4	9.5	...	...
Wood other than fuelwood	3.8	4.7	4.7	...	...
Iron and steel and manufactures thereof	4.0	5.1	6.4	7.1	9.4
Machinery and electrical equipment .	10.6	13.4	17.9	...	...
Automobiles and buses	2.3	3.0	4.8	3.8	3.4
Other	47.7	52.8	49.2	...	...
<u>Iran</u>:[a/]					
Total imports (millions of rials) . .	5,243.7	7,126.5	8,699.3	...	...
Commodity groups (as percentage of total):					
Tea	2.7	4.3	8.1	...	...
Sugar	23.1	16.0	10.9	...	...
Chemical and pharmaceutical products.	3.8	3.8	3.6	...	...
Cotton fabrics	14.3	9.7	6.7	...	...
Tires and tubes	6.0	4.6	4.6	...	...
Iron, pig-iron, steel and wrought products	7.5	7.0	8.5	...	...
Machinery	6.7	7.0	7.0	...	...
Automobiles and road transport equipment (including parts)	3.0	12.7	9.5	...	...
Other	32.9	34.9	41.1	...	...
<u>Iraq</u>:[b/]					
Total imports (millions of Iraqi dinars)	68.3	72.7	97.2	44.0	56.6
Commodity groups (as percentage of total):					
Tea	7.0	8.8	8.3	8.0	...
Sugar	7.5	7.4	5.4	5.9	...
Cotton and other fabrics	12.4	13.2	10.2	10.2	...
Machinery	19.6	18.7	17.8	20.4	...
Motor vehicles	7.0	8.5	10.1	10.2	...
Iron and steel	17.4	11.3	13.4	12.3	...
Other	29.1	32.1	34.8	33.0	...

Table J (continued)

Country and item	1953	1954	1955	1955 (first half)	1956 (first half)
Israel:					
Total imports (millions of United States dollars)	282.7	297.6	337.3	161.6	182.7
Commodity groups (as percentage of total):					
Manufactured consumer goods	20.9	17.8	16.0	16.6	14.6
Raw materials, including those for the food industry	45.1	50.1	50.8	52.9	46.4
Investment goods:	23.0	21.6	23.1	20.2	28.3
Industrial equipment	9.9	6.9	7.0	...	...
Transport equipment	4.4	5.8	7.9	...	...
Fuels	11.0	10.5	10.1	10.3	10.7
Lebanon:					
Total imports (millions of Lebanese pounds)	314.3	380.5	476.8	231.2	253.7
Commodity groups (as percentage of total):					
Livestock	7.5	6.7	6.3	7.6	5.0
Cereals, including flour	14.5	17.2	8.9	4.2	3.2
Petroleum products	6.9	6.9	7.4	6.7	8.1
Woollen, cotton and silk fabrics . . .	5.0	6.2	5.1	5.4	4.9
Iron and steel bars, wire, sheets, tubes and pipes	4.6	3.8	4.7	4.4	8.4
Machinery and electrical equipment . .	7.0	7.9	10.3	10.3	11.5
Means of transport	4.8	5.5	7.8	7.4	5.9
Other	49.5	45.8	49.5	54.0	53.0
Sudan:					
Total imports (millions of Egyptian pounds)	50.7	48.4	48.8	24.5	23.6
Commodity groups (as percentage of total):					
Sugar	7.7	7.4	6.6	5.7	10.2
Coffee (raw) and tea	6.7	11.2	9.7	7.8	5.5
Cotton and rayon fabrics	14.6	16.1	15.6	14.7	20.0
Petroleum products	5.5	5.6	5.7	6.1	7.6
Iron and steel	3.7	3.1	2.0	2.0	1.7
Motor vehicles and parts	7.1	4.1	3.7	4.1	4.2
Other	54.7	52.5	56.7	59.6	50.8
Syria:					
Total imports (millions of Syrian pounds)	286.4	381.7	392.6	224.3	209.8
Commodity groups (as percentage of total):					
Sugar, raw	1.7	1.6	2.2	2.7	2.7
Woollen and cotton fabrics	5.6	4.6	4.4	4.0	3.4
Artificial silk thread	5.3	4.5	3.4	4.0	33.3
Petroleum products	13.2	11.6	11.7	10.5	14.4
Iron, cast iron and steel	6.3	6.6	7.7	7.6	6.1
Machinery and electrical equipment . .	14.0	15.0	15.6	18.2	14.8
Automobiles, including chassis	4.7	7.5	5.8	7.4	5.8
Other	49.2	48.6	49.2	45.6	49.5

Table J (continued)

