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Economic Development of the Middle East and the Role of Foreign Trade Andcapital.

Jitendra Madho Prasad

Louisiana State University and Agricultural & Mechanical College

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ECONOMIC DEVELOPMENT OF THE MIDDLE EAST
AND THE ROLE OF FOREIGN TRADE AND CAPITAL

A Dissertation

Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
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requirements for the degree of
Doctor of Philosophy

in

The Department of Finance

by

Jitendra Madho Prasad
B.Com., Patna University, 1948
M.B.A., Louisiana State University, 1959
August, 1962

DEDICATED
TO THE MEMORY OF
MY BELOVED DAUGHTER
GEETA

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ABSTRACT

The Middle East -- once prosperous and famous for her civilizations, surprisingly stands today as an underdeveloped region. The reason for this decay was, in short, the sinfulness of the people. Landlords, developed as a natural consequence to the system prevalent, proved later an impediment in the economic progress. As the cottage industries, particularly those of silk, cotton, brocades, goat hair and sheep skin, wool, ceramics, ship-building and pearling, declined as a result of the Industrial Revolution in the West, the poverty in the region grew. World wars worsened the situation.

Planned development in the region started after 1950, but the techniques adopted for planning were unscientific. Yet, the Middle Eastern Governments have invested so far over \$15 billion in their respective countries. This amounts to \$14.50 per capita divided into social services \$2.70, transport and communications \$3.50, agricultural and industrial developments \$3.50 and \$4.50, respectively. With diseases, 50 per cent infant mortality in some areas and 80 per cent illiteracy, the allocation on account of social services appears very inadequate. Production of wheat, maize and barley together increased at the rate of 13.7 per cent per year during 1949-59, but the share per capita of these cereals equals to only about 1.4 pounds per person per

day. This proves that the masses are not living even on subsistence diet. Meats and vegetables in the region are also scarce and costly.

Apart from the investments out of internal savings, it was essential for the region's economic development to invest \$760 million annually from abroad. The amount actually received was only \$320 million a year. An analysis showed that at least \$400 million are flying out of the region every year. These add up to over \$800 million shortage in investments. The yearly investments after armaments of \$750 million with \$172 million only received from abroad, further accentuated the problem.

The plans do not seem to stress the development of cottage industries although the resource base of the heavy minerals in the region is very weak. As a solution to the middle class problems, it is essential to organize the Urban Ladies' Multi-purpose Cooperative Societies wherein women should be provided with jobs at home.

The intra-regional trade standing at 15 per cent shows non-cooperation. Sixty-six per cent of the foreign trade directed towards the West, and Western Europe receiving 80 per cent of her oil supplies from the Middle East, show inter-dependence. Exports during 1949-59 rose at the rate of 21 per cent a year while imports rose at the rate of 14 per cent only. But this may be an intentional cut down of imports in order to facilitate the \$400 million flight out of the region every year. Although import of capital goods during 1959 appears to be 30 per cent

of the total, it is reduced to about 15 per cent when imports of armaments are taken into account. The Suez as a vital waterway needs to be kept out of politics as a necessity for the survival of Egypt.

The revolutions and assassinations in the region appear emanating out of the economic discontent of the masses. The Arabs accuse the West for exploiting them, but they also do not seem to have done better in the past. The fundamental fact is that humanity has not yet achieved a true civilization.

INTRODUCTION

a) The Plan of Work:

A study of the poverty of nations today is more important than a study of the wealth of nations. Looking to whole human history, it appears that there were many powerful and prosperous civilizations, but when we look at those regions today, we feel surprised to find them underdeveloped with the people rolling in poverty. The Middle East today is one of those typical regions. Standing as a bridge between Asia and Europe, this region played a very important role in the fields of politics, religion, culture, and economics. Many of the modern sciences of today, originated in that region. Although culturally united, the region today also is politically divided. All these definitely arouse a sort of curiosity to look into this region, as deeply as possible, to find out what actually happened there, leading to its present position, and what is being done now to ameliorate the conditions prevailing! And for this purpose, this study was divided into nine chapters.

In the first chapter, a search has been made for the civilizations as they developed, and then sociological reasons that led to the downfall of these civilizations have been found out.

The second chapter has been devoted towards assessing the resources of the region in order to find out the nature of the resource

base upon which the region could plan its progress.

The third chapter has been devoted towards finding the pattern of the traditional economy of the region. The pattern of land-ownership, condition of agriculture and livestock along with the development of cottage industries were also examined. The industrial revolution with the role of the West, has also been included.

The fourth chapter has been developed towards economic planning in the region. Here every economic plan that was formulated since the 1930's was included. Development of the cooperatives and the land reforms were also examined. The progress of the region particularly in respect of food and livestock along with the industrial progress, has also been included.

Then the fifth chapter has been devoted to examining the foreign trade of the region, its direction, volume and progress, along with the balance of payments position countrywise as well as regional. Foreign exchange policy as pursued in the region has also been incorporated. Efforts were made to find out the role of foreign trade in matters of the economic development of the region.

Then in the sixth chapter financing of the economic development of the region has been examined. The role of foreign capital, the role of oil, and the role of the internal sources of financing have also been analyzed and incorporated.

The seventh chapter has been devoted to examining the economic

policies in the region of the United States and the Soviet Union. In this connection, the power politics of the region have also been brought to light.

The eighth chapter examines the role of poverty in the politics of the region. Every revolution and assassination since 1950 on have been examined and analyzed.

Chapter nine has been devoted towards conclusions as arrived at, after this study was completed. Suitable recommendations have also been included.

b) Methodology:

This research is descriptive and analytical. It exposes in sequence the problems of history, culture, and economics. The facts of economics have been presented with as many statistics as possible. The analytical side of this research is a mixture of both social and economic facts.

Throughout this study (Chapters I to VIII), efforts have been made to put down the facts as found, and the impressions as gained after the study. They do not represent this writer's opinions. The conclusions and recommendations as made, are strictly the writer's own.

c) The Region of the Middle East:¹

The question now arises as to where is the region of the Middle

¹There is an excellent article on this topic in the Foreign Affairs Magazine of July 1960.

East? The Middle East is definitely a political concept. It was used first by Captain Mahan of the U. S. Navy in 1902. He had said then:

The term Middle East, if I may adopt a term which I have not seen, will some day need its Malta, as well as its Gibraltar. . . . The British Navy should have the facility to concentrate in force, if occasion arises, about Aden, India, and the Gulf.

Valentine Chirol, Correspondent of The Time, London, published in the same year (1902) a series of articles in which he expanded Mahan's Middle East to include "approaches to India, land and sea: Persia, the Gulf, Iraq, the eastern coasts of Arabia, Afghanistan and Tibet." Great confusions prevailed during World Wars I and II when military considerations led to many changes in the definition of the Middle East. The term "Near East" was also used for the "Middle East." In 1948, this question also came before the United Nations when Dr. Malik of Lebanon, suggested the creation of an Economic Commission for the Middle East. A Sub-Committee appointed for the purpose, defined the region to include Afghanistan, Iran, Iraq, Syria, Lebanon, Israel, Turkey, Saudi Arabia, Yemen, Egypt, Etheopia, and Greece. But this Commission as proposed by Dr. Malik, could not come to life as the Arab countries objected to the inclusion of Israel within the area of operation of this Commission. Later in 1951, in reply to a question in Parliament, the British Under-Secretary of Foreign Affairs said:

The term "Near East" which was connected with the Ottoman Empire, is outmoded in this country and "Middle East" has superseded it, for all practical purposes. The

countries included in the term "Middle East" are Egypt, Turkey, Iraq, Persia, Syria, Lebanon, Jordan, Israel, Saudi Arabia, the Trucial Sheikdoms, Kuwait, Bahrein, Qatar, Muscat, the Aden Protectorate, and Yemen.

In 1955, however, the Government of India decided to give up the term "Middle East" as meaningless in relation to her own position.

The Eisenhower Doctrine was established in 1957 to provide for the American military and economic aid to the nations in the general area of the Middle East. Mr. Dulles defined the Middle East then, as "the area lying between and including Libya on the west, and Pakistan in the east, and Turkey on the north, and Arabian Peninsula on the south, plus the Sudan and Etheopia." He added that "Middle East and Near East were now, in his view, identical.

Anthropologists have defined the Middle East as a culture area extending from Morocco and Timbuktu to Russian Turkistan and West Pakistan. A geographer of the U. S. State Department concluded in 1959 that "Middle East can not be defined."

Yet amid such differences between the specialists and the governments, the most common core of agreement appears over Turkey, Syria, Lebanon, Iraq, Iran, Afghanistan, Saudi Arabia, Yemen, Oman, Bahrein, Qatar, Kuwait, Jordan, and Aden. Israel is geographically inseparable from the region, and has, therefore, to be included in the general area of the Middle East. Egypt is geographically a part of Africa, but historically and culturally, it is inseparable from the Middle East.

What appears reasonable, is to define the region in terms of historical and cultural unity without resorting to geographical absurdity. The countries stated above fully meet this criteria. This research, therefore, has been directed to the region comprising these countries only.

CHAPTER I

CIVILIZATION AND SOCIETY OF THE MIDDLE EAST

The history of civilization begins from the Middle East. When epoch¹ helped to drive our ancestors² down from the trees and out into the plains, they settled for the first time along the Mediterranean through Mesopotamia and across to Turkistan. It seems to have been somewhere before 5000 B.C. in the Middle East that the art of agriculture was discovered. Legend has it that Isis, the great goddess, found corn on Mount Hermon in Syria and gave it to her sacred son. By 5000 B.C., grain growing had spread round from Palestine to Mesopotamia, and permanent settlements had come into being. About 4500 B.C., there seems to have occurred increased snowfall round the Mesopotamian basin giving rise to such violent spring floods year after year that some towns were abandoned; and the memory of the disastrous time has been preserved, it seems, in the story of Noah's flood, and the corresponding Mesopotamian legends. But more important was its effect on Egypt. In the centuries before this

¹Julian Huxley states that (as a result of the contraction of the earth), the Himalayas were elevated at this time, and as the land south of these grew drier, and the forests shrank southward, our ancestors were met by impassable mountain barrier, and had, therefore, to leave Central Asia.

²It is plausibly suggested that man originated to the north of the Himalayas.

time, the Nile Valley seems to have been marshy and largely uninhabitable; the elevation must have drained it. And the long ribbon of marvellously fertile land thus provided for the use of man tempted the agriculturists of the neighboring regions. This, it appears, was the beginning of the civilization of Egypt; but once started on its career, its geographical position was such that it soon outstripped its rivals.

Thus largely as a pressure of changing climate on early man, hunting gave place to agriculture. Well before 4000 B.C., what we may call the Archaic civilization, based on corn and settled life -- with houses and pottery, woven fabrics and metal work in addition, was fully established from Egypt round by Syria to the Tigris and Euphrates. This corner of the globe, thus, was predestined to be the cradle of the modern world -- by its climate, by its great rivers, by the fact of its being the original home of wheat, by its being a natural meeting place for different streams of culture brought by different migrations of men, east and west, as well as north and south.³ These resulted in a chain of civilizations beginning from the Sumerian in about 3500 B.C. to the Persian Medes in about 500 B.C.⁴, and gave birth to the founders of the world's three of the greatest religions, viz. Moses, Jesus, and Mohammad. King Amenhotep IV (1375-1358 B.C.) of Egypt founded the first monotheistic

³Julian Huxley, Man in the Modern World (New York: The American Library, 1960), pp. 62-63, 65.

⁴Alvin Barta, Time Table of Civilizations (New York: Vantage Press, 1958). Periodic Time Table of civilizations attached at the beginning and at the end of the book.

religion, and was also the first leader of men who caught the vision of all mankind united as brothers in One World.⁵ The Hebrews founded the concept of the 'Chosen People of God,'⁶ which later was taken to Greece and Rome. They had developed out of manifold misfortunes, spiritual agony, and an earnest quest for righteousness, the first enduring monotheistic religion. From their faith flowered a lofty ideal of human fraternity, and an exalted sense of moral values, which in the Jewish sacred writings were to become the common inspiration of Judaism, Christianity, and Islam.⁷ They had also founded two kingdoms, Israel and Judea, and had reached a zenith of power and wealth under King Solomon (975-935 B.C.). 'The Afghans (of Afghanistan) seek to link obscure beginnings, in a manner half historical, half mythical, with the great figures of the Hebrews, King David and Solomon. Some centuries later in the story appears the name Bakhtunnasar (Nebuchadnezzar), and the tradition runs that at the time of the dispersal, the Jewish ancestors of the Afghans remained after the captivity in the east, and did not return to Jerusalem.'⁸

Jesus offered through His life and teachings, the fundamentals of a spiritual religion.⁹ He spoke from His personal experience. "My

⁵ Fredrick L. Schuman, International Politics (New York: McGraw-Hill Book Co., 1958), p. 34.

⁶Ibid., p. 36.

⁷Ibid.

⁸Caroe Olaf, The Pathans (New York: St. Martin's Press Inc., 1958), p. 3.

⁹Sir S. Radhakrishnan, East and West (New York: Harper Brothers, 1956), p. 71.

teaching is not mine but his that sent me...he that speaketh from himself seeketh his own glory, but he that seeketh the glory of him that sent him, the same is true."¹⁰ Truth for Jesus, is not a historical fact but spiritual life. His teachings brush aside all the legalistic encumbrances of the Jewish religion, and hold that, in the two old Commandments, everything required of man was summed up. "Thy shalt love thy neighbour as thyself."¹¹ St. John says: "The law was given through Moses and grace and truth came through Jesus."¹² At one time, Christianity had a profound effect on the Middle East. Cyrus and Darius of Biblical fame were Persian kings. But later this religion largely disappeared from the region, so much so, that today, except for Lebanon where there is a Christian majority, and Israel, where there is Jewish majority, the entire Middle East is predominantly Muslim.

Zoroastrianism, another of the world's oldest religions, as founded in Persia, is not a proselytising creed. It encouraged the practice of other religions. But owing to Muslim persecution, the followers of Zoroastrianism, after undergoing numerous hardships and nearly incurring destruction succeeded in gaining the shores of India, where the rights of shelter and settlement were granted to them by a Hindu ruler.¹³

¹⁰John VII, 16-18.

¹¹Radhakrishnan, op. cit., p. 72.

¹²Ibid.

¹³Ibid., p. 30-31.

In about 571 A.D., Mohammad, who was born in Arabia, founded Islam. The faith of Islam is rich in the virtues of generosity, brotherhood, and equality. It is devoid of any professional priesthood and singularly free of theological hairsplitting despite the early and persistent schism between Shiites and Sunnites (two sects of Islams). Its spread coincided with an astonishing upsurge of military power. Islam had so stirred the spirit of the Arabs, that they conquered Armenia, Persia, Syria, Palestine, Iraq, Egypt, Spain, and had also crossed into France. Historians say that had the Arabs not been defeated by Charles Martel in the Battle of Tours in 732 A.D., the entire western world today would have been Muslim. As the Arab power declined, the Ottoman Turks -- also Muslims, built another of the greatest empires in the world. At the height of their power, they ruled over most of the Middle East, North Africa, parts of Central Asia, and much of South-Central Europe up to the gates of Vienna.¹⁴

What was the reason for such an abrupt rise of the Muslims of the Middle East? Undoubtedly Islam. Islam as a religion enforced a social system of strict discipline. The prayers formed a social organization which Islam instituted. Five times in the twenty-four hours, the Muslims prayed behind a single Imam (a man well versed in Qoran -- the Bible of Muslims), rising when he rose, kneeling when he knelt, all

¹⁴N. Greenwalt, The Middle East in Focus (Washington: Public

facing towards Mecca, the birth place of Mohammed. This created a sense of obedience, common allegiance, and unity among the fellow Muslims whose loyalty, before the advent of Islam, was divided by tribes and clans. Ramadhan, being a month of fasting under Islam, created a sense of helping one another among those who took part in it. The poor-tax which Islam envisaged, was a compulsory religious levy upon specified social classes to ameliorate the conditions of the poor. Polygamy (to the extent of four wives) was accepted as a social necessity. Dr. Farrukh accepts its validity mainly on the grounds that "man is more frequently exposed to death than woman, in war, in fights, and in local riots and such things."¹⁵ Others argue that polygamy for men of the deserts of the Middle East is a biological necessity, and the recognition of this fact in Islam, had a stabilizing effect upon the Middle Eastern Society.¹⁶ Islam revolutionized the law of inheritance by giving right of inheritance even to daughters. As a sanction to preserve the society so created, Islam conceived God as an awe-inspiring force, and that Mohammad was His last prophet. Islam permitted the Muslims to slay any one who attacked them. The concept of unity did conceive unity only among Muslims, and that all non-Muslims were Kafirs (having no

¹⁵Omar A. Farrukh, The Arab Genius in Science and Philosophy (Washington: American Council of Learned Societies, 1954), p. 115.

¹⁶This is the statement of Mr. Mahmud Hussain Qazi, a Muslim from Pakistan who is currently a candidate for Doctor of Philosophy degree in Zoology, at the Louisiana State University.

religion). These, no doubt, created a tremendous force which was used, not only for unity and attack for creating empires, but also for making many basic contributions in the fields of science and philosophy. The Muslims of the Middle East claim:¹⁷

- 1) to be the founders of maxims and proverbs;
- 2) to have unified the arithmetical figures discovered by the Hindus;
- 3) to have founded algebra, and solution of equations to the first, second, third, and fourth degrees;
- 4) to have discovered basic connections between algebra and geometry;
- 5) to have discovered trigonometry --both plane and spherical;
- 6) to have originated the science of logarithms;
- 7) to have introduced scientific study of astronomy;
- 8) to have established the fact that the earth was a sphere, floating in space, and also measured its circumference with an accuracy approximating the measurement on which modern geographers are agreed;
- 9) to have discovered variations of moon in her orbit from year to year;
- 10) to have made fruitful and notable contributions to physics;
- 11) to have contributed much to optical subjects;
- 12) to have contributed much to medical science;
- 13) to have founded chemistry.

Arabs claim to have been so broadminded as to have transmitted

¹⁷Farrukh, op. cit., p. 12-49.

unreservedly all these discoveries and achievements to the West. Says Dr. Farrukh of Lebanon, a product of the American University, Beirut, and the University of Erlington, Germany, "Had the Arabs not thus formed the common ground, the course of civilization and science would have followed a vastly different course, inventions and discoveries would have been neglected and profitless."¹⁸ Says Dr. Radhakrishnan, now the President of India, "The Arabs contributed new scientific concepts which they devised by their own questing and observant attitude and thus prepared for Renaissance and the Enlightenment."¹⁹

The question now arises, why still did the Middle East remain so far behind as to become today economically under-developed? A widely held body of ideas in the study of economic development is founded on the conception that advanced and under-developed countries are distinguished mainly in that the former have rationally organized economics, whereas in the latter, tradition prevails. ". . . Traditional is quite generally seen as a factor inimical to economic growth."²⁰ This view clashes with that of Julian Huxley who says that, "The most important (human property during the period of early civilizations) was the development of cumulative tradition. . . . the existence of cumulative tradition

¹⁸Ibid., p. 7-8.

¹⁹Radhakrishnan, op. cit., p. 44.

²⁰Braibanti and Spengler, Tradition, Values, and Socio-Economic Development (Durham: Duke University Press, 1961), p. 83-84.

has as its chief consequence -- or if you prefer, its chief objective manifestation -- the progressive improvement of human tools and machinery."²¹ Dr. Raadi of Iran, currently the President of the UNESCO International Committee for Appreciation of Eastern and Western Cultural Values, said recently, "We of the Orient should know that the word 'progress' does not mean giving of tradition."²² Dr. Farrukh says that

. . . there is no nation to-day with more need to preserve its inheritance than the Arabs. . . . If we are to rise again in the future, we must do so on the basis of achievements of the past, and we must -- especially while we are as weak as we are presently -- preserve the ancient heritage to help us when the time comes for our resurgence.²³

To analyze these arguments as they stand, it would be better to refer now to Ibn Khaldun.

Ibn Khaldun (1332-1406 A.D.) was a great Arab Historian, statesman, and sociologist. Living in an age when the rapid transformation of the nomadic Arabian tribes into the victorious complex societies was still recent; when the transition of the Arabs from the simple nomadic desert and simple rural life to the voluptuous and luxurious -- predominantly consumptive, commercial, and administrative -- city life was going on before his eyes, this scholar and genius could observe, analyze, and study the process directly.²⁴

The important conclusions that Ibn Khaldun draws out of his observations,

²¹Huxley, op. cit., p. 9.

²²The Asian Student Weekly (San Francisco: The Asia Foundation, May 27, 1961), p. 3.

²³Farrukh, op. cit., p. vii-viii.

²⁴Sorokin, Zimmerman, and Galpin accept Ibn Khaldun as the "founder of Sociology," as well as "the founder of rural-urban sociology."

are summarized by Sorokin, Zimmerman, and Galpin thus:

- first, according to Ibn Khaldun, nomadic and rural life preceded the sedentary and urban life;
- second, nomadic and rural people are more healthy, more sound, more brave, more resourceful, more self-reliant, more independent, and more stern, less immoral, less degenerate, than the urban people;
- third, the family life is cleaner and the familism is stronger in the rural district than in the cities;
- fourth, L'esprit de corps is again more necessary and incomparably more alive in the rural than in the urban population;
- fifth, consequent sociality and mutual aid are developed more in the desert and country than in the city;
- sixth, the position of women and older people is better and they are more respected in the country than in the city;
- seventh, the city population is incessantly replenished by the migration of the people from the country;
- eighth, the migrants to the cities are recruited chiefly from the well-to-do families of the country;
- ninth, owing to unhealthy conditions, luxury, vice, indulgence, and other mollifying conditions, city life leads to degeneration of the people, and in this way to the decay of the entire society. The climax of the growth of the city and the development of the city arts, sciences, and commerce is the beginning of the decay and degeneration of the city, and the whole society. This degeneration is inevitable, and the average length of the curve of the rising and degenerating of the urban people in the span of four generations.²⁵

Increased urbanization and the resultant social vices thus were the causes of the Arab degeneration and decline, according to Ibn Khaldun. It will be of interest to note here that increased urbanization we accept today, to be a sign of economic progress, while a sociologist of the stature of Ibn Khaldun considers it the cause of social degeneration.

²⁵Sorokin, Zimmerman and Galpin. A Systematic Source Book in Rural Sociology, Vol. 1. (Minneapolis: The University of Minnesota Press, 1930), p. 54-55.

Toynbee, the greatest living historian, analyzes civilizations in terms of "Challenge-and-Response," which create a sort of "repetitive recurrent rhythm. Civilizations, according to him, are destroyed not by any organic necessity but by their own sinfulness ". . . the ultimate criterion and the fundamental cause of the breakdown of civilizations is an outbreak of internal discord through which they forfeit their faculty for self-determination." He further stresses the "failure to throw off, before it was too late, the social incubus of a deified kingship, and a subsequent failure to avoid exploitation at the hands of a series of other social parasites: litterati and priests and professional soldiers."²⁶

Herr Spengler, the great German historian, thought "civilizations follow the life pattern of living organisms." They are born, come to maturity, decline in senescence, and eventually die. In Herr Spengler's phrase "after the crescendo must follow the decrescendo."²⁷

Dr. Farrukh sums up the reasons for the fall of the Arabs as follows:²⁸

- 1) Throughout the human history, we do not know of any other culture which has been so violently attacked as that of the Arabs. This is because our culture, with its mass of particular detail, is really a wall for us, and attempts to break down this wall have been numerous. . . . Further the purpose of breaking down this wall has been to break down the Arab nation itself; and this has been particularly true of the colonial powers.

²⁶Arnold J. Toynbee, A Study of History, Vol. V (London: Oxford University Press, 1939), p. 11-17.

²⁷Transactions of the Royal Society of Canada, Vol. XLII, Series III, June 1949, Section two, p. 103-104.

²⁸Farrukh, op. cit., p. 156-57.

- 2) One of the causes of our real backwardness is the fact that in the Arab countries there are institutions of learning. . . .(which offered) only theoretical and elaborate subjects such as could not profit us even if they occupied the whole people. For a long time we played with the subjects that could produce no practical profit. . . . and at the same time we were cut off from the more important and profitable sciences and arts on which civilization and society turn. . . . What profit is there for us if all Arabs become expert automobile drivers as long as there is not one of them who can build an automobile or make a single tool?
- 3) Speculative philosophy and historical dispute between the Middle Eastern countries.

Albert Hourani blames the Arab family system, which tends to be endogamous and patriarchal in its explicit authority, for the crisis in the Arab world. Social loyalty in the region, is given to a series of concentric groups -- family, clan, section, tribe -- whose unity is symbolized by real or imagined descent from a common ancestor, and whose solidarity grows weaker as the group grows larger. ". . . . For Near Eastern (a term interchangeably used for Middle Eastern) nationalism the object of loyalty is not, in general the territorial unit but the linguistic and cultural group." He further blames the "Western economic penetration, (which) while it raised the standard of living of a certain class, tended to destroy the old economic system and the social institutions which had been based on it." Hourani also blames the Arab countries which can not establish moral link among themselves "because of bitter memories and mutual distrust."²⁹

²⁹Albert Hourani is a Fellow of Magdalen College, Oxford, and lecturer in modern history of the Near and Middle East. The above is a synopsis of his article "Arabic Culture--Its Background and To-day's Crisis," which appears in the Atlantic Monthly Supplement, Perspective of the Middle East, published by Intercultural Publications Inc., New York: 1956, p. 5-11.

CHAPTER II

RESOURCES OF THE REGION

The Indian Planning Commission defines "planning" as "essentially a way of organizing and utilizing resources to maximum advantage in terms of defined social ends." This entails a survey of resources, both human and non-human. In the modern world, however, new sources of raw materials and energy have disproved the theory which considered countries unsuitable for industrial development on account of their natural cost disadvantage. The concept of absolute industrial unsuitability for a given country has given way to consideration of the pace of industrial development.

(a) Human Resources:

The population of the Middle East is estimated to be about 100 million, "70 per cent of which live in small farming villages. Another 20 per cent live in towns and cities. About 10 per cent of the population is made up of nomads of the mountains, and desert nomads-Bedouin."¹ "About 80 per cent of the Middle East's population can neither read nor write, but there is great respect for learning and learned men."²

¹N. Greenwald, The Middle East in Focus (Washington: Public Affairs Press, 1960), p. 4.

²Ibid., p. 5.

Education adds to the quality of the workers. Although many modern industrial methods do not require a high degree of skill or education, literacy and certain minimum standards of education not only facilitate the adjustment of the workers within the plant, but they are also important in their assimilation to a more complex industrial pattern of life. The close relation between literacy and industrialization has been conclusively demonstrated.

To fight illiteracy, legislations covering compulsory elementary schooling has been enacted in almost all the Middle Eastern Countries, but lack of funds, and consequently, of schools and teachers, have prevented the full implementation of the law. Government budgetary allocation for education in some of the countries of the Middle East for 1954, are as follows:

<u>Country</u>	<u>Per Cent of Total Budget</u>	<u>Dollar per Capita of Population</u>
Egypt	10.2	3.81
Iraq	12.0	3.96
Israel	9.2	10.00
Jordan	12.0	1.87
Saudi Arabia	6.6	1.87
Lebanon	13.4	4.78
Syria	17.7	2.88

SOURCE: UNESCO, *Compulsory Education in Arab States*, December 1954 (Paris, 1956), p. 72.

These figures do not include expenditure by local authorities, private organizations and missionary institutions, owing to which Lebanon and Israel enjoy much of their superior educational level.

The annual rate of population increase in some of the countries of the Middle East are as follows:

<u>Country</u>	<u>Annual Rate of Increase (1953-58)³</u>
Bahrein	3.8%
Iran	2.4%
Iraq	2.6%
Israel	3.9%
Jordan	3.0%
Kuwait	2.0%
Lebanon	2.8%
Turkey	2.7%
Egypt	2.4%
Syria	3.9%

The rate of population increase for the region as a whole is about 2.2 per cent.

Birth rates are high, and, even with a death rate of one-half of infants under 5 in many areas, numbers are growing rapidly. Given the prospects of mounting effort to combat adverse health conditions, the reduction of death rates will have a cumulative effect on population in the decades ahead.⁴

The Middle East is "particularly rich and interesting in human diseases."⁵ Primitive living conditions, poverty, and the climatic

³United Nations Demographic Year Book (New York, 1959), p. 109-26, 596-608, 638-44.

⁴Sir R. Bullard, The Middle East-Political and Economic Survey (London: Oxford University Press, 1958), p. 52-53.

⁵B. A. Keen, The Agricultural Development of the Middle East (London: His Majesty's Stationery Office, 1946), p. 41.

variations are some of the important causes for the many types of diseases that prevail in the region. Dietary deficiencies cause pellagra, scurvy and xerophthalmia, even tuberculosis and leprosy.

A study of Egyptian villages in 1952 showed all the villagers suffering from amoebic dysentery; 90 per cent had billarzia; 64 per cent intestinal worms; 5 per cent pellagra; 6 per cent acute infections of the eyes of the type leading to blindness, and 89 per cent had trachoma; 6.4 per cent were blind in one eye; 56 per cent lived on a diet of unleavened bread, skim milk and cheese, with fresh vegetables once a week. Another 12 per cent ate no vegetables. Life expectancy at birth was 15-20 years.⁶

There are local areas in the riverine districts of Iraq, the Lebanon, Syria, Turkey and northern Iran, where the incidence of malaria reaches 90 per cent to 100 per cent. Iran is an endemic area of plague; Turkey, owing to its colder climate, has a tuberculosis rate at least seven or eight times higher than that of Western Europe, whilst the Southern deserts are the stronghold of eye diseases that produce blindness in up to one-quarter of the inhabitants.⁷

(b) Non-human Resources:

(1) Land: By far the greatest part of the land surface in the Middle East is either mountain, desert, or swamp; and cultivated areas are extremely small in extent, covering not more than 5 per cent or 7.5 per cent of the total area.⁸ The cultivable and cultivated areas as per cent of the total areas of some of the countries appear as follows:

⁶The New York Times, May 5, 1952, p. 13.

⁷The Middle East 1959 (London: Europa Publications Ltd., 1959), p. 8.

⁸Ibid., p. 6.

<u>Country</u>	<u>Total Area</u> <u>(sq. miles)</u>	<u>Cultivable %</u>	<u>Cultivated %</u>
Egypt	385,000	3.5	2.5
Iran	630,000	30.0	10.0
Iraq	171,000	27.0	9.0
Israel	8,000	30.0	20.0
Jordan	38,000	N.A.	6.0
Lebanon	4,000	29.4	21.0
Syria	74,000	25.0	13.0

The density of population per square mile of the cultivable area, in some of the countries of the Middle East appear as follows:

<u>Country</u>	<u>Population</u> <u>Mid-year 1958</u> <u>(in thousands)</u>	<u>Cultivable Area</u> <u>(sq. miles)</u>	<u>Density of</u> <u>Population</u>
Egypt	24,781 ^a	13,475	1,839
Iran	19,677 ^a	189,000	104
Iraq	6,590	46,170	143
Israel	1,997	2,400	832
Jordan	1,580 ^b	2,280	693
Lebanon	1,550	1,200 ^c	1,292
Syria	4,283 ^a	18,500	232

SOURCE: U. N. Demographic Year Book. New York, 1959, p. 109-26, 596-608, 638-44.
F.A.O. Year Book, 1959.

^aExcludes nomad population.

^bExcludes military personnel and dependents living on military installations and foreigners, except registered Palestinian refugees.

^c1,200 is the area cultivated. The density of population, therefore, represents the density on the area cultivated.

The density of population as above, shows why Nasser has been so anxious for the Aswan Dam. A Lebanese villager, asked about the number of people in his village, reportedly replied: "Thirty thousand abroad and ten thousand at home, for the purpose of re-production." Lebanese density

of population figure, therefore, does not present any problem.

The cultivability of the Middle East's semi-arid areas depends, to a great extent, on the use of technological methods and on available funds.

The chief food crops grown in the Middle East are wheat, barley (10% of the world total), and rye in the north, and millet, maize, and rice in the south. Wheat is the chief crop of Turkey, Syria, Lebanon, Jordan, and Israel. Barley is more than wheat in Iraq, and parts of Iran. Maize is the chief cereal in Egypt. Rye is restricted to the colder and hillier parts of Turkey and Iran. Cotton is the very important cash crop in Egypt, and which is also the chief export of the country. Turkish tobacco has been favored both in England and America. Dates are a principal article of food in the arid areas of the South - Arabia and southern Iran. Iraq produces 80 per cent of the world's supply of dates. Citrus fruits are of increasing importance along the northeastern Mediterranean coast; while apricots, figs, peaches and plums are widespread. Olives form a very important part of the Middle Eastern diet, since animal fats are scarce.

In general, and with a few conspicuous exceptions, the level of production, and quality of crops are low. It has been reckoned that the Middle Eastern farmer is only one-eighth to one-quarter as efficient a producer as his counterparts in Western Europe or the U.S.A. The reasons for this low level of agricultural productivity are complex:

- 1) There are the obvious handicaps of heat and aridity, together with the resulting effects of this climatic regime upon soil character. Many Middle Eastern soils are lacking in humus; and another difficulty is that when watered copiously by artificial means (i.e. irrigation) certain soils that would appear to be capable of bearing heavy crops can turn saline and sterile. This is at present a problem in the Nile Delta, and a number of large irrigation schemes, notably around Kenya, and along the Karun River of South-West Iran.
- 2) The unusually high soil temperature during summer -- of the order of 130° to 180° F., which has the effect of destroying organic material within the soil itself, and of preventing the use of fertilizers. The techniques successful in wetter and colder parts of the world do not always in the Middle East.
- 3) Pests also cause great damages. As much as 60 per cent of the year's crops may be destroyed by locusts, which breed in the deserts of Arabia, Africa, and Somaliland, and move as swarms into cultivated areas. In Iraq and Iran, the much smaller sunna fly causes periodic devastation.⁹

(2) Minerals: Except for oil, geological knowledge of the other minerals is on the whole scanty. During the last war, the British army undertook some geological examination with a view to overcoming water difficulties in desert areas. A unique source of minerals is the Dead Sea which belong to Israel and Jordan. It has been estimated that it contains (in million tons):

Potassium chloride	-	2,000
Sodium chloride	-	11,900
Calcium chloride	-	6
Magnesium chloride	-	22
Magnesium sulphate	-	980

⁹Ibid., p. 7.

Production of potash and bromine has been undertaken only on the Israel side of the Dead Sea. The lack of cheap power has prevented the production of magnesium metal. In many cases, a combination of factors makes the exploitation of mineral resources uneconomical. For large scale operations, private capital is difficult to obtain especially if the political climate is not conducive to foreign private investment.

Although iron ore has been found in Afghanistan, Egypt, Iraq, Jordan, Syria, Lebanon and Saudi Arabia, its quantitative estimates are available only for Turkey, Iran, and Israel:

(Quantities in Millions of Tons)

<u>Country and Type of Deposit</u>	<u>Reserves - Measured indicated and inferred</u>	<u>Iron (per cent)</u>
<u>Turkey:</u>		
Massive, magnetite and hametite	37	55 to 60
Massive, magnetite (not confirmed)	(11	40 to 47
	(30	53 to 68
Sedimentary, hematite (calcareous)	(35	24 to 31
	(18	20
Sedimentary, hematite (not confirmed)	11	50 to 60
<u>Iran:</u>		
Massive, hematite (calcareous)	20	30
Bedded, hematite	5	40 to 65
<u>Israel:</u>		
Minette, Limonite and hematite	N.A.	26 to 30
Other bedded ores (not confirmed) limonite and hematite	15	27 to 45

SOURCE: Survey of World Iron Ore Resources, U. N. Economic and Social Affairs, New York, 1955, p. 31.

A list of minerals available in some countries of the Middle East is as follows (oil excepted):

<u>Afghanistan:</u>	iron, sulphur, chrome, lead, zinc, silver, salt, copper, talc, mica, beryl, lapis, lazuli, coal.
<u>Egypt:</u>	manganese, phosphates, copper, iron, coal.
<u>Iran:</u>	iron, red iron oxide, chrome, copper, lead, zinc, sulphur, coal, gypsum, limestone, salt.
<u>Iraq:</u>	sulphur, gypsum.
<u>Israel:</u>	Dead sea minerals, copper, feldspar, phosphates, glass sand, granite, marble, peat, pottery clays (also for firebricks).
<u>Jordan:</u>	Dead sea minerals, phosphates, manganese, copper, marble, gypsum.
<u>Turkey:</u>	coal, lignite, chrome, copper, iron, salt, manganese, sulphur, antimony, emery, lead-zinc, mearschaum, gold, silver, mercury, beryl, magneside, nickel, cobalt, flouride, graphite, bauxite, feldspar, baryte, talc, diatomite, asbestos, mica, fullers earth, kaolin, quartz, soda, walfram, and molybdenum.

Of all the minerals, the Middle East is most important for her oil reserves. She holds in her lap about two-third of the proven oil reserves of the world as the following figures would show:

PROVEN RESERVES OF OIL
(Million Barrels)

	<u>At 1.1.56</u>	<u>Per Cent</u>
U. S. A.	35,451	18.9
Rest of Western Hemisphere	18,910	10.1
Western Europe (incl. Austria and North Africa)	1,254	.7
U.S.S.R. & Satellites (incl. Yugoslavia)	10,900	5.8
Middle East (incl. Turkey & Egypt)	117,450	62.8
Far East (excl. China)	<u>2,999</u>	<u>1.7</u>
Total World	186,964	100.0

SOURCE: Sir R. Bullard, The Middle East-Political and Economic Survey, London: Oxford University Press, 1958, p. 540.

The main producer countries, Kuwait, Saudi Arabia, Persia, and Iraq, between them hold nearly 98 per cent of the area's reserves. The development of pipelines linking the oil fields with ocean terminals has been an essential factor in the expansion of this industry. Two twelve-inch pipelines about 550 miles long were constructed before the Second World War from the northern Iraq fields to the Mediterranean, one to Trifoli in Lebanon and the other to Haifa in what was then Palestine. The first of the main post-war pipelines, the 16-inch line from Kirkut to Tripoli, was in full operation by 1950, but a second 16-inch line to Haifa was never completed, and stopped short of the border between Jordan and Israel. In the same year the 30-inch trans-Arabian (Tapline) was completed, covering a distance of over 1,000 miles from the Saudi Arabian fields to Sidon in Lebanon. A 12-inch line from the Zubair field near Basra to Fao on the Persian Gulf, completed in 1951, was followed by a 24-inch line in 1953; while a 30-inch line from Kirkuk to the Syrian port of Banias came into use in 1952.¹⁰

The daily production in the Middle East of 3.5 million barrels in 1957, out of the world total of 17.3 million barrels, or about 20 per cent, has been projected to rise to 8.7 million barrels daily in 1967, out of an anticipated total world production of 33 million, which would mean a 145 per cent increase in the next decade.

¹⁰Bullard, op. cit., p. 58.