Country and item	1953	1954	1955	1955 (first half)	1956 (first half)
Turkey:					
Total imports (millions of United States dollars)	532.2	478.3	497.6	263.8	221.7
Commodity groups (as percentage of total):					
Foodstuffs, beverages and tobacco . . .	2.6	3.2	8.4	10.9	4.4
Cereals	-	-	5.9	8.2	1.5
Raw materials	8.4	11.5	7.3	8.2	5.5
Fuels	10.0	8.6	8.4	7.1	8.2
Machinery and transport equipment . . .	35.9	35.2	35.2	36.7	44.8
Iron and steel	9.6	5.8	8.2	7.1	7.8
Metal manufactures, other than machinery and transport equipment . .	3.8	4.7	5.2	5.4	4.8
Other	29.7	31.0	27.3	24.6	24.5

Source: United Nations, Yearbook of International Trade Statistics and Commodity Trade Statistics; National Bank of Egypt, Economic Bulletin, 1956, vol. IX, No. 3 (Cairo); Ministry of Finance, Statistiques commerciales et renseignements mensuels douaniers (Tehran); Ministry of Economics, Statistical Abstract, 1955 and Quarterly Bulletin of Statistics (Baghdad); Bank of Israel, Annual Report (1955) and Israel Economist (Jerusalem), October 1956; Ministry of National Economy, Quarterly Bulletin of Statistics (Beirut); Ministry of National Economy, Summary of Foreign Trade (Damascus).

a/ Years beginning 20 March of year stated.

b/ Data for 1955 are largely but not entirely comparable with those for 1953 and 1954.

Table K. Geographic Pattern of Trade, by Country

(Percentage of total trade of given country)

Country, item and period	Total trade (millions of dollars)	Percentage distribution by trading area: Middle East a/	United States	United Kingdom	Western Germany	Other western Europe b/	USSR and other eastern Europe c/	Other countries
Egypt: d/								
Exports:								
1954	413	8.9	4.6	10.1	8.0	28.4	10.9	29.1
1955	419	10.3	6.2	5.5	5.5	24.5	19.5	28.5
1955, first half . . .	193	5.2	7.9	8.2	8.2	26.3	14.3	29.9
1956, first half . . .	261	10.1	2.6	4.8	4.4	21.8	27.5	28.8
Imports:								
1954	468	8.4	10.9	12.3	10.9	34.5	5.6	17.4
1955	536	8.3	11.8	12.6	10.2	32.7	6.5	17.9
1955, first half . . .	244	6.5	11.6	13.1	10.8	35.2	5.7	17.1
1956, first half . . .	301	6.5	15.2	13.4	9.9	28.0	9.6	17.4
Iran: e/								
Imports:								
1954	213	2.2	23.8	9.3	15.4 f/	15.2	10.0	24.1
1955	278	5.8	19.6	9.7	17.6	13.9	11.1	22.3
1955, first half . . .	137	4.0	21.0	9.0	18.1	12.8	14.4	20.7
1956, first half . . .	133	9.2	16.6	11.4	17.8 f/	13.0	9.3	22.7
Iraq:								
Exports:								
1954	489	4.5	1.0	16.4	6.3	62.2	-	9.6
1955	518	4.6	3.2	11.7	6.6 f/	61.0	-	12.9
1955, first half . . .	...	...	...	...	...	...	...	...
1956, first half . . .	...	...	...	...	...	...	...	...

Table K (continued)

Country, item and period	Total trade (millions of dollars)	Percentage distribution by trading area: Middle East a/	United States	United Kingdom	Western Germany	Other western Europe b/	USSR and other eastern Europe c/	Other countries
Iraq (continued):								
Imports:								
1954	208	4.7	13.9	30.6	8.0 f/	16.5	1.8	24.5
1955	272	3.9	15.1	28.2	7.8 f/	17.2	2.2	25.6
1955, first half . . .	123	3.7	17.4	28.9	7.6 f/	16.6	2.4	23.4
1956, first half . . .	159	4.0	15.3	27.2	8.3 f/	20.7	1.8	22.7
Israel: g/								
Exports:								
1954	85	15.5	16.9	22.8	2.0	21.2	5.2	16.4
1955	86	13.5	19.0	18.5	3.0	22.2	3.8	20.0
1955, first half . . .	55	11.3	14.0	23.5	4.4	23.6	4.2	19.0
1956, first half . . .	62	3.5	15.2	23.2	5.6	29.2	5.6	17.7
Imports:								
1954	290	4.4	27.4	9.4	17.9	14.2	2.4	24.3
1955	326	3.9	28.6	10.3	18.0	14.2	1.8	23.2
1955, first half . . .	162	2.9	30.6	10.6	18.3	14.5	1.4	21.7
1956, first half . . .	183	1.0	34.2	10.5	17.5	14.5	1.1	21.2
Lebanon:								
Exports:								
1954	29	60.3	6.9	4.5	2.8	16.6	2.4	6.5
1955	33	50.6	11.2	5.4	2.1	16.1	6.4	8.2
1955, first half . . .	16	44.3	10.1	5.0	2.5	15.2	3.8	19.1
1956, first half . . .	19	42.6	6.9	9.0	2.7	19.1	4.3	15.4
Imports:								
1954	174	40.8	12.9	8.0	6.3	22.4	2.8	6.8
1955	218	30.5	14.8	10.2	7.1	24.9	2.7	9.8
1955, first half . . .	106	30.6	17.1	8.9	7.4	23.8	2.1	10.1
1956, first half . . .	116	31.6	13.7	7.8	7.7	24.5	3.5	11.2