The development of this oil by British, French, Dutch, and American companies has brought wealth to one of the poorest, hungriest areas of the world. Each year more than \$1,500,000,000 -- one half of the oil companies profits -- are collected by Saudi Arabia, Kuwait, Iraq, Iran and the tiny feudal sheikhdoms of Bahrein, Qatar, and Abu Dhabi. . . . Kuwait with fewer than 400,000 people, earns more than \$400,000,000 yearly in oil revenues. Saudi Arabia's take is roughly \$310,000,000, Iran's \$250,000,000; Iraq where Premier Kassem harasses the oil companies, gets \$235,000,000 a year. From 1950 through 1959, the oil companies paid Saudi Arabia, \$2,475,000,000, Kuwait \$2,032,000,000, Iraq \$1,533,000,000, and Iran \$1,064,000,000 in oil royalties and taxes.¹¹

About \$40 million a year in pipeline transit fees have been paid to Syria, Lebanon, and Jordan.¹²

¹¹The Saturday Evening Post Weekly, February 17, 1962, p. 48.

¹²A. J. Mayer, Middle Eastern Capitalism (Cambridge: Harvard University Press, 1959), p. 6.

CHAPTER III

TRADITIONAL ECONOMY AND INDUSTRIAL REVOLUTION

As already stated, the Middle East had developed a civilization, well before 4000 B.C., based on corn and settled life -- with houses and pottery, woven fabrics and metal work. Archaeological remains indicate that the Middle East was once very densely populated. Ruins of reservoirs, canals, and irrigation ducts have been found in Jordan, Syria, Lebanon, Israel, and Iraq. The Roman Limes of Chalcis was constructed to protect the settled land against the encroachment of the desert; traces of it have been found about 100 miles east of today's dividing line between the desert and the sown.¹ Ancient writers described the fertility of the districts which now are desolate and barren. It would seem that man gave up the battle against nature and resigned himself to mere subsistence in submission to higher powers.

The basis of Abbasid (Arab rulers of the region during the 8th century A.D.) wealth rested, however, primarily on agriculture. Caliph al-Mansur established such a vigilant and judicious system of government throughout the empire and enforced such thrift that it took more than a century to profligate largesse to dislocate the economy of the

¹II Chron. XXVII, 10; Strabo, Geographica, XVII. Ptolemy, Geographica.

state. In Iraq, the ancient canal system was operated so efficiently and extended to such an extent that productivity rose to a peak never matched in any period of its long history. In the same century, imperial revenues from Egypt, Syria, and Iran showered great wealth upon the ruling circles, and inhabitants of the capital cities.²

The Arabs were not farmers, and to engage in agriculture was considered beneath the dignity of free man in Arabia. But moving into the rich agricultural lands of Iraq, Syria, and Egypt, they quickly learned the value of efficient cultivation of the soil. As the native populations of these provinces and other fertile areas . . . were converted into Islam, Muslims were engaged directly in agriculture. Accordingly, the governing classes, the landowners, and the actual farmers were concerned with agricultural progress.³ Gardens flourished, and many different plants, vegetables and fruits -- particularly dates, peaches, apricots, melons or squashes, were widely grown. Sugarcane and rice and a large variety of green vegetables were brought and introduced from India.

(a) Land Ownership:

As the Middle Eastern civilization declined, landlordism became a powerful factor in the Middle Eastern economy. Writes Awad,

²Sydney, Nettleton, Fisher, The Middle East - A History (New York: Alfred A. Knopf, 1959), p. 89.

³Ibid., p. 121.

The major problem, however, is the feudal (land) ownership. This is the real cause of socio-economic retardation of the region and its political instability. Most of this land is owned by a few individuals, and the vast majority of people are share-croppers or tenants of one type or the other, as laborers and as owners of insufficient land. They are neglected and deprived, barely making enough to live on, denied the opportunity to occupy and cultivate, and unable to secure decent terms of tenancy. They (landlords) have ceased to be initiators and sustainers of progressive improvement on the land.⁴

Much of the village population, even today, live in a state of serfdom; they are tied down to the land and are not permitted to leave. Because of antiquated laws of property and inheritance, a peasant's land is frequently scattered in small pieces over a wide area. Even in those villages where the peasants own their own lands, it is often difficult for them to work it efficiently. In other villages, ownership of the best land is often rotated among the peasants from year to year. This land-rotation, still a serious problem in the Arab world, discourages long-range development of soil. Most peasants are heavily in debt much of the time, either to the merchant of the town or cities, or to the landlord; often to both.⁵

From the Ottoman Kings, Turkey inherited land under four different ownerships:

⁴M. M. Awad, A Challenge to the Arabs (New York: Pageant Press, 1954), p. 93.

⁵Greenwald, op. cit., p. 6.

- 1) Grown land which formed the largest part of the tillable area, held by the Sultan, the right to cultivate the same being granted by the government upon the payment of fees;
- 2) pious lands -- those held by mosques, schools, or other muslim foundations, most of which was later seized by the Sultan;
- 3) crown grants, or landed property given to army officers by previous Sultans in recompense for military services, and now hereditary and exempt from taxation; and
- 4) freehold property, which practically was insignificant.⁶

In Iraq, the land has been largely owned by a very small group of tribal Sheikhs, and city landlords. The great majority of farming population has been composed of what would be called sharecroppers.⁷

The cultivated land of Jordan has been predominantly state-owned (miri). The tenure of much was on a system whereby the lands of a village were held in common, individual rights being in terms of shares of the total, not in specific parcels. This land was redistributed once every two to nine years, and each share was made up of several pieces of land typical of the different qualities and locations available.⁸

Land ownership in Syria is by no means equally distributed. There

⁶W. S. Monroe, Turkey and Turks (Boston: L. P. Page & Co., 1909), p. 151.

⁷F. I. Qubain, The Reconstruction of Iraq (New York: Fredrick A. Praeger, Publisher, 1958), p. 80.

⁸IBRD, The Economic Development of Jordan (Baltimore: John Hopkins Press, 1957), p. 126-27.

are many landless peasants, while large landed estates, some exceeding several thousand hectares, predominate in the provinces of Hama, Homs, Alappo, and Jezirah.⁹

In 1939 Egypt, only one-half per cent of the population owned 37.7 per cent of the country's land, while 93.6 per cent of the population owned 33.3 per cent of the land only.¹⁰ About the same condition yet prevails in Lebanon.

In Iran, about one thousand families only, including the Shah, have owned almost all the land.

Saudi Arabia is almost wholly unsuited to agriculture. Despite their reluctance to settle down, nomadic Sheikhs have always had houses, landed property, and other interests in the tribal and non-tribal villages. Land-ownership in both the types of villages is linked primarily to the extended family whose members own jointly the lands from which they derive their livelihood. The appearance of a new wealthy class with money to invest has made landholdings by individuals increasingly important; absentee landlordism, however, does not constitute as important a problem as in other Middle Eastern countries.¹¹

⁹IBRD, The Economic Development of Syria (Baltimore: John Hopkins Press, 1955), p. 36.

¹⁰Charles Issawi, Egypt - An Economic and Social Analysis (London: Oxford University Press, 1947), p. 73. Figures were compiled on the basis of information given.

¹¹George A. Lipsky, Saudi Arabia (New Haven: Hraf Press, 1959), p. 80.

Land ownership in Kuwait, Qatar, Bahrein, Aden, and the Trucial Sheikdoms resembles that in Saudi Arabia. Land ownership in Yemen and the Sultanate of Oman, also, is concentrated only in a few families, and so is the condition in Afghanistan.

Land ownership in Israel has a history of its own. The Zionist Organization founded in 1897, and committed to the establishment of a separate homeland for the Jews, had, prior to World War I, established two Zionist funds. The first of these was the Jewish National Fund which purchased land from the Arabs of Palestine. Land so acquired, became the perpetual property of the Jewish people. Zionists pledged that Arab tenant farmers would not be driven from lands purchased by their Jewish National Fund, but this guarantee proved impossible to fulfill.¹² Some of the very best lands in Palestine were purchased at inflated prices from absentee Arab landlords living in luxury at Damascus, Beirut, and in Europe.¹³ For centuries, a regular land market existed for investment purposes, and transactions rarely affected the tenant cultivator. However, land bought by National Fund became the inalienable property of the Jewish community with express provisos that only Jews might work the land or be employed on it.¹⁴ Tenant families which had lived in a

¹²Sydney, Nettleton, Fisher, op. cit., p. 432.

¹³Ibid.

¹⁴Ibid.

village and tilled the land about it for thousands of years, were evicted, sometimes summarily.¹⁵ And here arose the bitter cause of conflict between the Jews and the Arabs, and between the modern Israel and the Arab countries that are her neighbors. The most pressing issue that grew out of the Arab-Israeli conflict is the problem of Arab refugees -- more than 600,000 who fled their homes in 1948-49, and live along the Israeli borders, in Egypt, Lebanon, Syria, and Jordan. And the United Nations Relief and Works Agency has kept the refugees alive by supplying food and health services.

(b) Agriculture and Livestock:

In about 1950, most of the Middle Eastern countries accepted and adopted the aggregative approach to planning for economic development.¹⁶ In this section, therefore, an effort has been made to present the agricultural and livestock position of the countries of this region before the advent of this era. In Chapter IV, a comparative picture will be drawn to gauge the achievements between the periods before and after the advent of era of planned economic growth. The countrywise position of the agriculture and livestock is as follows:

1) Aden: Agriculture, being very limited and subject to mountain floods is comparatively unimportant in Aden. Crop production and

¹⁵Ibid.

¹⁶A. J. Meyer, Middle Eastern Capitalism (Cambridge: Harvard University Press), p. 96.

estimated livestock position however, in 1949 was as follows:

<u>Crops</u>	<u>Area in Acres</u>	<u>Production in Tons</u>	<u>Livestock</u>	<u>Estimated Number</u>
Sorghum Millet	82,000	16,400	Camels	70,000
Other Millets	11,500	2,300	Cattle	57,000
Barley	4,500	3,000	Goats	650,000
Wheat	3,500	1,750	Sheep	130,000
Sesame	8,500	9850	Donkeys	6,500
Date Palms	10,000	3,500		

SOURCE: The Middle East 1953. London: Europa Publications Ltd., 1953, p. 37.

2) Afghanistan: Only one-fifth of the soil being under cultivation in 1935, Afghanistan's agricultural production constitutes wheat, barley, lentils, rice, millet, and maize (quantitative figures are not available).¹⁷ Cotton and tobacco are also important crops. Afghanistan is also a great fruit growing country with orchards of figs, peaches, apricots, grapes, and pomegranates in the fertile parts of the country. Afghanistan is particularly famous for Karakul skins which constitute her major foreign exchange earner. The karakul sheep live along the shore of the Oxus and on the edge of Kizilkun desert around Andkhol.¹⁸ Numerical livestock position of Afghanistan is not available.

3) Bahrein: Some dates and lucerne are grown. The country being only 213 square miles, practically lives on oil revenues, with agriculture and livestock being insignificant.

¹⁷The Middle East 1950, op. cit., p. 25.

¹⁸Ibid.

4) Egypt: The Nile Valley, being one of the most productive and intensively cultivated areas of the world, produces three crops a year by a rotation system which has caused loss of land fertility. Faced with the problem of steadily increasing population, Egypt had to change over to cereals some acreage which had previously more profitably been used for growing cotton. Egypt limited the cotton plantation by law in 1948-49 to 30 per cent of all land in the northern part of the Delta, and 25 per cent in most of the other parts of the country.¹⁹ The agricultural production of Egypt in 1949 was as follows:

<u>Crop</u>	<u>Area</u> <u>(⁰000 hectares)</u>	<u>Production</u> <u>(⁰000 metric tons)</u>
Wheat	595	1,167
Barley	71	138
Maize	628	1,250
Millet	209	567
Rice	295	1,168
Sugarcane	36	1,899
Potatoes	15	204
Broad Beans	178	321
Lentils	8	13
Ground nuts	30	47
Oil seeds	23	19.5
Oranges and Tangerines	N.A.	236
Other citrus fruit	N.A.	50
Cotton (ginned)	711	387
Cotton seed	711	697
Flax fibre	8	5.6

SOURCE: The Middle East 1953, op. cit., p. 83.

¹⁹Ibid., p. 97.

Egyptian livestock was comparatively neglected. Since buffaloes give more milk than the cows, Egyptian Ministry of Agriculture had been lending selected buffaloes free of charge to the farmers to enable them to improve their own herds. Artificial insemination, vaccination, and methods of treating animal diseases had also been receiving attention. The livestock position of Egypt in 1947 was as follows:

	<u>1947 (*000 heads)</u>
Horses	28
Asses	1,125
Mules	12
Cattle	1,321
Pigs	50
Sheep	1,875
Goats	1,474
Buffaloes	1,242
Camels	197
Chickens	16,312
Turkeys	456
Geese	1,604
Ducks	1,838

SOURCE: The Middle East 1953, op. cit., p. 84.

5) Iran: Iran has been practically self-sufficient in all the main agricultural products except sugar and tea. The main agricultural products of the country in 1949 were as follows:

	<u>Area (*000 hectares)</u>	<u>Production (*000 tons)</u>
Wheat	2,000	2,000
Barley	700	850
Rice (paddy)	220	480
Tobacco	15	17
Cotton seed	110	31
Cotton	110	21
Sugar beet	29 (1948)	31

SOURCE: The Middle East 1953, op. cit., p. 249.

Of the livestock, sheep are by far the most important in Iran. They are used for meat as well as for wool for manufacturing the famous Persian carpets and rugs. Wool production reached 14,000 metric tons for the year ending June 1949. The livestock position of Iran in 1946-47 was as follows:

	<u>'000 heads</u>
Sheep	13,200
Cattle	2,500 (1945-46)
Goats	6,800
Horses	350
Mules	50
Asses	1,200

SOURCE: The Middle East 1950, op. cit., p. 138.

6) Iraq: The north and northeastern part of Iraq, gets sufficient rain to produce good crops without irrigation. The southern part of the country consists of the valleys of the Tigris and Euphrates rivers where rainfall is scanty and irrigation is required for the production of crops. As the quantity of water available is far from sufficient, the production of rice, which needs a lot of water, has been restricted by law. Iraq has been the world's greatest producer of dates, and has been responsible for some 80 per cent of the commercial supply. The agricultural production of Iraq in 1949 was as follows:

	<u>Area (*000 hectares)</u>	<u>Production (*000 tons)</u>
Wheat	500	500
Barley	1,000	800
Rice	217	242
Sesame Seed	44	9.4
Dates	-	255
Cotton	7	2
Tobacco	4	7.7
Cotton Seed	14	4
Wool	-	12

SOURCE: The Middle East 1953, op. cit., p. 128.

Stock-raising has been widespread in Iraq, and has taken a larger part in the economy than in the many Middle Eastern countries. Camels have been bred in large numbers in the desert areas. The livestock position of Iraq in December 1949 or 1950 was as follows:

	<u>*000 heads</u>
Horses	184
Mules	52
Asses	413
Sheep	7,490
Buffaloes	130
Camels	307 (1945)

SOURCE: The Middle East 1953, op. cit., p. 129.

7) Israel: The main limiting factor towards agricultural development, apart from the small total area of the country, has been water. The country has been relying mainly on water supplies from underground sources and rain. Since most of the land is publicly owned, land development projects have been financed mainly by public and semi-public funds. The agricultural production of Israel in 1948-49 was as follows:

	<u>*000 metric tons</u>
Wheat	21.2
Barley	20.0
Maize and Durra	10.3
Hay and Straw	89.1
Green fodder	373.0
Potatoes	26.0
Other Vegetables	80.0
Grapes	17.8
Other Fruits	21.4

SOURCE: The Middle East 1953, op. cit., p. 158.

There has been little natural pasture in the country, and the number of livestock kept have not been high. The livestock position of Israel as in December 1949 was as follows:

	<u>Number</u>
Bred Cows	20,772
Arab Cows	154
Heifers	5,362
Calves	10,824
Bulls	299
Bull Calves	112
Laying hens	2,598,400

SOURCE: The Middle East 1953, op. cit., p. 159.

8) Jordan: The country has been almost entirely dependent upon subsistence agriculture with most of the land being unsuitable for farming. The 1949 agricultural production of the country was as follows:

	<u>Area (*000 hectares)</u>	<u>Production (*000 metric tons)</u>
Wheat	153	139
Barley	51	56
Sorghum	18	15
Dry Beans	2	2
Lentils	15	8

SOURCE: The Middle East 1953, op. cit., p. 194.

The livestock position of Jordan in 1948-49 was as follows:

	<u>*000 heads</u>
Asses	26
Cattle	64
Sheep	113
Goats	332
Chickens	369

SOURCE: The Middle East 1953, op. cit., p. 194.

9) Kuwait: The country now depends entirely upon oil reserves with agriculture and livestock being quite insignificant for the economy.

10) Lebanon: Yields in this country have been low because of the primitive methods of farming, limited use of fertilizers, and lack of credit facilities. The agricultural production of Lebanon for 1949 was as follows:

	<u>Area (*000 hectares)</u>	<u>Production (*000 metric tons)</u>
Wheat	70	50
Barley	20	27
Maize	7	13
Potatoes	5	40
Tobacco	2 (1948)	1.4 (1948)

SOURCE: The Middle East 1953, op. cit., p. 209.

Lebanon also produces bananas, olives, figs, apricots, peaches, plums, apples and pears. The 1949-50 citrus crop was estimated at 45,000 tons.

The livestock position of Lebanon in 1947-48 (September-October) was as follows:

	<u>'000 heads</u>
Sheep	20
Cattle and Buffaloes	22
Horses	10
Asses	25
Mules	7 (1946-47)
Goats	450 (1946-47)
Camels	2 (1946-47)

SOURCE: The Middle East 1953, op. cit., p. 209.

11) Oman: Dates and some cereals for local consumption are grown. Camels are also bred in the interior. No figures are available.

12) Qatar: The country produces some dates, and depends now almost entirely upon the oil revenues.

13) Saudi Arabia: Owing to the nature of the country, which is a vast expanse of waterless desert land, agriculture is carried on over a comparatively very small area where wheat, lucerne, millet, maize, and dates are grown. Sheep and goats are extensively kept for food and for their wool. Camels are bred and are the principal means of transport. There are numerous donkeys and some horses. Cattle are raised by town and village populations. The country now depends mostly upon the oil revenues.

14) Syria: The method of farming essentially being primitive, irrigation has been the foremost problem of the country. Crop acreage and production in Syria during 1949 was as follows:

	<u>Area (*000 Acres)</u>	<u>Production (*000 metric tons)</u>
Wheat	930	889
Barley	416	357
Oats	8	6
Maize	26 (1950)	36 (1950)
Dry beans	2	2
Cotton Seed	28	34
Cotton (ginned)	28	17
Tobacco	-	4.8

SOURCE: The Middle East 1953, op. cit., p. 300.

Livestock position of Syria in 1949 was as follows:

	<u>*000 heads</u>
Sheep	2,750
Horses	95
Asses	267
Mules	54

SOURCE: The Middle East 1953, op. cit., p. 301.

15) Turkey: The country has generally been self-sufficient in cereals, though the agricultural technique used has been primitive. Turkey has been famous for her tobacco. The production of main crops in Turkey during 1949 was as follows:

	<u>Area (*000 hectares)</u>	<u>Production (*000 metric tons)</u>
Wheat	4,011	2,557
Rye	423	274
Barley	1,749	1,247
Oats	294	235
Maize	597	726
Millet and Sorghum	73	57
Rice	27	72
Beans	132	114
Peas	76	61
Lentils	47	35
Cotton (ginned)	347	97

	<u>Area ('000 hectares)</u>	<u>Production ('000 metric tons)</u>
Tobacco	127	90.8
Sugar beet	51	818
Sugar raw production	-	150
Potatoes	67	407
Linseed	66	52
Hemp (seed and fibre)	13	15.5
Sesame Seed	70	34.8
Flax fibre	66	2.9
Pears	-	101
Apples	-	114
Grapes	-	1,750
Olives	-	241
Lemons (millions)		88
Oranges (millions)		310
Nuts		58
Mulberries		42
Figs		106

SOURCE: The Middle East 1953, op. cit., p. 323-24.

Turkey has a large area of mountain and semi-arid steppe, unfavorable for agriculture but suitable for pasture land. Stock-raising thus has been a very important branch of the country's economy. Sheep are mostly of the Karman fat-tailed variety giving coarse wool, meat, milk, and fat. There is a considerable export of live animals. Turkey is famous for her Angora goat whose hair has been in great demand in Europe. The livestock position of Turkey in 1949 was as follows:

	<u>'000 heads</u>
Horses	1,134
Asses	1,686
Mules	104
Cattle	10,204
Pigs	6 (1948)
Sheep	23,073
Goats	17,311
Buffaloes	899

	<u>*000 heads</u>
Camels	106
Chickens	18,434 (1948)
Turkeys	1,145 (1948)

SOURCE: The Middle East 1953, op. cit., p. 324.

16) Yemen: Cultivation is carried on mainly on the highlands of the southwest of the country. Among cereals, millet, wheat, barley, rice, and maize are grown. Yemen is famous for a particular variety of her coffee. A large variety of fruits including dates, are also grown. Sheep, cattle, and camels are also kept. Figures in respect of these, however, are not available.

(c) Handicrafts and Industries:

Concurrent with the rich agriculture and brisk commerce of the Abbasid Empire, there developed an active industry in every province. Of the industries that expanded, textiles of linen, cotton, silk, and wool were the most important. Although each area produced high quality fabrics of many types, every city or province excelled in some particular pattern or technique. Carpets from Bokhara, silk kerchiefs from Kufah, linens from Egypt, damask from Damascus, and brocades from Shiraj gained world renown. Special skills were localized and families guarded trade secrets, which were passed as prized possessions from father to son through the centuries.²⁰

²⁰Sydney, Nettleton, Fisher, op. cit., p. 90.

The Middle East utilized in the eighth and ninth centuries many arts, skills, and techniques of the handicrafts of China, and India, and those of early civilizations of Egypt, and Mesopotamia. The art of paper-making was acquired from China, and in the tenth century paper-mills existed in Iran, Iraq, and Egypt.²¹ Fine glass was produced in Egypt, and the glass industry of old Phoenicia still survives along the Syrian coast. The ceramic industry in the Middle East reached back into the most distant past, and the Abbasid era created some of the finest potteries and glazed tile. Samarkand, Rayy, Baghdad, and Damascus won fame for their decorated porcelains and their fine blues, greens, and turquoise shades. The Middle Eastern artisans were equally skilled in the shaping, working, and hammering of metals: iron, steel, copper, brass, silver, and gold. Other industries of great note manufactured fine soaps, perfumes, jewelry, leather, inlaid and decorated wood, and enamel work on wood and metal.

During the Byzantine Rule, sumptuous living was much enjoyed and the wealth of silk fabrics, gold brocades, jewelry, reliqueries, enameled wares, fine glassware, and all the precious and refined luxury of the medieval age dazzled Western visitors. These crafts and skills prevailed for a thousand years in the Byzantine world, making it almost as much an industrial society as it was agricultural.

²¹Ibid.

Although quantitative figures of production are not available, the organization and development of some of these important industries into the region were as follows:

1) Cotton Spinning and Weaving: The art of cotton spinning and weaving was imported into this region from India. Although this industry developed in almost all the countries of the Middle East, its most notable development took place in Egypt, Palestine, Syria, and Aden. In Aden, however, cloth-weaving was done by small producers using one-man treadle operated handlooms. Aden has also been famous for her printing of cloth. But in Egypt, Palestine, and Syria, this industry developed in gild form.²² In each town, the members of the industry were organized into an association, controlled by one or more principal masters. Spinning was done by the country people, usually women, who came to the town on market days to take a supply of cotton, and deliver the yarn (spun thread) they had prepared.²³ The spinning was done by hand by the women in the houses, or sometimes by the men while watching their flocks, or in the period of enforced idleness during the floods or after the sowing, ploughing or harvesting was over. Cotton weaving was a flourishing handicraft throughout Palestine. Cotton weavers' associations were officially recognized by the government of Egypt which found in them

²²Grouchley, A. E. The Economic Development of Modern Egypt (London: Longmans Green and Co., 1938), p. 24.

²³Ibid., p. 25.

convenient means of collecting taxes. Cloth was manufactured in the towns of upper Egypt: Esna, Kous, Keneth, and Ben-Souef.²⁴

2) Silk Industry: The most notable development of this industry took place in Afghanistan, Iran, Egypt, Syria, Palestine, Lebanon, Iraq, and Turkey. The industry in all these countries developed in a guild form. Silk was produced in considerable quantities in Kandhar, Afghanistan, and provided support to numerous families. Iran's silk industry in the form of asnaf (professional and trade guilds) flourished at Shiraj.²⁵ In Palestine, silk-weaving and dying was a flourishing industry. Exports of fine byssus fabric from Judea is often mentioned. In fact, entire villages in the south were engaged in the silk-weaving industry.²⁶ The unraveling of raw silk imported from India, and the weaving of mixed silk and linen fabrics were the occupations of the cities of Kurnab, Khalassa, Ruheeka, and Isbeita. Purple cloth was produced at Sarafla, Caesarea, and even in inland towns such as Neapolis and Lydda.²⁷ Egyptian silk industry, organized exactly like her cotton industry, was localized in the towns in the north of the Delta, particularly at Mehalla el Kubra. Syria was the chief exporter of raw silk to Egypt. Damascus used to

²⁴Ibid.

²⁵Amin Banani, The Modernization of Iran (Stanford: Stanford University Press, 1961), p. 137.

²⁶W. C. Lowdermilk, Palestine-Land of Promise (New York: Harper and Brothers, 1944), p. 61.

²⁷Ibid., p. 61-62.

employ five thousand handlooms with ten thousand workmen in weaving silk. Silk textiles of Beirut, Lebanon, were also famous, and so were those of Baghdad, Iraq. Turkey's silk industry was located at Constantinople (now Istanbul), Silonki, Adrianople, and Brusa Diarbekr.²⁸

3) Rugs and Carpets: This industry developed particularly in Iran, Turkey, and Saudi Arabia. In Iran, the industry took shape of asnaf (professional and trade guilds), and was expanded specially by Shah Abbas (1587-1629 A.D.) who assembled skilled artisans from at home and abroad at Isfahan.²⁹ Turkish carpet industry flourished at Adrianople. In Saudi Arabia, rugs of different colors are manufactured and sold at Taif and Jidda.³⁰

4) Wool, Sheep-skin, and Goat-hair Industries: The manufacture of sheep-skin coats has been an important industry in Afghanistan with Kandhar province being its center. An equally important industry has been the manufacture of felts, which similarly centers in Kandhar.³¹ These industries have been giving occupation to thousands of families in Afghanistan. Wool weaving industry was centered at Medina in Egypt. In Turkey, this industry was located at Constantinople (now Istanbul),

²⁸ Monroe, op. cit., p. 153.

²⁹ Mohammad Reza Shah Pahlevi, Mission for My Country (New York: McGraw-Hill, 1961), p. 25.

³⁰ K. S. Twitchell, Saudi Arabia (Princeton: Princeton University Press, 1947), p. 28.

³¹ Angus Hamilton, Afghanistan (London: William Heinemann, 1906), p. 304.

and Siloniki.³² In Saudi Arabia, weaving is done out of goat's hair which is sometimes mixed with coarse wool, and this heavy carpet-like cloth is used for building tents by the Bedouins.³³

5) Brocades, Velvet, Lace, and Embroidery: Shiraj in Iran has been famous for her brocades and velvet. Carpet embroidery and lace handicrafts are common family endeavors in Jordan, and particular skills are handed down from father to son.³⁴ Brussa in Turkey had been famous for her brocades.

6) Ship-building Industry: The early Palestinians were engaged in ship-building industry. Jewish sailors were organized in societies which had social aims as well as commercial and professional interests.³⁵ In Saudi Arabia, boat-building has been an important industry especially at Jidda and Jizan.³⁶ Boat-building has also been an important industry in Oman, Bahrein, and Qatar.

7) Leather Industry: Turkey has been famous for her morocco leather manufactures. Aintab and Erzerum in Turkey produced a large variety of leather goods. In Iraq, Baghdad was famous for her leather

³² Monroe, op. cit., p. 153.

³³ Twitchell, op. cit., p. 27-28.

³⁴ George L. Harris, Jordan (New Haven: Hraf Press, 1958), p. 161.

³⁵ Lowdermilk, op. cit., p. 63.

³⁶ Twitchell, op. cit., p. 30.

goods. Leather working also carries some importance in Jordan, where Bedouins marvel in leather products.

8) Pottery: Pottery had its important center at Kena in Upper Egypt. At Mellawi and Manfalout, big glazed jars were made and used for the manufacture of indigo, safar, and dyes.³⁷ Manufacture of bricks and pottery was practiced throughout Iraq. The pottery products of Jordan include terra cotta, pitchers, jars, flower pots, and vases in traditional shapes.³⁸ The chief pottery product of Saudi Arabi is water-jars used by pilgrims.

9) Pearling: Persian Gulf has a historic reputation of being the home of the finest pearls in the world. Pearling has been a thriving industry in Saudi Arabia, Bahrein, Qatar, Oman, and Yemen, but since the coming in of synthetic pearls, and those of the Japanese cultured variety, this industry has been declining very fast.

10) Sugar and Salt: Sugar manufacturing technique though imported from India, has been practiced in Egypt since ancient times. Salt out of sea-water is manufactured in Egypt, Saudi Arabia, Aden, Yemen, and Oman.

As the industrial revolution in Great Britain and other European countries proceeded, the cottage industries of the Middle East gradually

³⁷Grouchley, op. cit., p. 26.

³⁸Harris, op. cit., p. 202.

lost much of their ground. When the Ottoman Empire collapsed and its constituent countries came under the direct administration of European powers, the process of Western infiltration began to spread more rapidly. Local industries lost much of their old markets when new tariff walls were raised within the hitherto single customs unit, the Ottoman Empire. Gone were the days when their products were much demanded luxuries in the markets of the West. They had lost much of both local as well as foreign markets.

(d) Industrial Revolution and the Role of the West:

The Industrial Revolution in England hinged on the development of steam power, iron, coal, machinery, and chemical factories. The new industrial population concentrated on the coal areas.³⁹ The industrial revolution was followed by a social revolution. But the pattern of the Middle Eastern industrial revolution is quite different. Instead of going for innovations and inventions, the region had only to introduce what had already been achieved by the West. And this meant introducing into the countries of the region, western technology and the methods of large-scale production. This began in the Middle East during the first part of the nineteenth century when regular sea connections were introduced to carry the products of the West, from London, Marseilles, and Trieste to

³⁹L. C. A. Knowles, The Industrial and Commercial Revolution in Great Britain (London: George Routledge and Sons Ltd., 1921), p. 15.

the Levant. These contacts were the first stimuli to stir the feudal-agrarian societies of the Middle East.

1) Egypt: Mohammad Ali was the first person in the Middle East to bring industrial revolution in his country - Egypt. In the early nineteenth century, he tried to attract foreign entrepreneurial and managerial talent to Egypt. Until the end of the nineteenth century, the early promoters of large-scale manufacturing were almost all foreigners or descendants of those called in by Mohammad Ali. They maintained their foreign nationality although they had lived for generations in Egypt. Only gradually did Egyptian capitalists join the existing industrial enterprises and subsequently initiate new ones. They realized the profitability of this new kind of capital employment and the interrelation of political and economic independence. Egyptian holdings of industrial stocks and bonds increased from 9 per cent in 1939 to 39 per cent in 1948. Egyptian participation in the mobilization of new capital rose from 47 per cent during the period between 1934-1937 to 66 per cent during 1940-1945. The leading industry of the country still, however, is cotton textiles. Other industries include cement, vegetable oils, fertilizers, alcohol and beer, chemicals, cigarettes, electrical goods, glassware, leather and leather goods, matches, paints, paper and cardboard, rubber, and salt.⁴⁰

As for the construction of social overhead, Mohammad Ali planned

⁴⁰The Middle East 1953, op. cit., p. 85-86.

to build the Aswan Dam, but he could not succeed.⁴¹ Railroad construction in Egypt started in 1852 when Khadive Abbas I ordered that Cairo be connected with Alexandria. By 1946, however, the railroads were extended to cover 2,526 miles.

2) Lebanon and Syria: In these countries, French initiative had started the silk industry, public utilities and monopolies such as electricity, tobacco, and cement. In 1895, a French company opened the railroad between Beirut and Damascus about 100 miles long. A single track line between Damascus and Medina with a branch from Daraa to Haifa covering a thousand miles, was constructed between 1900 and 1908.

3) Turkey: In 1888, Istamble was connected with the European rail system, and plans were advanced to push the line to the Persian Gulf. In 1903, a German group obtained a concession from the Sultan for the construction of a railroad to Baghdad, with branches to Syria. The Anatolan railroad, connecting Istamble with Konya, also on a concession basis was completed in 1906; and it is still the backbone of the Turkish railroad system.

In Turkey, all major industrial activity until the end of the first World War was foreign, by ownership and initiative: tobacco processing, cement manufacturing, brewing, ship repairing and textile manufacturing. After the consolidation of the Turkish Republic under Kemal Ataturk,

⁴¹Grouchley, op. cit., p. 68, and Charles Issawi, Egypt - An Economic and Social Analysis (London: Oxford University Press, 1947), p. 87.

growing etatism discouraged foreign investors, but following the second World War, the need for foreign capital led to some liberalizing of the restrictions.⁴²

4) Palestine and Israel: Here Jews had arrived with experience and capital, and with the intention of making the country their and their children's home. Between 1922 and 1943, capital invested in Jewish industries rose from \$3 million to \$64 million.

5) Afghanistan: In the late 'twenties, King Amanullah, soon after his return from the European tour, attempted to change the traditional policy of isolation and to modernize and industrialize the country. But he was so vehemently opposed that he had to leave the country. Although this delayed the implementation of the new policy, it did not stop it. The government has been sponsoring a program of industrialization for the last twenty-five years. Its purposes were utilization of the national resources, reduction of imports, conservation of foreign exchange, and providing employment for the nomadic tribesmen. In 1941, it announced that it would grant concessions to industrial plants powered by not less than ten horsepower and employing not less than ten persons. These concessions included the grant of land, exemption from taxes and import duties, and government credit facilities.

6) Industrial Revolution came into Iran, Iraq, Saudi Arabia, Kuwait,

⁴²Grunwald and Ronall, Industrialization in the Middle East (New York: Council of Middle Eastern Affairs Press, 1960), p. 29.

Qatar, and Bahrein with the discovery and production of oil by the foreign companies.

Chronologically, Iran is the first oil producing country in the Middle East. The major producer of oil today is an international consortium owned by the British-Dutch (54%), French (6%), and American (40%)⁴³ interests. As a result of the many concessions granted by Reza Shah, and after seven years of stubborn efforts by the foreign countries, oil was first struck in 1908 in Masjed-i-Suleiman. Further wells were drilled in the adjoining area of Khuzistan, to be linked by a system of pipelines with the island of Abadan where a major refinery and oil port were established. Iranian production steadily increased, assuming first place among the Middle Eastern countries and reaching, by 1950, the figure of 31.75 million tons a year.⁴⁴ With the growth of the industry, Iran also established twenty-six cotton weaving and spinning factories, three jute factories, and such other industries as sugar, tobacco, cement, glycerine, soap, glass, tanning, flour-milling, and the production of wines, spirits and beer.⁴⁵

Next in line stands Iraq, where concession was first granted to the Iraq Petroleum Co. Ltd. in 1925. Production from the Kirkuk oil field

⁴³ George Lenezowski, Oil and State in the Middle East (Ithaca: Cornell University Press, 1960), p. 10.

⁴⁴Ibid., p. 11.

⁴⁵The Middle East 1953, op. cit., p. 250.

began in 1927, and exports started in 1934. Shares in the Iraq Petroleum Co. Ltd., and the Basrah Petroleum Co. Ltd., are held by a group of the British, Dutch, French, and American companies. Iraq produced in 1950, 6.6 million metric tons of crude petroleum. With the growth of this industry, Iraq also established many other industries, chief of them being cotton ginning, spinning and weaving, wool spinning and weaving, rayon weaving, leather tanning, and boot and shoe manufacturing, beer brewing, cement and building material manufacturer, and vegetable oil and soap making. In 1945, Iraq also established an Industrial Bank to promote industrialization of the country.⁴⁶

Third in line stands Bahrein where production of oil started in 1934. The Bahrein Petroleum Co. is owned jointly by the Standard Oil of California, and the Texas Company Production in 1950 was about 1.5 million tons.⁴⁷ Bahrein does not possess any other resource for further industrial development.

Fourth in line stands Saudi Arabia, where the concession was finally granted to an American company, then known as the California-Arabian Standard Oil Co. which subsequently changed its name to the Arabian-American Oil Co. in 1944. The company produced 26.9 million metric tons of crude oil in 1950.⁴⁸ In spite of some resources, Saudi

⁴⁶Ibid., p. 129.

⁴⁷Ibid., p. 47.

⁴⁸Ibid., p. 29.

Arabian government did not go for further industrialization.

Fifth in line stands Kuwait where oil was first struck in 1934 in the area of Burgan, which soon emerged as the world's largest single oil field. The oil concession is held by the Kuwait Oil Co., owned jointly by the Anglo-Iranian Oil Co. and the Gulf Exploration Co. of the United States. The production of crude oil in 1950 was 17.3 million metric tons.⁴⁹ Kuwait does not possess any other resource for further industrial development.

Sixth in line stands Qatar, where production of oil at Dukhan began in 1949. Concession is held by the Petroleum Development (Qatar) Ltd., which is a subsidiary of the Iraq Petroleum Co. Qatar produced in 1950, 1.6 million metric tons of crude petrol.⁵⁰ It does not possess any other resource for further industrial development.

With the development of oil, Syria, Lebanon, and Jordan, have been indirectly benefitted through pipeline transit fees for permitting oil to be transported through pipelines laid through these countries.

7) Jordan: Although it received pipeline transit fees, it could not go for large-scale industries for lack of coal and iron. Motor-driven flour mills, however, were introduced. Four factories for the manufacture of wine and spirits, some cigarette factories, and some such light industries as mechanical workshops, woodwork and furniture were also established.⁵¹

⁴⁹Ibid., p. 45.

⁵⁰Ibid., p. 44.

⁵¹Ibid., p. 194.

No industrial development took place in Yemen and Oman. Aden's main industry is the bunkering of ships and the handling of cargo. These activities are in the hands of large firms. Other industry of some importance is salt manufacturing.⁵²

As industrialization progressed in the Middle East and the foreign competition was felt more and more, the cottage industries declined and with that the income of the people. A farmer's family could no longer supplement its income by spinning cotton and silk, part-time. As land grew older and its productivity went down, the income of the farmer received a further cut. The system of land-ownership and land tenure created further problems. All these created a crippled farmer class constituting 70 per cent of the Middle Eastern population. The problem of rural-indebtedness was staggering.

World War II brought inflation which almost wiped off the middle class with limited incomes. The rich grew richer, and the poor grew poorer. This created social antagonism. The economy of the region was in a mess. It was impossible to depend upon the free play of the price-mechanism as an accelerator of economic growth, because goods available in relation to demand were very scarce. Governments had to clamp price-controls. Rising population with unemployment, inflation with crippled farmers and the middle class, engulfed the region in the era to

⁵²Ibid., p. 37.

follow, into great political upheavals as we shall witness in the chapters that will follow. Assassinations, revolutions, and violent overthrow of governments have affected almost every important country of the region since 1950. Above everything else, these have demonstrated the dissatisfaction of the people over the prevalent economic order of the region.