Table K (continued)

Country, item and period	Total trade (millions of dollars)	Percentage distribution by trading area: Middle East a/	United States	United Kingdom	Western Germany	Other western Europe b/	USSR and other eastern Europe c/	Other countries
Sudan:[h/]								
Exports:								
1954	119	13.7	3.6	41.1	6.3	22.8	0.6	11.9
1955	151	14.7	2.3	27.1	8.0	23.2	2.1	22.6
1955, first half . . .	67	14.5	2.5	24.6	6.0	25.1	2.4	24.9
1956, first half . . .	109	13.9	2.2	28.7	7.3	18.9	2.3	26.7
Imports:								
1954	139	11.8	1.8	32.5	4.7	15.7	8.0	25.5
1955	140	13.3	2.4	30.6	4.1	15.5	2.9	31.2
1955, first half . . .	70	15.9	1.8	31.7	5.0	16.8	3.4	25.4
1956, first half . . .	68	14.4	2.3	28.1	3.4	17.1	7.4	27.3
Syria:[i/]								
Exports:								
1954	130	41.1	4.1	6.3	6.0	39.9	-	2.6
1955	132	37.5	4.5	8.6	4.5	36.3	1.1	7.5
1955, first half . . .	66	36.8	3.2	9.7	4.2	38.3	0.9	6.9
1956, first half . . .	56	47.8	3.1	4.1	3.2	31.4	2.2	8.2
Imports:								
1954	186	20.5	12.0	12.0	9.7	30.5	2.5	12.8
1955	196	21.1	11.0	12.8	10.3	25.0	2.7	17.1
1955, first half . . .	113	18.5	11.8	14.4	11.4	25.1	1.9	16.9
1956, first half . . .	109	29.2	10.9	12.5	9.8	21.3	2.7	13.6
Turkey:								
Exports:								
1954	335	6.1	17.4	6.9	17.8	18.8	16.4	16.6
1955	313	6.0	15.5	7.4	15.7	26.1	21.9	7.4
1955, first half . . .	151	4.7	12.3	5.4	12.3	30.1	26.5	8.7
1956, first half . . .	176	4.4	23.5	4.3	14.7	23.3	25.0	4.8

Table K (continued)

Country, item and period	Total trade (millions of dollars)	Percentage distribution by trading area: Middle East a/	United States	United Kingdom	Western Germany	Other western Europe b/	USSR and other eastern Europe c/	Other countries
Turkey (continued):								
Imports:								
1954	478	7.2	15.0	8.7	17.3	22.3	9.4	20.1
1955	498	6.7	22.3	7.8	17.6	16.8	18.3	10.5
1955, first half . . .	264	6.1	24.4	7.6	16.5	14.2	19.5	11.7
1956, first half . . .	222	4.9	18.2	8.9	26.3	18.0	13.4	10.3

Source: Statistical Office of the United Nations. Data on total trade of each country in this table may differ from those shown in other tables in this publication because of inclusions and exclusions described in the footnotes below. Unless otherwise stated, data represent "special trade"; imports are c.i.f. and exports f.o.b.

a/ Includes small amounts of trade of countries not belonging to the Middle East as defined in the introduction.

b/ Austria, Belgium-Luxembourg, Denmark, France, Greece, Italy, Netherlands, Norway, Portugal, Sweden and Switzerland.

c/ Albania, Bulgaria, Czechoslovakia, eastern Germany, Hungary, Poland and Romania.

d/ Adjusted to include trade with the Sudan.

e/ No figures are given for exports in the absence of official figures on the distribution of petroleum exports, which constituted about two-thirds of total exports in 1955. Imports exclude goods entered in franchise, include gold.

f/ May include some trade with eastern Germany, as no distinction is made by the reporting country.

g/ Excluding goods imported for domestic consumption and later re-exported.

h/ Adjusted to include exports of camels to Egypt.

i/ Including gold.

Table L. Balance of Payments, Selected Countries

(Millions of dollars)

Country and year	Merchandise, including non-monetary gold: Exports	Merchandise, including non-monetary gold: Imports[a]	Transportation and insurance	Investment income	Other services	Private donations	Official donations	Total of preceding	Private capital	Official banking and capital: Long-term	Official banking and capital: Short-term and monetary gold	Net error and omissions
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Egypt:												
1954 . .	414	-448	89[b]	-38	-10[b]	-	4	11	-15	12	-7	-1
1955 . .	399	-572	91[b]	-28	-9[b]	1	7	-97	6	8	82	1
Iran:[c]												
1954 . .	208	-247	-	-43	1	-	56	-25	10	2	1	12
1955 d/.	337	-336	-	-85	-3	2	28	-57	23	-	40	-6
Iraq:												
1954 . .	495	-213	4	-189	-4	-1	2	94	-38	-10	-55	9
1955 . .	518	-277	5	-197	—	-1	7	55	16	-15	-49	-7
Israel:[e]												
1954 . .	88	-296	7	-17	-22	136	127	23	19	52	-73	-21
1955 . .	88	-338	9	-28	-34	70	131	-102	24	70	-9	17
Jordan:[f]												
1954 . .	8	-52	-	-	8	5	35	4	...	7	-11	—
1955 . .	10	-71	-	-	12	5	43	-1	...	6	-7	2
Sudan:												
1954 . .	131[g]	-140[g]	-1	-	-11	-3	-	-24	1	16	9	-2
1955 . .	159[g]	-147[g]	-1	-1	-19	-4	-	-13	2	19	-11	3
Turkey:[h]												
1954 . .	335	-423[i]	-41	-6	-22	...	45	-112	76	-5	37	-4
1955 . .	313	-439[i]	-32	-8	24	...	51	-91	12	-3	96	-14

Source: International Monetary Fund, Balance of Payments Yearbook, vol. VI and VII (Washington, D.C.); for Israel, Government Yearbook, 1956 (Jerusalem). Figures for merchandise trade in this table differ from those shown elsewhere in this publication because they are in general based on exchange records and not on trade returns.

a/ Unless otherwise stated, imports are c.i.f.

b/ Insurance is included with "other services".

c/ For twelve months beginning 20-22 March of year stated.

d/ Preliminary.

e/ Figures for 1954 and 1955 are not strictly comparable.

f/ Figures for merchandise trade in the Balance of Payments Yearbook differ from those given in other sources, although based on the trade returns in all cases. It is probable that exports include sales to United Nations Relief and Works Agency for Palestine Refugees in the Near East, while certain imports are excluded.

g/ Based on exchange records, which exclude trade with Egypt. Trade returns data for trade with Egypt and estimates for live camel exports to Egypt have been added.

h/ Figures for merchandise trade are based on trade returns.

i/ Imports are f.o.b., after deducting freight and insurance.

Table M. Suez Canal Traffic, Selected Years

Year	Number of transits: All ships	Number of transits: Oil tankers[a]	Goods carried (millions of metric tons): Total	Southbound	Northbound: All cargoes	Northbound: Oil
1870	486	...	0.3[b]	...	...	-
1900	3,441	...	7.8[b]	3.8[b]	4.0[b]	-
1913	5,085	...	25.8	11.3	14.5	0.3
1917	2,353	...	6.8	1.3	5.4	...
1920	4,009	...	17.0	6.3	10.7	0.8
1930	5,761	...	28.5	9.4	19.1	4.1
1938	6,171	1,100	28.8	7.8	21.0	5.2
1942	1,646	...	...	...	...	...
1947	5,972	2,400	30.6	7.8	22.8	13.8
1948	8,686	4,600	49.4	9.7	39.7	28.9
1949	10,420	5,500	61.0	13.0	48.0	37.0
1950	11,751	6,600	72.6	12.1	60.5	47.5
1951	11,694	5,900	76.8	17.4	59.3	42.9
1952	12,168	6,200	83.4	22.0	61.4	45.9
1953	12,731	6,500	90.4	22.5	67.9	49.4
1954	13,215	6,900	96.9	22.4	74.5	57.0
1955	14,666	8,000	107.5	20.1	87.4	66.9
1956, six months	8,122	4,400	60.9	11.4	49.5	38.4

Source: Compagnie universelle du canal maritime de Suez, Le Canal de Suez (Documents statistiques) (Paris, 1950); The Suez Canal (Paris, 1956); Rapport (Paris, 1955); Bulletin and Supplements (Paris).

a/ Approximate figures to the nearest hundred.

b/ Estimate based on taxable tonnage.