CHAPTER IV

ECONOMIC PLANNING AND DEVELOPMENT

Planning means "looking ahead." It may be said to be the essence of life, in that so far as any activity is purposive, it necessarily involves some kind of plan for its attainment. A plan, thus, is a procedure, a means to a given end. To plan is to act with purpose, presumably in accordance with some posited objective, to choose; and choice is the essence of economic activity. Without developing into the metaphysics of the ultimate design of life, we can express, at least, the view that man, with all his propensities for good and evil, has in the history of his development evolved sundry plans to attain various objectives -- objectives which may be relatively mediate or remote, good or bad. There is evidence of planning in Arabia in Biblical times, when Abraham evolved a plan to meet the problem of diminishing returns. Hammurabi, the first king of Babylonia, 2000 B.C., had "plans" for the construction of canals, mines, and the improvement of his kingdom; the Egyptian Pharoas with their pyramids, canals, and irrigation projects, Alexander, Augustus of Rome, the Emperors of China, the Incas of South America, Peter the Great -- all undertook plans which varied in their scope and nature, but which may be taken as evidence of planning. In this respect

Aristotle might be paraphrased, "Man is by nature a planning animal."¹

Economic planning, broadly speaking, involves the element of choice between alternative means of attaining an objective which has been pre-determined. Planning economically is to plan in such a way, that scarce means at our disposal yields us the greatest satisfaction. And yet, planning is to act rationally, for planning in the economic realm can never be carried on except within social framework, and will involve, therefore, planning in the social realm. L. Lorwin, presenting his paper on "The Problems of Economic Planning" before the World Social Economic Congress, said in 1932:

The character and purpose of planned economy. . . . depend on the larger social planning in the wider sense of the term which tries to supply an answer to these questions (i.e. social and cultural problems). The two are interrelated in the sense that economic planning can become a conscious method of operation only when used in relation to a clear plan of social purpose and development.²

E. Lindman said "Planning (is) an orderly method of social change."³

The Indian Planning Commission defines planning as "essentially a way of organizing and utilizing resources to maximum advantage in terms of defined social ends."⁴

¹C. D. Baldwin, Economic Planning (Urbana: University of Illinois Press, 1942), p. 9-10.

²Ibid., p. 14.

³Ibid.

⁴Government of India, The First Five Year Plan (New Delhi: Manager Publications Division, 1951), p. 7.

It seems clear, thus, that in practice a clear line of demarcation between social and economic planning is neither possible nor desirable. Social plans obviously have their economic implications, as do economic plans their social implications. The economic planning in the Middle East will be viewed and examined in the light of the observations made above.

Although economic planning in the shape of the introduction of co-operatives, to ameliorate the condition of the farmers by supplying them cheap credit, began in the Middle East as early as 1913 in Egypt, it gained a real momentum since about 1950 because of:

- a) the 50:50 oil profit-sharing arrangement and soaring production which made available huge sums for public investment within a few years;
- b) the snowballing momentum of the United States foreign-aid program which by 1950 was pouring into Turkey two hundred million dollars yearly, slightly less into Iran, \$40 million into Israel, and small amounts into Arab countries;
- c) the private investment boom in Lebanon and Syria due largely to the Korean war;
- d) the expenditures by the oil-rich Sheikhs of the Persian Gulf and Arabia;
- e) the emergence in several countries of cabinet ministers and civil servants, intent on promoting economic development.⁵

Another of the most important factors was the grim political

⁵A. J. Meyer, Middle Eastern Capitalism (Massachusetts: Harvard University Press, 1959), p. 96.

instability of the region and consequently the emergency of Russia as a political factor to be reckoned with, in the power politics of the Middle East. Now something had to be done for the poor. The "power house" of the Western Europe could not be abandoned.

(a) The Cooperatives:

The introduction of cooperative societies may be termed to be the first phase of economic planning in the Middle East. It was directed towards bettering the lot of the farmers by supplying them cheap cooperative credit. A cooperative society aims at self-help through mutual help. It is a voluntary association of economically weak people who pool together their meagre resources for the greatest mutual advantage of all the members, which otherwise could not be achieved. It practices economic democracy by adhering to the principle of one-man one-vote irrespective of the number of shares held. Its estimated rural indebtedness of 16 million led Egypt to organize such societies in 1913. An Agricultural Bank was also organized to grant these societies short-term loans. The Egyptian Cooperative Societies Acts of 1923 and 1927 provided further impetus and placed the cooperative societies under government supervision. These cooperatives used to borrow at 4 per cent and lend at 7 per cent, and the 3 per cent margin was utilized towards meeting their expenses. The Banque de Credit Agricole was organized in 1931 for making advances in kind like manures etc. to both individuals and cooperatives alike. By 1939, the number of societies grew to 793 with

membership to 78,000. Their advances and sales amounted to E 1,125,000, with a paid-up capital and reserves of E 334,000. The cooperative societies used to perform multifarious activities from credit extension to marketing of agricultural products of their members.⁶

Cooperative form of organization caught the imagination of the Zionists soon after World War I, and they began to encourage settlements in Israel on cooperative basis. A considerable number of communities on National Fund land today are cooperative villages known as moshavim. Each family lives in its own house and takes care of its own orchard, vegetable garden, dairy and chicken runs. In some moshavims the grain fields too, are cultivated individually; in others they are cultivated jointly and each member receives a share of the crop proportionate to the number of acres he has put under grain. All marketing -- buying and selling both -- is done cooperatively. In the Kvutzot or collective settlements, not only agriculture but many other aspects of life are carried on cooperatively. There are communal dining rooms and common kitchen, children's house, etc. By September 1950, there was in Israel one cooperative society for every 592 inhabitants, and the movement received considerable encouragement from the government.⁷ Precise statistical data as to the part played by the cooperative movement in Israel's economy are lacking, but it has been estimated that in agriculture, the

⁶ Issawi, op. cit., p. 79.

⁷ Lowdermilk, op. cit., p. 126 and The Middle East 1953, op. cit., p. 161.

cooperative sector markets 75 per cent of all agricultural produce; citrus marketing societies handled 75 per cent of the total citrus fruit export in 1949-50. Cooperative trading institutions are estimated to handle 33 per cent of the country's food supplies, 50 per cent of agricultural supplies, and 100 per cent of urban and inter-urban bus transport.⁸

Turkey organized its Agricultural Bank in 1937 and also a large number of cooperative credit societies. Between 1937-1949, credit extended by the Agricultural Bank and its system of credit cooperatives rose from Turkish Lira 31 million to TL 336 million.⁹

Iran also organized its Agricultural Bank in 1937 by an Act of the Majlis (Parliament). This bank has set up branches in many parts of the country, and has been extending loans and fostering credits. The rate of interest for direct loans is 6 per cent per annum, and for loans through the cooperatives, 9 per cent.¹⁰ Iran organized in 1960 more than 500 cooperatives, each having 200 to 600 members.¹¹

Lebanon organized its first agricultural credit agency, the Societe de Credit Agricole et Industriel au Liban (SCAIL) on 31 March 1939. This organization could not make headway due to politics. The Agricultural,

⁸The Middle East 1953, op. cit., p. 161.

⁹IBRD, The Economy of Turkey, op. cit., p. 77.

¹⁰Banani, op. cit., p. 123.

¹¹Pahlevi, op. cit., p. 207.

Industrial, and Real Estate Bank (AIREB) -- a partnership between individuals and government, however, was organized in 1953 with a capital of Lebanese 5 million of which government contributed L 2 million. Forty per cent of the capital was to be set aside for agricultural credit.¹² Details concerning the organization of cooperative societies in Lebanon are not available.

Iraq started organization of the cooperatives soon after the passage of Law 27 (1944) relating to the cooperative societies.¹³ It also organized the state-owned Agricultural Bank with an authorized capital of Iraqi Dinar 1,000,000. In spite of the impressive law of cooperatives, which apart from registration also provided for government audit, nothing was done to organize effective cooperatives. The Department of Cooperatives under the Ministry of Economics, manned by a part-time director, an assistant, and a clerk in 1952, had registered 40 cooperatives, all but one of which were consumers' cooperatives. Most of even these consumers' cooperatives were either inoperative or defunct. With the land distribution program, Iraq, however, has made it obligatory for the receivers of state land under their grant contracts, to join settlement cooperatives if and when they are organized. Dujaila Producers' Cooperative where over 1000 small-holders were settled by the government in 1947, proved so successful that by 1951 this society owned 10 tractors and

¹²Mills, op. cit., p. 27.

¹³Qubain, op. cit., p. 111.

tillers, two trucks, a flour mill, and a club house.¹⁴ The capital of the Agricultural Bank increased to ID 3 million in 1957, and it is now granting by way of agricultural loans over a million dinars every year. It is also issuing loans for agricultural machinery at 5 per cent.¹⁵

Syria's Agricultural Bank started functioning effectively after 1950. The statute for the organization and administration of the cooperatives is very complicated. Its lengthy provisions dealing with "ordinary reserves," "obligatory reserves," and "exceptional reserves" in terms of percentages are too difficult for the farmers to comprehend.¹⁶ However, some credit cooperatives were organized which could borrow from the Agricultural Bank at 8 per cent interest. The bank has been able to make new credits available at an average annual rate of a little over Syrian 6 million during 1950-53, and has granted machinery loans, relief to olive growers, advances for cotton seed and for combating cotton worms. A total of 13,463 loans, grants, and advances were made in 1953 alone.¹⁷ Syria's Department of Cooperatives under the Ministry of Agriculture is manned by only one officer.

Although Jordan's Agricultural Bank started functioning after 1951,

¹⁴IBRD, The Economic Development of Iraq, op. cit., p. 261.

¹⁵Ibid., p. 259-60.

¹⁶IBRD, The Economic Development of Syria, op. cit., p. 348.

¹⁷Ibid., p. 88-92.

her law for the promotion of cooperatives was passed in 1952. The Department of Cooperatives established within the Ministry of Reconstruction and Development, is entrusted with the task of organizing cooperatives and for lending the funds through the cooperatives at 4 per cent per annum. The societies lend to their members at 7 per cent per annum, and use the difference to cover their expenses and to build up reserves. By June 1955, Jordan organized 57 credit and thrift societies with a membership of 2,684. Their share capital stood at Jordanian Dinars 5,499, deposits at JD 1,276 and loans to members at JD 70,198.¹⁸

No information is available about the cooperative movements in Aden, Afghanistan, Bahrein, Kuwait, Oman, Qatar, Saudi Arabia, and Yemen.

(b) Land Reforms:

Land reforms may be considered to be the second phase of economic planning in the Middle East. While economic planning for the development and consequent increase in incomes of the people may be carried on, it is essential that economic justice be enforced by distributing the land concentrated in the hands of the few to the hands of the many. This was done in India before launching the First Five Years Plan. Some economists have argued against this step saying that this will affect the savings of the country and thereby the investment since the people in a position to

¹⁸IBRD, The Economic Development of Jordan, op. cit., p. 143.

save will be gone. But what good will be the investment and production out of big modern factories if 70 per cent of the population is rotting in poverty and has no means to buy goods so produced? Land distribution will provide them with purchasing power. The case of Russia and Japan is different. They began to modernize their economies at a time when the world climate was comparatively favorable. There was not much inflation and there was no bitter power politics in those days. But the world today is a prey to both of these, which in face of the revolution in rising expectations, makes it imperative that the under-developed countries procure foreign capital and assistance to bolster investments within their countries. With the rising antagonism between the landlords and the peasants, it is essential for the inner political stability to abolish the landlords as a class. The paucity of wealth has nurtured this trouble in the Middle East during the last 600 years. Yet the land reforms into the region have been one of the most difficult problems. The recent Syrian military take over charged the deposed leaders of "paralyzing the laws which brought gains to peasants and workers. They cracked down on the country's peasantry and ordered many of them off their land in favor of landlords."¹⁹ It may, however, be recalled here that land reforms in Syria were introduced in 1958 when she was a part of the United Arab Republic with Egypt, which relation, however, was broken off on September 28 last year.

¹⁹The Morning Advocate Daily, Baton Rouge, April 3, 1962, p. 5.

The first country in the Middle East to introduce land reform was Turkey. Under the 1945 law, Turkey distributed by the end of 1958, 3.75 million acres of government-owned cultivable land and about 2 million acres of communal grazing grounds.²⁰ But she did not abolish landlordism. However, a new reform is now being initiated, under which "land exceeding 660 acres belonging to any one person will be nationalized and distributed to landless peasants."²¹

In Egypt, the revolutionary government enacted its fundamental agrarian law in September 1952, two months after it assumed power. Under the law, property in excess of 200 feddans was, with certain exceptions, to be requisitioned and redistributed.²² Since the break-off of Syria, Nasser has again cracked down to reduce the 200 feddan limit.

In Iran, the Shah himself being the owner of about 1.5 million acres, has been distributing his lands among the landless since 1951. "Although this has achieved certain political results, the tracts involved so far represent less than 1 per cent of the cultivated land of the country."²³

²⁰Grunwald and Ronall, op. cit., p. 20.

²¹The Asia Foundation, The Asian Student Weekly (San Francisco, March 31, 1962), p. 4.

²²Payment is to equal the amount paid as indemnity by the Government plus 15 per cent to cover costs of requisitioning and distribution plus annual interest of 3 per cent; payment is to be made in equal annual installments within thirty years.

²³Grunwald and Ronall, op. cit., p. 20.

In 1960, however, the Shah signed a bill designed to reform private land tenure in Iran. The law defines and limits the amount of agricultural land which any private individual or group may hold; the maximum generally is 400 hectares (about 1000 acres) of irrigated land or 800 hectares of non-irrigated land with certain qualifications such as for mechanized farms or farms irrigated as a unit from a single private water supply.²⁴ All excess land is to be privately disposed of under standard procedures stipulated by the government; otherwise the government will purchase the land at reasonable prices and then sell it in small economic parcels.²⁵ This bill has, however, been effectively enforced only this year. There have been many uprisings in the country, and only recently 13 students of the University of Tehran were shot dead by the Iranian police. Khrushchev has told openly that Iran is next to fall into the communist camp without his intervention. The current press reports are that the rule of the Shah is sagging.

In Syria, land reform measures were introduced soon after its unification with Egypt. Holdings in excess of 200 acres of irrigated land and 750 acres of rain-fed land were liable to expropriation against compensation by 40-year bonds bearing 5 per cent interest.²⁶ As already explained above, this reform fell into trouble soon after Syria's break off

²⁴Pahleir, op. cit., p. 204.

²⁵Ibid.

²⁶Grunwald and Ronall, op. cit., p. 20.

from Egypt.

In Iraq, the Agrarian Reform Law of September 1958 limited individual land ownership to 625 acres of irrigated land and 1,250 acres of rain-fed land. The excess is to be taken over by the government over a 5-year period against compensation of 20-year bonds bearing 3 per cent interest. The landless farmers to whom the expropriated land is to be distributed are to make repayment over a similar period of 20 years.²⁷ The importance of this Agrarian Reform Law may be gauged from the fact that this law was passed within 3 months of the taking over of the revolutionary government of Kassem.

In Jordan, land reform legislation was enacted early in 1959 expropriating land in excess of 75 acres in the area of the Yarmuk river irrigation project. The total area affected is estimated at 30,000 acres, or about one-third of the total area under irrigation.²⁸

Israel does not need any land reform. No information is available about land reforms in Aden, Afghanistan, Bahrein, Kuwait, Oman, Qatar, Saudi Arabia, and Yemen.

(c) Plans and Developments:

Economic planning is the growing feature of the Middle Eastern landscape. As in the West, the process serves as a subject for constant

²⁷Ibid.

²⁸Ibid.

debate. The planners unquestionably a growing majority, urge international collaboration to promote economic growth. They have also expressed their steadily weakening faith in the price mechanism as an allocator of resources. They have pleaded for aggregative approach where government should play the leading role.²⁹

1) Turkey: The first attempt at economic planning in the Middle East was Ataturk's five-year plans in Turkey during the 30's. A vague mixture of German and Russian planning, Ataturk's schemes were in no way integrated programs of development. The Sumer Bank, however, was established in 1933 to handle State participation in manufacturing. The Yeti Bank was founded in 1935 to develop the mineral resources of the country entirely under the control of the State. Nearly all mines of the country are now under the management of this Bank, which, if it does not work the mines itself, leases them out to companies. Turkey, however, was also a beneficiary under the Marshall Plan, and it was then that Turkey prepared a national recovery program which aimed at increased productive capacity through capital investment. The government estimated that in order to carry out the immense reconstruction program a total investment between 1948 and 1953 of about 730 million dollars was required, to be allocated as follows:

²⁹Meyer, op. cit., p. 93.

Turkish Investment Program
1948-1953

Percentage of total investment to be
spent on different projects

Agriculture including irrigation	13.8
Mining	14.5
Transportation	57.0
Power production	5.7
Industry	8.3
Other items	<u>.7</u>
Total	100.0

SOURCE: The Middle East 1950, op. cit., p. 322.

The program concentrated mainly towards the creation and development of the social overhead, and did not conceive investment into the health, education and training of the people.

The International Bank for Reconstruction and Development in collaboration with the Government of Turkey, sent an Economic Mission which visited Turkey in 1950. This Mission examined thoroughly all the sectors of the economy, and recommended to the Turkish Government to prepare for the period 1952-1956 a program for gross public investment ranging between \$805 to \$1,025 million. The allocation of expenditure as suggested was as follows:

Recommended Five-Year Plan for Turkey
(1952-1956)

	<u>Recommended allocation in approximate percentages</u>
Agricultural Development	15.6
Public Health and Education (New training programs)	3.3
Transportation	36.6
Communication	3.3
Public Works	15.6
Electric Power	11.1
Industry	6.7
Mining	7.8
Total	100.0

SOURCE: IBRD, The Economy of Turkey (Baltimore: John Hopkins Press, 1952), p. 262. Percentage figures have been calculated.

Here again we find the main emphasis on transportation, although its share of expenditure has been reduced by about 20 percentage points compared to the program mentioned above. Next, agriculture and public works were emphasized, while mining got a cut of about 50 per cent. Public health and education though included, does not appear to receive adequate attention. Although the Turkish Government does not seem to have gone for preparing the program as suggested, it no doubt favorably received the report and took actions for the development of the Turkish economy. The main reason was the change in the republic's policy of relying on State enterprises to build up industry, and the enrollment and support to private enterprises for the expansion of industrial undertakings and the creation of new ones.³⁰ The Turkish economy met a set back as

³⁰The Middle East 1962, op. cit., p. 338.

a result of the military coup of May 27, 1960. In the absence of assurances concerning the direction of the regime's economic policies, businessmen withheld investment, private domestic and foreign financial institutions were reluctant to extend credits, and even the State banks that control much of the economy delayed investments.³¹ Yet, however, this regime succeeded in laying the groundwork for a well-functioning economy. The 1961 budget was balanced. Legislation consolidating the debts of all state enterprises (they controlled 40 per cent of the country's industry) was passed, and an examination of their operations, with the aid of foreign experts was undertaken with a view to possible reforms. Domestic prices were also stabilized, and gold and foreign exchange reserves were also built up.³² But most significant, for the first time in her history, Turkey had a planning body -- the State Planning Board -- whose main objective is an orderly integration of all sectors of the economy under a long-term development plan. This Board announced an interim development program for 1962 (details of which are not available) and is currently working on a fifteen-year plan due to start in 1963. This long-range plan, which will consist of three integrated five-year plans, aims at raising national income by 7 per cent annually in real terms.³³

³¹The Middle Eastern Affairs Monthly, Council for Middle Eastern Affairs, March-April 1962, p. 77.

³²Ibid.

³³Ibid., p. 78.

Now examining the economic development of Turkey, it appears that:

- a) The Sumer Bank has been the central instrument for Turkey's industrialization. In 1950 the Bank had an authorized capital of TL 200 million, TL 150 million paid-up, and was estimated to control the following segment of industry:³⁴

<u>Industry</u>	<u>Per Cent</u>
Cotton textiles	60
Woolen textiles	50-55
Artificial fibres	100
Iron and steel	100
Paper and cellulose	100
Cement and firebricks	20-25
Leather and shoemaking	10
Glue	10-20

Other industries under State control were sugar, cigarettes and tobacco, brewing, wine-making, crown corks and matches.

In 1953 the investments of the Sumer Bank were TL 758,000,000.

The development of some of the important industries was as follows:³⁵

	<u>In thousand metric tons</u>	
	<u>1950</u>	<u>1959</u>
Cotton yarn	30.2	Declined by 9%
Cement	388.0	Increased by about 300%
	<u>1954</u>	
Steel	169.0	Increased by about 27%
Paper and Cardboard	38.0	Increased by about 53%
Sugar refined	186.0	Increased by about 142%
Electric energy	1398 Million klot.	Increased by about 100%

³⁴The Middle East 1953, op. cit., p. 325.

³⁵Calculations based on the informations given in The Middle East 1953, p. 323-25, and The Middle East, 1961, p. 340-41, both op. cit.

- b) The Eli Bank at present controls the entire output of copper and the major part of the production of chrome, lignite, and iron ore. It has also petroleum interests. Originally capitalized at TL 20 million, its capital in 1950 was TL 150 million. The mineral production of Turkey appears as follows:³⁶

	<u>1950</u>	<u>1959</u>
Iron Ore	234	Remained almost the same
Copper (blister)	12	Increased by about 83%
Coal	4360	Increased by about 50%
Lignite	1203	Increased by about 200%
Manganese	15.2	Increased by about 230%
	<u>1954</u>	
Petroleum	69.3	Increased by about 470%

- c) the agricultural production showed a phenomenal increase between 1949 and 1959. Production of wheat increased by over 200%, rye over 140%, barley over 160%, oats over 100%, and maize over 38%. The production of legumes during the same period increased by 84%, cotton lint by about 100%, tobacco by 33%, and potatoes by 268%.³⁷

- d) The bovine population also showed marked increase during the period 1949-1959. The number of horses increased by 22%, asses 11%, mules 65%, cattle 28%, sheep 50%, goats 50%, buffaloes 50%, though the number of camels declined by about 50%.³⁸

- e) The human population of Turkey, increased at the annual rate of 3.3% during 1949-1960; the corresponding rise in per-capital income was from 3 to 7% yearly.³⁹

2) Iran: The Millspaugh Missions sent by the United States in the 1920's and again in the 1940's gave Iran a series of advisors, some

³⁶Ibid.

³⁷Ibid.

³⁸Ibid.

³⁹Meyer, op. cit., p. 105.

of whom were very able; but they lacked a mandate to produce an integrated plan.⁴⁰ Later, on the basis of a report by Morrison-Knudsen, an American engineering firm, The Iranian Majlis (Parliament) adopted in 1948 the country's first Seven Year's Plan with a proposed total expenditure of 21 billion rials (\$651 million at the current official rate of exchange) divided as follows:

Iran's First Seven Year Plan
(1948-1955)

Expenditure as a percentage
of the total

Agriculture and irrigation	25.0
Roads, railways, harbours, and airfields	23.8
Industries and mines	14.3
Establishments of an Iranian Oil Co.	4.8
Post, telegraph, and telephones	3.6
Social and municipal reforms	<u>28.5</u>
Total	100.0 = \$651 million

SOURCE: The Middle East 1950, op. cit., p. 189.

The Second Seven Year's Plan (1956-1962) with a proposed expenditure of 84 billion rials (\$2.6 billion at the current official rate of exchange) was divided as follows:

⁴⁰Ibid., p. 94.

Iran's Second Seven-Year Plan
(1956-1962)

	Expenditure as a percentage of the total
Agriculture and irrigation	26.6
Transport and communications	32.1
Health, education, and social services	27.4
Mines and industry	<u>13.9</u>
Total	100.0 = \$2.6 billion

SOURCE: The Middle East 1959, op. cit., p. 93.

Iran has also launched her third Seven Year;s Plan this year, details of which, however, are not available.

Both the first and the second Seven Year's Plans give adequate attention to social services, to agriculture as well as the creation of social overhead.

Now examining the economic progress of Iran, it appears that:⁴¹

- a) the mining of coal, lead ore, chrome ore and manganese ore increased from 196,200 metric tons in 1954-55 to 282,500 metric tons (44%) in 1958-59.
- b) Production of refined sugar of 61,700 metric tons in 1954-55 increased by 115% in 1958-59. Cotton ginning of 44,000 metric tons in 1953-54 increased by 48% in 1958-59. Production of tobacco, however, declined during the same period by 56%, edible oils by 53%, and cotton-piece goods by 6%. Production of cement, however, increased from 65,000 metric tons in 1953-54 to 410,000 metric tons in 1958-59.

⁴¹ Figures calculated on the basis of information given in The Middle East 1953 and 1961, op. cit., p. 249-50.

- c) Production of wheat during 1949-59 increased by 50%, barley 18%, rice 10%, sugarbeet 160%, and cotton 280%.
- d) The number of horses during 1948-59 increased by 24%, sheep by 50%, cattle by 33%, and goats by 83%. The number of camels, however, declined by 27%.
- e) Iran's per capital income stands at about \$100 per annum.

3) Aden: The British Government drew a Ten-Year Development Program for the colony and protectorate of Aden in 1947, whose provisional estimates for the total expenditure were put at 2.5 million (\$7 million) allocated as follows:

Aden's Ten-Year Development Program
(1947-1957)

	Expenditure as a percentage of the total
Administration and organization	6.0
Physical planning, surveys and census	.04
Communications	20.0
Fisheries	.04
Irrigation and drainage	12.0
Electricity and power	16.0
Education	15.0
Medical and health services	17.0
Housing and town development	6.0
Water supplies and sanitation	4.0
Welfare	1.3
Reserve, interest charges, etc.	<u>2.62</u>
Total	100.00 = \$7 million

SOURCE: The Middle East 1950, op. cit., p. 14-15.

No other plan for development after the expiry of the above in 1957 appears to have been drawn.

Now examining the economic progress of Aden, it appears that:⁴²

- a) The production of sorghum and millets during the period 1949-59 remained almost the same. Production of wheat, however, during the same period increased by about 146% and sesame production increased by 18%. Production of barley, however, declined by over 90%. In 1957, Aden produced 11.3 million pounds of cotton lint.
- b) Of the livestock, the number of camels during 1949-59 declined by 34%, of cattle by 36%, and of goats and sheep by 56%. The number of donkeys, however, increased by about 50% during the same period.

4) Afghanistan: Afghanistan drafted her first development plan in 1940 but had to postpone it due to the World War II. It was redrafted in 1947 by the American engineering firm, Morrison-Kundsen. Their overall ten-year program called for an investment of \$400 million. This was later revised, the new program calling for a Five Year Plan to cost \$114 million and including the promotion of industries which would appreciably reduce the import of consumer goods. A shortage of foreign exchange prevented the implementation of even this plan and a still more modest program had to be drafted. The Helmand-Arghandab Valley project as included in this Plan has already been completed, and some 1000 miles of highways have also been added to the road network. The basic policy underlying the development projects of the Afghan Government has been to raise the standard of living by increasing agricultural productivity and foreign-exchange earnings. Priority is given to agricultural development followed

⁴²Ibid., p. 37 and p. 53-56.

by transport and communication facilities, education, social welfare, and development of mineral resources. Industrial development receives less attention. At the end of 1957 a new Five Year Plan was announced to cost about \$600 million, divided as follows:

Five Year Plan of Afghanistan
(1957-1962)

	Expenditure as a percentage of the total
Ordinary budget	42.6
Agriculture	19.2
Industry	15.7
Communications	13.6
Social Services	5.5
Mining	2.0
Other	1.4
Total	100.0 = \$600 million

SOURCE: Grunwald and Ronall, op. cit., p. 172.

Now looking into the economic progress of Afghanistan, we find that:⁴³

- a) the greatest of the modern industries in the country produce cotton fabrics (17,000,000 meters in 1954) and towels (26,000,000 pieces in 1954). Production of wool fabrics (180,000 meters in 1954) is also important. Four of the most important corporations in the country produce electricity and electrical appliances, timber and building materials, wool, and textiles. These corporations are directly controlled by the Bank Da Afghanistan, the national bank of the country.
- b) The Gross National Product of Afghanistan in 1954 was as follows:

⁴³Grunwald and Ronall, op. cit., p. 168.

		<u>In percentages</u>
Agriculture		72.0
Industry		
Textiles	1.8	
Power	1.0	
Carpets	1.6	
Other	<u>2.1</u>	6.5
Trade, Services		8.0
Wood		6.5
Miscellaneous		<u>7.0</u>
Total		100.0

SOURCE: Grunwald and Ronall, op. cit., p. 171.

5) Iraq: The rapid increase in revenue anticipated from the expansion of petroleum production and the revision of the terms of payment by the oil companies led the government to initiate an overall plan to develop the resources of the country. In 1950, a Development Board was established and a comprehensive Five Year Plan (1951-1956), involving an estimated expenditure of 65.8 million Iraqi Dinars (\$184.2 million), was drawn up. In 1951, however, at the request of the Iraqi Government, a mission from the International Bank of Reconstruction and Development visited Iraq and submitted a report, which included a Five Year Plan with an estimated expenditure of ID 168.5 million (\$471.8 million).⁴⁴ The Iraqi Government accordingly, with the light of the Bank's recommendation, replaced its earlier plan by a Six Year Plan (4/51 to 3/57) calling for an expenditure of ID 155.4 million (\$435.1 million) as follows:

⁴⁴IBRD. The Economic Development of Iraq, op. cit., p. 73.

Six Year Plan of Iraq
(1951-1957)

	<u>In percentage</u>
Administrative and research expenses	2.1
Irrigation projects	34.4
Roads and bridges	17.2
Buildings	11.5
Reclamation of land, etc.	14.8
Industries	<u>20.0</u>
Total	100.0 = \$435.1 million

SOURCE: Compilation of Laws Concerning the Development Board,
Schedule A, Government of Iraq, 1952, p. 8-9.

Soon after the take-over of the country, the Revolutionary Government launched a Four-Year Development Program (1959-63) costing ID 392.1 million (\$1097.9 million) divided as follows:

Four Year Developed Program
(1959-1960 - 1962-1963)

	<u>Expenditure as a percentage</u> <u>of the total</u>
Agriculture	12.2
Industry	9.9
Transport and Communication	25.7
Housing and Summer resorts	19.5
Public buildings	12.9
Public health	6.3
Public culture	10.0
Iraqi-Soviet Economic Agreement Projects	2.5
Reserve	<u>1.0</u>
Total	100.0 = \$1097.9 million

SOURCE: The Middle East 1961, op. cit., p. 132.

Now examining the economic progress of Iraq it appears that:⁴⁵

- a) in the agricultural sector during 1949-59, the production of wheat increased by 32%, but the production of barley and rice declined by 8% and 60%, respectively. Cotton seed, however, recorded a phenomenal increase from 4000 metric tons to over 17 million metric tons during the same period.
- b) the number of goats and sheep during 1949-58 recorded a decline of 33%, and of horses and asses by 35% and 23%, respectively. The number of cattle, however, increased by about 400% during the same period.
- c) the production of crude oil increased from 8.6 million metric tons in 1944 to about 41 million metric tons in 1959. Iraq also produced during 1958-59, 9,629.6 cubic feet of gases, woolen cloth 620,000 sq. meters, cotton textiles 30,245,000 yards, upper leather 2,481,000 sq. feet, plus soap, vegetable oil, beer, matches, and cigarettes in small quantities.
- d) The per capital income of Iraq amounts to about \$200 per annum.
- 6) Jordan: Various development programs prepared in 1949 provided for an expenditure of 27,000,000 dinars (\$76 million), including 500,000 dinars (\$1.4 million) for industrial items. A major project -- the Yarmuk Scheme -- as prepared by a British Engineering firm Sir Montague Dodd and Barnes, called for the irrigation of 186,000 acres of land, the settlement of 80-90,000 Palestine refugees, and the construction of two hydroelectric power stations at an estimated total cost of \$38,000,000, which later was revised to \$60,000,000.⁴⁶ But the

⁴⁵Figures calculated on the basis of information given in The Middle East 1953 and 1961, op. cit., p. 128-29, 130-31.

⁴⁶Grunwald and Ronall, op. cit., p. 149.

economics of this project was questioned by the Mission of the International Bank of Reconstruction and Development.

In 1953, a Five-Year Plan was announced which aimed at increasing food production by 40 per cent through the construction of a series of irrigation projects including the Yarmuk, exploitation of mineral deposits, encouragement to local industries, enlargement of the port of Agaba, improvement in transport and communications.⁴⁷

The IBRD Mission, however, recommended a Ten Year Plan (1955-65) with a total capital outlay of 42 million dinars (\$117 million) to be applied to the various sectors of the economy as below:

Jordan's Ten Year Plan
(1955-1965)

	Expenditure as a percentage of the total
Land amelioration	40.7
Mines, minerals	5.6
Industry	2.4
Electric power	3.6
Transportation	24.4
Communications	2.7
Education	7.1
Health, housing	3.8
Urban development	4.7
Others	5.0
Total	100.0 = \$117 million

SOURCE: Grunwald and Ronall, op. cit., p. 150.

⁴⁷Ibid., p. 150.

Jordan established the Development Board in 1952, which is the main planning organization for development. All the experts, however, are agreed that no real progress can be made in developing the country's economy without the realization of some far-reaching plan for bringing as much as possible of the desert into cultivation by irrigation.⁴⁸

Now examining the economic progress of Jordan it appears that:⁴⁹

- a) While the country produces very small quantities of food to feed her population, yet her wheat production during 1949-59 declined by 26%, barley by 54%, and lentils by 50%.
- b) during 1948-58, the number of cattle increased by 81%, sheep by 500% and goat by 80%.
- c) the country has also established phosphate, cement, soap, alcohol, beer, tobacco, and cigarette factories.

7) Egypt and Syria:

a) Egypt: Development programs in Egypt have been subject to frequent revisions, as regimes and political orientations have changed. The first Five Year Plan foresaw an expenditure, for the period 1946-1950, of E 135 million (\$377 million) to be raised from local resources, for electrification, fertilizer and other manufacturing plants, irrigation, housing and education. In 1951, the government submitted a bill to Parliament to authorize the expenditure of E 24.6 million (\$70.6 million). The government intended to raise the funds by issuing an internal loan,

⁴⁸The Middle East 1961, op. cit., p. 199.

⁴⁹Figures calculated on the basis of information given in The Middle East 1953 and 1961, op. cit., p. 194, 200-201.

but later revisions, raised the cost to an estimated \$1.3 billion, and the plan therefore had to be postponed for the time being. In January 1953, a Permanent Council for the Development of National Production was established. This body authorized important development projects including \$25 million rehabilitation and community development program in which the American Point Four program was to participate to the extent of \$10 million. Other major development plans approved by the council included: a \$40 million contract awarded to two French firms for an electrification project at Aswan; formulation of a five-year telecommunication program to cost nearly \$500,000; approval of a ten-year road-building program at an estimated cost of \$100 million; the signing of agreements with the American Technical Corporation Administration (Point Four) for a demonstration project in low cost housing, a survey of industrial potentials, a program of natural resources development, and the rural rehabilitation plan. Before these measures could become effective, the social stress, accentuated by the impact of the cotton (being the main export of the country) depression, brought about the revolution of July 1962.⁵⁰ The new regime, determined on radical improvement of the desperate economic situation, set its hopes on the Aswan project. The rejection of this project by the Western powers in 1956 set off the famous Suez Crisis with the Soviet Union moving into Egypt with her financial aid for the Five Year Industrialization Program of

⁵⁰Grunwald and Ronall, op. cit., p. 139.

1957 and, in October 1958, the underwriting by the Soviet Union of the first \$100 million for the Aswan project. It may, however, be noted here that the Aswan project was approved by the International Bank in August 1955 as technically feasible and economically sound.⁵¹ The Suez Crisis, however, also brought Syria into union with Egypt.

Egypt, however, prepared and launched a Ten Year Plan divided into two Five Year Plans (1957-62 - 1962-67),⁵² covering both Egypt (Southern Region) and Syria (Northern Region). Both these regions together was called the United Arab Republic to which Yemen joined later.

The objectives of the Ten Year Development Plan were:⁵³

- 1) the employment of hitherto unused resources in executing projects which aim at irrigating uncultivated and unwatered land, generating electric power to use in the industrial expansion, and the establishment of communications necessary for the economy of that region;
- 2) the establishment of capital and manufacturing industries, especially the latter in order to meet the increasing demand for industrial goods resulting from the increase in the national and individual incomes and the employment of redundant labor; and
- 3) raising the national income by 100% more than it was in 1957.

The first Five Year Plan provided for a total expenditure of 975 million Egyptian Liras over irrigation, agricultural projects and Aswan

⁵¹Ibid., p. 140.

⁵²Middle East Publications, Economic Development and Planning in the U. A. R. (Cairo: The National Publications House Press, 1957), p. 62.

⁵³Ibid., p. 115, 61.

Dam, electricity, industry and mining, communications, public utilities, social services, and public buildings.⁵⁴ The details of the second Five Years Plan are not available.

Egypt discovered iron ore deposits amounting to about 190,000,000 tons in 1952. In 1954, the Egyptian Government signed an agreement with the German Demag Company for the construction of an iron and steel plant whose initial annual output was to be 125,000 tons to be increased to 500,000 tons gradually.⁵⁵

Other important industrialization plans included a fertilizer plant at a cost of about \$60 to \$90 million; a cable and wire factory budgeted at about \$1,000,000; rubber tyre manufacture; and a \$3,000,000 investment in storage battery and spare parts production. In addition to these, the government also announced a plan in February 1957, for the reclamation of about 1.2 million acres of desert land near Alexandria at a cost of about \$600 million. A canal was to be dug to bring water to this area. Altogether, 125 projects were taken up at a cost of about \$680 million. These projects when completed were to employ 100,000 workers, 40,000 unskilled. The value of the annual production under the first plan was estimated at £ 118 million, and the rise in the national income by £ 48 million.

⁵⁴Ibid., p. 62.

⁵⁵Grunwald and Ronall, op. cit., p. 141.

Now analyzing the economic progress of Egypt, it appears that:⁵⁶

- 1) in agriculture, during 1949-59, the production of wheat increased by 757%, maize by 756%, barley by 754%, millet by about 700%, rice by about 40%, beans by about 300%, and lentils by 538%.
- 2) of the livestock, during 1947-58, the number of horses increased by 16%, buffaloes by 11%, but the number of sheep declined by 33%, goats by 51%, and camels by 21%.
- 3) of the industries during 1949-59, crude oil production increased by 39%, phosphates 80%, cotton yarn by 167%, and cotton piece-goods by 235%. Production of manganese, however, recorded a decline of 8%.
- 4) population of Egypt has been increasing at the rate of 2.5% per year while the national income during 1952-57 increased by 25.5%, i.e. by an annual average of 4.65%.⁵⁷

b) Syria: Syria is the only country in the Middle East that persistently refused to enter into the Point Four agreement with the United States. However, since 1949, the various governments of Syria have announced development programs aggregating \$ 573 million (\$235 million) covering a wide range of irrigation and communication projects. Syria, however, formulated her first Seven Year Plan in 1955 under the advice of the International Bank, and promised assistance from the Soviet Union.⁵⁸ This plan, however, was later converted into a Ten Year Plan (1957-1967) when Syria became a part of the United Arab

⁵⁶Figures calculated on the basis of information given in The Middle East 1953 and 1961, op. cit., p. 84-86, 395-96.

⁵⁷Middle East Publications. Economic Development and Planning in the U. A. R., op. cit., p. 60.

⁵⁸Grunwald and Ronall, op. cit., p. 152.

Republic. This plan, while aiming to exploit the hitherto unused resources, development of power and communications, and the industrial expansion of the country, also hoped to raise the national income of Syria by 60% more than it was in 1957, and also for raising the per capita income by 25% at the end of this plan.⁵⁹ An investment of 4,400 million Syrian Liras during the first five years, in the different sectors of the economy, was envisaged.⁶⁰ Syrian economy, however, has fallen into a mess ever since she broke off her relations with Egypt last year. She is presently in a serious political situation.

Now examining the economic progress of Syria, it appears that:⁶¹

- 1) in agriculture during 1950-59, her wheat, barley, and maize productions declined by 24%, 33% and 42%, respectively. Cotton lint and tobacco production, however, increased by 34% and 40%, respectively.
- 2) Of the livestock during 1949-58, the number of sheep and horses increased by 115% and 2%, respectively. The number of asses, however, recorded a decline of 15%.
- 3) Of the industries during 1949-59, yarn, fabrics and cloth production declined by 5%, while cement production increased by 670%, and electricity by 334%.
- 4) Syria has been investing 14 to 18% of her national income and has been advancing per capita from 3 to 7% annually.⁶²

⁵⁹ Middle East Publications, Economic Development and Planning in the U. A. R., op. cit., p. 115-116.

⁶⁰ Ibid., p. 117.

⁶¹ Figures calculated on the basis of information given in The Middle East 1953 and 1961, op. cit., p. 300-301, 428-429.

⁶² Meyer, op. cit., p. 62.

8) Israel: In ten years, from May 1948 to 1958, Israel's population increased from 600,000 to 2,000,000. The country was faced with the financial problem of absorbing the mass immigration and maintaining adequate defenses. Yet, a plan covering a period of seven years, from 1954 to 1960, for the development of agriculture, irrigation, electricity, quarrying, transport, communications was prepared calling for an expenditure of \$2.73 billion divided as follows:

Seven Year Plan of Israel
(1954-1960)

	Percentage of the total allotted
Agriculture	24.5
Irrigation	8.0
Power	4.5
Mining and Quarrying	3.3
Housing	4.7
Road Construction	1.6
Industry	22.2
Communications	10.5
Reserve	20.7
Total	100.0 = \$2.73 billion

SOURCE: The Government of Israel, Ministry of Finance, Data and Plans, 1955, p. 222.

The Seven Year Plan presumed a population of 2 million by 1960 and placed a great emphasis on the development of agriculture and irrigation. Little expansion was planned in the area under cultivation; but irrigated land was to be more than tripled, and it was planned to increase the quantity of water used for irrigation from 550 million cubic meters a year in 1952-53 to 1,300 million meters in 1959-60. As a result it was

hoped that agriculture would supply over three-fourths of agricultural consumption in 1959-60, compared with 45 per cent in 1952-53.

Industrial development, although getting second place in this plan, was expected to be financed mainly by the private capital. The Third Movement launched by Israel aimed at encouraging Jews throughout the world to invest their savings into Israel. The branches of this Third Movement have been opened in almost all important cities of the United States. Israel also launched a Four Year Industrial Development Plan (1959-63) to raise her industrial production from \$3.42 billion in 1959 to \$5.4 billion in 1963.⁶³ Forty to fifty thousand new jobs are also planned to be created.

Now examining the economic progress of Israel, it appears that:⁶⁴

- a) in the agricultural sector between 1948-49, the production of wheat increased by 250%, barley by 225%, maize by 50%, potatoes by 238%, vegetables by 238%, and the citrus fruit production rose to about 600,000 tons.
- b) of the livestock, during 1949-59, the number of laying hens increased by 180%, and cows and calves by 105%.
- c) in the industrial sector during 1950-59, the production of cement increased by 224%, refined oils 47% and cloth and yarn by 31%. The generation of electricity increased from 1.5 million kilowatts in 1949 to about 1.8 billion kilowatts in 1959. In addition to these, Israel also produced a variety of chemicals, tires and tubes, motor vehicles, electricity meters, batteries, radio receivers, etc.

⁶³The Israel Year Book 1960. Israel Year Book Publications Ltd. (No date and place given), p. 41-48.

⁶⁴Figures calculated on the basis of information given in The Middle East 1953 and 1961, op. cit., p. 157-59, 161-62.

- d) Israel's Net National Product has grown at an average annual rate of about 10 per cent, and that at least one-third of this growth has been due to increased efficiency with which the economy obtained outputs from its inputs of labor and capital. Israel has invested about 24 per cent of her National Income and has advanced 6 per cent per capita annually.⁶⁵

9) Lebanon: Lebanon established a Development Works Fund as far back as 1945 and spent through it 133 million Lebanese Liras (\$60 million) during the period 1945-54 towards the country's development. In 1953, however, the Board of Economic Planning and Development was created to assess the country's resources and possibilities and to establish a general development plan with procedures to finance it. Finding the private initiative reluctant to undertake the necessary investments, the government acquired and is now operating such facilities as railways, irrigation projects, and power stations, representing a combined value of \$28 million. Between 1954 and 1957 about \$80 million was spent on development. The Development Board also prepared a Five Year Plan (1957-61) calling for an expenditure of \$267 million divided as follows:

<u>Lebanon's Five Year Plan</u> <u>(1957-1961)</u>		<u>(In million)</u>
Agriculture		\$ 45
Industry		48
Communications		48
Sanitation and town planning		68
Tourist industry, central bank, etc.		<u>58</u>
Total		\$267

SOURCE: Grunwald and Ronall, op. cit., p. 152.

⁶⁵Meyer, op. cit., p. 3.

Now examining the economic progress of Lebanon, it appears that:⁶⁶

- a) in the agricultural sector during 1949-59, production of wheat increased by 16%, maize by 30%, tobacco by 50%, while the production of barley declined by 12%.
- b) of the livestock during 1948-49 and 1958-59, the number of cattle increased by 172%, of goats by 11%, but the number of horses, asses and mules declined by 31%, and that of camels by 80%.
- c) in the industrial sector, production of cotton yarn and vegetable oil declined by 20% and 36%, respectively. The production of cement, however, increased by 193%.
- d) the area of the economy which has witnessed the greatest growth since 1950 has been the tourist industry, which by 1955 had recorded a rise of 164%. The number of visitors during 1953-55 showed a rise of 216%. Since 1950, Beirut also established itself as the transportation center of the eastern Mediterranean, and has built a modern international airport.
- e) during the seven years, 1950 through 1956, the national income of Lebanon rose by more than 50% growing yearly at the rate of 3 to 7% per capita.⁶⁷

10) Bahrein: A tiny sheikhdom, her oil revenues rose from \$8.9 million in 1950 to \$12.68 million in 1958. Of the total amount received on account of oil royalties, 60 per cent is being spent on health, education, security, public works, and for the development of the Bahrein port.⁶⁸

11) Qatar: A tiny sheikhdom, her oil production rose from 1.6

⁶⁶Figures calculated on the basis of information given in The Middle East 1953 and 1961, p. 209-210, 224-25.

⁶⁷Meyer, op. cit., p. 105.

⁶⁸The Middle East 1961, op. cit., p. 270.

million metric tons in 1950 to 8 million metric tons in 1960. About 60 per cent of the oil revenues are being spent on Qatar's development program. Doha, the capital is being modernized, power stations have been set up, and a considerable sum is being spent towards improving water supply, health and education of the people.⁶⁹

12) Kuwait: Kuwait, one of the real economic museum pieces of the world, has a Development Board which helps the Sheikh in spending for the development of his Sheikhdom, 70 per cent of the oil revenues being earmarked for the purpose. With a per capita income multiplying five times in eight years and investments proceeding at a rate designed to compound economists as well as to press the limits of use to which money can be applied, Kuwait is unique in the world. It has set a pace of economic advance unequalled anywhere, at all levels of its society -- from its Eton-blazer clad school boys in air-conditioned schools (most of whom entered this world eight years ago under goathair tents) to its affluent merchants and lesser Sheikhs categorized irreverently by local wits as "Cadillac Sheikhs" or "Chevrolet Sheikhs," depending on their place in the pecking order. And while the domestic investment goes on, the Sheikhdom is accumulating a vast fund abroad which in another decade could conceivably yield an annual income of \$60 million -- \$200 per Kuwaiti, from the United Kingdom, and the United States Securities.⁷⁰

⁶⁹ Ibid., p. 278.

⁷⁰ Meyer, op. cit., p. 2.

The income per capita of Kuwait stands presently at \$1000. The production of oil rose from 17.3 million metric tons in 1950 to 80.6 million long tons in 1960.⁷¹

13) Saudi Arabia: Saudi Arabia serves as a modern counterpart of 16th century Spain.⁷² Oil royalties have grown since World War II to exceed \$300 million yearly, and the king has received capital transfers -- much of it in gold -- from the West exceeding \$2 billion over the past decade. With consummate efficiency, the Saudi ruling families joined with the peninsula's tribal Bedouin tradition, to bury the gold in the ground, to hang it on the nation's women, or to convert it into foreign-made consumers' goods. Saudi Sheikhs, however, have preferred to invest abroad what surpluses they had, some in Western Corporate Securities and some in apartment houses in Beirut, Cairo, and Damascus. The gold has come and gone and little has taken hold creatively. Pre-conditions of sustained growth have clearly not been met.⁷³

The Arabian American Oil Company, appalled by the conditions prevailing, opened the Arab Industrial Development Department through which she is helping the Saudi Arabs in starting electric and transport companies, bottling, ice-making, etc. She spent \$10 million on such

⁷¹The Middle East 1961, op. cit., p. 275.

⁷²Meyer, op. cit., p. 21.

⁷³Ibid.

projects in 1957, and the expenditure continues at an increasing rate.⁷⁴ Only recently, the Saudi King has given some attention towards development. A railroad to girdle northern Saudi-Arabia is being planned. The ports of Jidda and Damman are being deepened and widened. New industries are being encouraged and about 13 per cent of the national budget is being spent on education. New hospitals are also being built. A 4-lane highway from the Red Sea to the Arabian Gulf, running through Riyadh, is under construction.⁷⁵ Crude oil production in Saudi Arabia increased from 23.2 million metric tons in 1949 to 53.3 million metric tons in 1959.⁷⁶

14) Yemen: An agricultural country, Yemen has not succeeded so far in discovering minerals of importance. Yemen, however, has modernized the port of Hodeidah, has built some electric plants, and has initiated some housing schemes.⁷⁷

15) Oman: No information is available about this country.

⁷⁴Ibid., p. 83.

⁷⁵The Kingdom of Saudi Arabia (Washington: Saudi Arabia Embassy, no date given), p. 6-7.

⁷⁶The Middle East 1961, op. cit., p. 290.

⁷⁷The Kingdom of Yemen (Washington: The Legation of Yemen, no date given), p. 6.

CHAPTER V

FOREIGN TRADE, BALANCE OF PAYMENTS AND THE FOREIGN EXCHANGE POLICY

Until the year 1453 A.D., the Middle Eastern foreign trade appears inseparably connected with India. The variety, extent and opulence of this trade was an object of admiration and wonder to the rest of the world. Geography by Ptolemy (140 A.D.) and Periplus of Erythrian Sea (100 A.D.) give details of the nature of this trade. There are references in the Bible about Indo-Babylonian trade. Dr. Lassen of Germany held that "The Egyptians dyed cloth with indigo and wrapped their mummies in Indian muslin."¹ This international highway for trade beginning from India, connected and crossed through all the countries of the Middle East ending at Constanipole. The sea-borne trade also flourished among the countries around the Persian Gulf, the Red, the Arabian, and the Mediterranean Seas. When the Turks captured Constantinople and began to demand heavy tribute from the caravans going to the principal Mediterranean seaports of Venice and Genoa, this trade started to decline.² It declined further when, as a result of the Industrial Revolution,

¹Varshney, R. L., India's Foreign Trade (Allahabad, India: Kitab Mahal, 1954), p. 1.

²Prasad, J. M. A Comparative Study of the Cane Sugar Industry in India and the United States. L. S. U. Thesis, 1959, p. 75.

cheap goods of the West flooded the Middle Eastern markets. Political domination of England and France in the Middle East coupled with the suspicion, distrust, and rivalry among the peoples and the nations of the region, brought this trade to its doom. The famous international trade highway was abandoned, and the direction of the trade reversed. Sea-borne trade got an added importance when the Suez Canal was opened for navigation on 17 November 1869. Constructed at a cost of about 30 million, it is 101 miles long, 34 feet deep, and an average of 197 feet in width. The company which constructed this canal was French owned, in which the British Government also bought shares in 1875 (176,602 out of 400,000, later changed to 295,026 out of a total of 652,932 -- just under 44 per cent).³ A brief look at the operations of the Suez Canal, reveals the following:

Suez Canal Traffic

<u>Year</u>	No. of Vessels	Net Tonnage (000's)	No. of Passengers (000's)	Receipts (in millions)
1938	6,171	34,418	480	\$ 4.65
1948	8,686	55,081	455	\$ 46.83
1959	17,731	163,386	326	\$127.28

SOURCE: The Middle East 1950 and 1961, op. cit., p. 89, 399.

The States Item wrote editorially on 25 July 1961 that:

³The Middle East 1950, op. cit., p. 89.

Seizure of the Suez Canal, vital short cut between the Mediterranean and the Red Sea, by President Nasser of the United Arab Republic, precipitated an armed adventure by the British and French which suddenly cut the normal delivery route for much of the Middle East's crude oil.

When things were ironed out and the waterway reverted to the UAR, there were baleful predictions of how Suez operations would suffer for want of know-how and experience.

Looking back at those gloomy forecasts, it is clear how wide of the mark they were.

Traffic has speeded up; the volume has increased, averaging 53 vessels daily as against 40 under the old Suez Canal Company; improvements are progressing; super-tankers are now able to traverse the route because of its deepening; daily shipping averages a half million tons contrasted to 317,000 in 1955.

Nasser, who needs all the balm he can get for his pride, gains a considerable supply from Suez operations. He proved his detractors wrong; and the Canal's gross income last year achieved a new peak of \$145 million, as against \$92 million in 1955 -- the last year of the operations of the Suez Canal Company.

(a) Direction of Trade:

The direction of the international trade of the Middle East, intra-regional and outside the region, for some of the important countries of the Middle East in 1955 was as follows:

Direction of International Trade of the Middle East - 1955

<u>Countries</u>	<u>Exports %</u>		<u>Imports %</u>	
	<u>Intra-regional</u>	<u>Outside</u>	<u>Intra-regional</u>	<u>Outside</u>
Egypt	10.3	89.7	8.3	91.7
Iraq	4.6	93.6	3.9	96.1
Israel	13.5	86.5	3.9	96.1
Lebanon	50.6	49.4	30.5	69.5
Iran	N.A.	N.A.	5.8	94.2
Syria	37.5	62.5	21.1	78.9
Turkey	6.0	94.0	6.7	93.3
Jordan	67.9	32.1	19.4	80.6

SOURCE: The Middle East 1953, op. cit., Figures calculated on the basis of the statistical information given.

The intra-regional trade between the countries of the Middle East in 1937 amounted to only 6.6 per cent of their total foreign trade, which by 1957 had doubled. By 1959, the figure had risen to 15 per cent, while the trade with the West accounted for about 66 per cent. The Inter-Arab trade agreement of 1954 has been trying to bring the Arab states together as traders, but to date political considerations have precluded lasting economic cooperation.⁴ The Arab countries have completely boycotted trade with Israel, and have preferred to buy goods outside even at higher prices.

Ever since the Suez Crisis in 1956, the Soviet Union and other communist countries have also entered the Middle Eastern arena of foreign trade. The following countries of the region have been exporting

⁴Meyer, op. cit., p. 12.

and importing goods to the communist countries as noted below:⁵

1. Iran (1958-59):

Total Imports Rials 33,458 million.

Total Exports Rials 7,941 million.

In Million Rials and \$

	<u>Imports</u>	<u>Exports</u>
Czechoslovakia	615	252
U.S.S.R.	<u>1,864</u>	<u>1,748</u>
Total	<u>2,479</u> = \$76.9 million	<u>2,000</u> = \$62.0 million
% of total	<u>7.4</u>	<u>25.2</u>

2. Iraq (1959):

Total Imports Iraqi Dinars 116.5 million.

Total Exports Iraqi Dinars 11.5 million.

In Iraqi Dinars and \$

	<u>Imports</u>	<u>Exports</u>
Czechoslovakia	1,809,982	--
U.S.S.R.	<u>1,423,330</u>	<u>894,215</u>
Total	<u>3,233,312</u> = \$90.5 million	<u>894,215</u> = \$25.0 million
% of total	<u>2.8</u>	<u>7.7</u>

3. Israel (1959):

Total Imports Israeli 153.1 million.

Total Exports Israeli 64.8 million.

In Million I and \$

	<u>Imports</u>	<u>Exports</u>
Yugoslavia	7.3	9.7
Rumania	<u>4.3</u>	<u>3.4</u>
Total	<u>11.6</u> = \$32.5 million	<u>13.1</u> = \$36.7 million
% of total	<u>7.6</u>	<u>20.2</u>

⁵ Figures calculated on the basis of information given in The Middle East 1961, op. cit.

4. Jordan (1959):

Total Imports 40.3 million Jordanian Dinars.

Total Exports 3.4 million Jordanian Dinars.

In Jordanian Dinars

	<u>Imports</u>	<u>Exports</u>
Czechoslovakia	402,200	199,200
Yugoslavia	<u>315,100</u>	<u>630,000</u>
Total	<u>717,300</u> = \$2.0 million	<u>829,200</u> = \$2.3 million
% of total	<u>1.7</u>	<u>24.3</u>

5. Lebanon (1959):

Total Imports 700 million Lebanese .

Total Exports 139 million Lebanese .

In '000 L

	<u>Imports</u>	<u>Exports</u>
Czechoslovakia	5,878	451
U.S.S.R.	5,399	6,500
Yugoslavia	3,702	1,053
Rumania	<u>3,986</u>	<u>146</u>
Total	<u>18,965</u> = \$8.6 million	<u>8,150</u> = \$3.6 million
% of total	<u>2.7</u>	<u>5.9</u>

6. Turkey (1958):

Total Imports 882 million T .

Total Exports 692 million T .

In T Million

	<u>Imports</u>	<u>Exports</u>
Czechoslovakia	34.2	39.6
East Germany	<u>31.2</u>	<u>24.5</u>
Total	<u>65.4</u> = \$23.3 million	<u>64.1</u> = \$22.9 million
% of total	<u>7.8</u>	<u>9.3</u>

7. Egypt (1959):

Total Imports 214.4 million E.
Total Exports 154.3 million E.

	<u>In E Million</u>	
	<u>Imports</u>	<u>Exports</u>
Czechoslovakia	8.1	16.2
U.S.S.R.	26.8	28.3
Yugoslavia	5.2	3.6
East Germany	8.9	10.5
Rumania	4.5	2.9
China (P. R.)	<u>8.3</u>	<u>16.2</u>
Total	<u>61.8</u> = \$176.7 million	<u>77.7</u> = \$221.2 million
% of total	<u>28.8</u>	<u>50.5</u>

8. Syria (1959):

Total Imports 636.7 million S.
Total Exports 356.2 million S.

	<u>In Million S.</u>	
	<u>Imports</u>	<u>Exports</u>
East Europe	86.2	40.8
China (P. R.)	6.1	.5
Cuba	<u>9.5</u>	-
Total	<u>101.8</u> = \$46.4 million	<u>41.3</u> = \$18.8 million
% of total	<u>15.9</u>	<u>11.6</u>

While Europe was busy with the two World Wars, India had an opportunity to enter the Middle Eastern markets once again. With her rapidly advancing cotton industry, she needed cotton. With her shortage in mineral oils, and the discovery of the same in Bahrein, Qatar, etc. she found an opportunity to import the same from the Middle East. She, thus, imported cotton (Iran and Egypt), and oil, and exported mostly textiles, tea, and sugar; but on balance, India always appears running

a deficit from this region as the following figures show:

India's Trade with the Middle East
(In Millions of Rupees)

	<u>Imports</u>	<u>Exports</u>	<u>Balance</u>
1938-39*	61.5	28.9	- 32.6
1945-46*	638.3	124.5	-513.8
1946-47*	405.1	119.6	-285.5
1947-48	480.4	148.4	-332.0
1948-49	548.1	144.1	-404.0
1949-50	773.3	217.1	-556.2
1958-59**	292.4	131.2	-161.2

SOURCE: Varshney, R. L. India's Foreign Trade (Allahabad, India): Kitab Mahal, 1954), p. 141. The figures of 1958-59 have been calculated from The Middle East 1961, op. cit.

* Excluding Turkey, Syria, and Palestine.

**Details are as below.

In Millions of \$

	<u>Imports</u>	<u>Exports</u>
Iran	29.80	5.80
Iraq	5.30	2.40
Jordan	--	.18
Lebanon	.70	.19
Bahrein	7.05	--
Egypt	15.40	19.04
Syria	<u>3.30</u>	<u>--</u>
	\$ 61.55	\$ 27.61

SOURCE: The Middle East 1961, op. cit.

Now summing up the direction of trade of the Middle East, it appears that the total of exports and imports amounting to \$8,704 million during 1959 were shared by the following in the proportions noted against their names:

Direction of Trade of the Middle East
1959

The West	66 per cent
Communist Countries	10 per cent
India	1 per cent
Intra-regional	15 per cent
Others	<u>7 per cent</u>
Total	100 per cent

b) Exports - Main Items and Progress:

The following were the main items of exports of the countries of the Middle East during 1959:

Iraq	Oil	86 per cent
Iran	Oil	86 per cent
Egypt	Cotton	79 per cent
Israel	Citrus	36 per cent
Turkey	Tobacco	28 per cent
Lebanon	Fruit	22 per cent
Kuwait	Oil	100 per cent
Qatar	Oil	100 per cent
Bahrein	Oil	100 per cent
Afghanistan	Karakal	50 per cent
Jordan	Limestone & Cement	31 per cent
Saudi Arabia	Oil	100 per cent
Syria	Cotton	49 per cent
Yemen	Coffee	N.A.

Value and Progress of Exports of the Middle East
(In Million Dollars)

<u>Country</u>	<u>1949</u>	<u>1959</u>	<u>Increased per cent per year 1949-59</u>
1. Aden	24.0	178.0	64.2
2. Bahrein		54.9 ¹	--
3. Kuwait	61.9	850.0	--
4. Qatar		30.0 ¹	--
5. Oman		5.9 ¹	--
6. Egypt	391.6	443.0	1.1
7. Iran	589.2*	768.0	1.3

<u>Country</u>	<u>1949</u>	<u>1959</u>	<u>Increased per cent per year 1949-59</u>
8. Iraq	31.4	606.0	179.4
9. Israel	5.8	182.0	293.3
10. Jordan	3.1	10.0	23.3
11. Lebanon	50.5	40.0	17.1
12. Syria		98.0	
13. Saudi Arabia	211.4	770.0	26.5
14. Turkey	248.0	355.0	4.3
15. Others		352.2	--

SOURCES: ¹The Middle East 1961, op. cit., figures compiled. Other figures from 1) the Statistical Office of the United Nations, Monthly Bulletin of Statistics, XV, 85-89, August 1961; International Monetary Fund, International Financial Statistics, XIV, 46-49, August 1961.

* 1950-51.

For a decade, oil producing countries have enjoyed rising incomes as petroleum prices and production have stayed high. High grain and cotton prices during the Korean War were a temporary boom to the economies of Syria, Egypt, and Turkey. Yet the outlook does not permit unbridled optimism. In less than ten years Western technology has substituted rayon and nylon for Egyptian long-staple cotton in the world's automobile tire casings. Dependent upon the cotton exports to feed herself, Egypt faces monotonously regular market gluts and dropping prices. And Egypt is turning increasingly to the Soviet Union for outlets. Syria and Turkey feel the same pressure. Many Middle Eastern countries-- Israel and Lebanon for example -- can now import wheat more cheaply than they can produce it, yet they have few commodities to sell abroad competitively to earn necessary foreign exchange. Expansion of demand for

petroleum products has also fluctuated between 6 per cent and 2 per cent yearly in the United States and between 12 per cent and 9 per cent in Europe, while new oil fields are coming into production in Venezuela and North Africa.⁶

c) Imports - Capital Goods and Progress:

A large single item of import by the countries of the Middle East is the plant and machinery, motor vehicles, planes and ships, and other capital goods. The figures pertaining to the above are as follows:

Value and Progress of Imports in the Middle East
(In Millions of Dollars)

<u>Country</u>	<u>1949 Imports</u>		<u>1959 Imports</u>		<u>Per Year Increase % 1949-59</u>	
	<u>Total</u>	<u>Capital Goods</u>	<u>Total</u>	<u>Capital Goods</u>	<u>Total</u>	<u>Capital Goods</u>
Aden	24.2	Nil.	203.0	5.5	75.4	--
Bahrein			54.9	16.1	--	--
Kuwait			200.0	151.0	--	--
Qatar	N.A.	19.9	30.0	12.0	--	--
Oman			5.9	.2	--	--
Egypt	509.7	45.3	616.0	79.2	2.0	7.6
Iran	193.5*	59.1*	600.0	331.9	24.0	54.0
Iraq	113.4	38.4	326.0	126.5	18.6	22.5
Israel	40.8	15.8	429.0	135.3	77.5	74.4
Jordan	41.1	.9	113.0	28.4	17.4	215.5
Lebanon			261.0	42.8		
Syria	235.7	29.3	196.0	90.0	18.5	35.9
Saudi Arabia	94.1	44.1	255.0	89.0	16.8	10.2
Turkey	290.0	111.1	270.0	209.0	6.2	8.8
Other	--	--	233.2	--	--	--

* for 1950-51

- SOURCES: 1. Statistical Office of the United Nations, Monthly Bulletin of Statistics, XV, 85-89, August 1961
2. International Monetary Fund, International Financial Statistics, XV, 38-40, April 1962.
3. All 1949 and capital goods imports figures compiled from The Middle East 1961, op. cit.

⁶Meyer, op. cit., p. 1.

Now summing up the exports and imports of the Middle East, it appears that during the period 1949-59 (excluding Afghanistan, Bahrein, Kwait, Qafar, Oman and Yemen):

1. a) exports increased at the rate of about 21% per year;
b) imports increased at the rate of about 14% per year;
c) the imports of capital goods increased at the rate of about 23% of the total imports per year.
2. a) All the countries in the area faced steadily rising import costs of machinery manufactured in the West due to the wage-push and yearly price inflation (in the West);⁷ and
b) all the countries of the region faced the problem of the terms of trade. "The trade-chart curves since 1945 have been jagged -- sometimes up, sometimes down, but never completely free of the spectre of rising import costs and dropping export prices."⁸
c) import of capital goods constituted approximately 30% of the total imports in the region during 1959.
3. The share of the Middle East in the total of the world trade has been as below:

Share of the Middle East in the World's Total Trade
(In Millions of \$)

	Exports			Imports		
	World Total	Middle East	%	World Total	Middle East	%
1937	24,210	646	2.6	27,287	755	2.6
1948	53,784	1,829	3.4	60,122	2,795	4.6
1951	77,090	2,971	3.8	81,870	2,766	3.4
1953	74,940	2,973	3.9	76,670	2,746	3.6
1954	77,680	3,303	4.2	79,780	2,812	3.5
1955	84,590	3,755	4.4	89,300	3,249	3.7
1956	93,960	3,915	4.2	98,600	3,392	3.5
1957	100,870	4,269	4.2	108,240	3,580	3.3
1958	96,110	4,666	4.8	101,140	3,710	3.7
1959	101,880	4,731	4.6	106,590	3,973	3.7
1960	113,530	N.A.	-	119,080	N.A.	

SOURCE: International Financial Statistics, 1947 on. Washington: International Monetary Fund.

⁷Ibid., p. 11.

⁸Ibid., p. 10-11.

Now analyzing the figures as above, it appears that while the world's total exports during 1937-1959 increased 321 per cent at an average rate of about 15 per cent per year, the Middle East's exports during the same period increased 632 per cent at an average rate of about 29 per cent. The world's total imports during 1937-1959 increased 291 per cent at an average rate of about 13 per cent per year. The Middle East's imports during the same period increased 426 per cent at an average rate of about 19 per cent per year. These show that both the exports and the imports of the Middle East have increased (exports and imports by 14 and 6 percentage points, respectively) more than the world average increase on these accounts.

d) Balance of Payments:

As the total exports and import figures given above show, the Middle East with the advent of the '50s entered an era of the favorable balance of trade as given below:

	<u>(In millions of \$)</u>
1937	-109
1948	-966
1951	+205
1953	+227
1954	+491
1955	+506
1956	+523
1957	+689
1958	+956
1959	+758

Now analyzing the above results in terms of their positions country-wise the following results emerge:

Middle East Countrywise Balance of Payments 1951-59
(In millions of \$)

	<u>1951</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
Aden	- 17	- 55	- 62	- 34	- 19	- 22	- 23	- 32
Iran	+287	- 76	- 85	+ 74	+165	+232	+160	+168
Iraq	+ 40	+200	+294	+247	+160	+ 17	+260	+280
Israel	-333	-221	-199	-246	-268	-292	-281	-248
Jordan	- 40	- 46	- 48	- 68	- 64	- 69	- 85	-103
Kuwait	+230	+402	+449	+532	+550	+560	+740	+650
Lebanon	-109	-119	-145	-185	-197	-209	-182	-221
Saudi Arabia	+325	+350	+480	+455	+431	+475	+530	+515
Syria	- 45	- 15	- 26	- 35	-339	- 14	- 75	- 78
Egypt	- 83	-106	- 59	-119	-168	- 57	-192	-203
Turkey	- 93	-136	-143	-185	-107	- 52	- 68	-116
Other	+ 43	+ 49	+ 45	+ 70	+ 79	+120	+172	+146

SOURCE: International Financial Statistics, 1951 on, Vol. XV, April 1962, p. 38-41.

A look at the above account shows that all the oil producing countries had favorable balances while the rest had unfavorable balances throughout the period 1951-59. Iran's unfavorable balances, however, during 1953 and 1954 were the results of the nationalization and consequent discontinuance of operations by the Anglo-Iranian Oil Company.

A sum of the - and + positions of the balances above, is as below:

	<u>1951</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
-	720	774	767	872	862	715	906	1,001
+	925	1,001	1,258	1,378	1,385	1,404	1,862	1,759

All the countries having unfavorable balances as above, did not get any assistance from those having favorable balances in the region. Accepting the position that the oil producing countries having favorable balances had also to pay by transfer 50 per cent of the profits made by

the oil companies, yet these countries did have some favorable balances as detailed below:

	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
	+1,001	1,258	1,378	1,385	1,404	1,862	1,759
Transfer of Profits	- <u>562</u>	<u>716</u>	<u>989</u>	<u>968</u>	<u>1,023</u>	<u>1,238</u>	<u>1,236</u>
Balance	+ <u>439</u>	<u>542</u>	<u>480</u>	<u>417</u>	<u>381</u>	<u>624</u>	<u>523</u>

These balances represent partly the amounts invested by the oil-rich Sheikhs in the British and the U. S. Treasury Certificates. A part of this money may also have gone in the Swiss banks as also towards acquiring mansions in France, Switzerland, Italy and Lebanon.

Of the countries having trade deficits, Israel has been meeting the problem by gifts from the international Jewry amounting to \$250 million yearly, and by German reparations and the United States aid.⁹ Turkey has solved her problem through the United States aid averaging \$250 million yearly.¹⁰ The U. S. aid to Iran has also touched \$200 million¹¹ in most of the years even though Iran had favorable balances. Overseas Lebanese send home \$50 million a year,¹² which the Lebanese Government uses towards meeting their balance of payments problem. Lebanon has also received the U. S. aid. Syria and Egypt have been

⁹Ibid., p. 6.

¹⁰Ibid.

¹¹Ibid.

¹²Ibid.

assisted by both the United States and the Soviet Union.

The adversity in the balance of payments position of all the countries, excepting those producing oil, may be accounted for mainly by the following three reasons:

- 1) Heavy Defense Expenditure: "The areawide average now approaches ten per cent of national income, a comparable percentage to what (the United States) spends each year. Israel with a national income of about \$1.25 billion, spends over 100 million yearly on defense; Egypt with about \$2.5 billion spends over \$200 million; Turkey, Syria, Iran, Iraq strike out the same percentages."¹³ In the area under scrutiny almost \$750 million¹⁴ is now being invested each year in armements--roughly the amount necessary to install the sets of necessary social overhead improvements now on the drawing boards yet so far starved for funds. Each expenditure for arms triggers a corresponding "defense" purchase across a nearby frontier.¹⁵ As the West supplied arms to Israel and Jordan, a staggering provision for arms supply to Syria and Egypt worth over \$500 million was made by Russia.
- 2) Heavy Capital Goods Imports: This has already been detailed.
- 3) Demonstration Effect:¹⁶ Further confusion has derived from a widespread assumption of the validity of Professor Duesenberry's "demonstration effect" for under-developed areas. Introduced by Duesenberry as a concept applicable to industrialized countries, the idea as adapted for the Middle East envisions citizens stimulated to high levels of consumption by Hollywood movies and other contact with the West. The "revolution of expectations" leads down a path studded with excessive demand for Western-made products and increasingly lavish parties and feasts (something Middle Easterners are already reputedly

¹³Ibid., p. 9.

¹⁴Ibid., p. 10.

¹⁵Ibid.

¹⁶Ibid., p. 116-117.

skilled at). It finds its end with inadequate private savings for investment and the usual dreary difficulties over the balance of payments.

e) Foreign Exchange Policy:¹⁷ The countrywise position is as follows:

(1) Afghanistan: There is no agreed par value for the Afghani (Afghan currency). The official rates are Afg. 20.00 buying, and Afg. 20.25 selling per U. S. \$1 (the first category rate), and Afg. 28.00 buying, and Afg. 28.35 selling, per U. S. \$ (the second category rate). In addition, there is a fluctuating free market. The official rates apply to specified transactions only. All exporters are obliged to surrender certain percentages of the proceeds from exports of karakul, cotton, wool, and six other commodities in mixed proportions at the specified official rates, combined with the possibility of selling the remainder at the fluctuating free market rate. All other transactions take place at the fluctuating free market rate. Settlement with countries with which Afghanistan has bilateral payment agreements (they are Mainland China, Czechoslovakia, Poland, U.S.S.R., and Yugoslavia) must be made in the foreign currencies specified in the agreements. The proceeds of exports of karakul, cotton and wool must be obtained in fully convertible or externally convertible European currencies; alternatively, proceeds of exports of cotton and wool to agreement countries may be obtained in

¹⁷Based upon the Twelfth Annual Report on Exchange Restrictions (Washington: International Monetary Fund, 1961), p. 25, 182, 187, 194, 217, 226, 300, 328, 337-350.

agreement currencies. There is no bilateral trade and payment arrangement with India, under which exports to India are settled in Indian rupees, which must in turn be used for imports from that country.

2) Iran: The par value is Iranian Rials $75.75 = \text{U. S. } \$1$. All transactions take place at the rates fixed by the Bank Markazi (Central), Iran: Rls. 75.00 buying, and Rls. 76.50 selling, per U. S. \$1. There are charges on the invoiced amount of all imported goods of $1/2$ of 1 per cent for sanitary services and $1/10$ of 1 per cent under the law on encouragement of exports. All foreign exchange transactions must take place through authorized banks. Payments and receipts are normally settled in the currency of the country concerned, provided the currency is one in which the Bank Markazi deals, or in sterling or U. S. dollars. Alternatively, payment may be made in a currency acceptable to both the countries.

3) Iraq: The par value is Iraqi Dinar = U. S. \$2.80. Administered by the Directorate of Foreign Exchange of the Central Bank, all foreign exchange transactions are required to take place through licensed dealers unless specially authorized by the Central Bank. Settlements must be made in convertible currencies or, under bilateral payment agreements, in dinars through an appropriate dinar account of a non-resident. Iraq has bilateral payment agreements with Mainland China, Lebanon, Tunisia, U.S.S.R., U.A.R., and Yugoslavia. In general, all transfers of capital abroad require exchange control approval.

4) Israel: The par value of the Israeli Pound $1.80 = \$1$. This rate applies to most transactions, but for some transactions special premiums give rise to other rates. Premiums ranging from I 0.36 to I 1.20 per U.S. \$ are applied to that part of the exchange proceeds of exports of industrial and agricultural products, and of certain services, which is regarded as value added domestically. A premium of 20 per cent is paid to non-resident tourists, to foreign personnel in diplomatic and consular missions in Israel, and on foreign exchange surrendered within three years of entry by new immigrants. Payments and receipts must be effected in the currency and manner prescribed by the exchange control authorities.

5) Jordan: The par value is Jordan Dinar = U. S. \$1. The official rate for the U. S. dollar are based on the buying and selling rates in the London market. There are two exchange markets: the official market, applicable to most transactions; and the free market where rates fluctuate in accordance with the supply and demand. Proceeds from exports and invisibles must be surrendered, where required.

6) Lebanon: The par value of the Lebanese pound is $2.19148 = \$1$. However, all transactions take place at free market rates, which for the U.S. dollar as at December 31, 1960 were L 3.1435 buying, and L 3.1455 selling, per U. S. dollar.

7) Saudi Arabia: The par value of the Saudi Riyals $4.50 = U. S. \$1$. The Saudi Monetary Agency sells exchange to banks at the par value rate, and this serves as the basis for exchange quotations in the market.

There are no restrictions on foreign payments.

8) Turkey: The par value of the Turkish Lira was changed from 2.80 to TL 9.00 per U. S. dollar on August 20, 1961, and all existing multiple currency practices were also eliminated. Settlements on account of merchandise and invisibles must be made in U. S. dollars with the dollar area, in currencies convertible into U. S. dollars with other countries, or in terms of the relevant payments agreement. Turkey has clearing account arrangements with Austria, Denmark, France, Greece, Norway, and Switzerland; the accounts with Austria, Greece, and Norway are settled monthly under the European monetary agreement.

9) Egypt: The par value of the Egyptian Pound is 1 = U. S. \$2.87156. A variable premium, which was 6.38 per cent on December 31, 1960, applies to convertible currencies received from exports of cotton and silk in various forms. Most other exports proceeds in convertible currencies receive a premium of 17.5 per cent. Proceeds in convertible currencies from invisible (with certain exceptions) receive a premium of 27.5 per cent. A premium of 10 per cent is payable by the remitter on payments in convertible currencies for all imports and most invisibles. The premiums are calculated on the Egyptian pound at the par value rate.

10) Syria: The par value of the Syrian Pounds is 2.19148 = \$1. The official rates are S 2.19 buying and S 2.21 selling, per U. S. dollar; however, no transactions take place at these rates. Most

exchange transactions take place at the controlled free market rate, but there is also an uncontrolled free market rate, mainly for capital transactions and some invisibles.

11) The currencies of Aden, Bahrein, Kuwait and Qatar are tied to the pound sterling. Oman's currency is the Indian rupee. No information is available about Yemen.

CHAPTER VI

FINANCING THE DEVELOPMENT

Financing development in an underdeveloped country is undoubtedly the most difficult of all the problems of economic development. Low per capita income means no savings (excepting, of course, a few thousands of rich landlords and businessmen) and low purchasing power. Poor people spend most of their income on staple food, which is mostly unprocessed; they need few manufactured goods and services. The family budget of an Egyptian peasant in Lower Egypt compiled in 1942 which has not recorded any significant change since then, shows the structure of a subsistence economy.

Annual Cost of Living of a Rural Family of Five in Lower Egypt,
1942 (E 1 = \$4.13)

Food	E 17,900	68 per cent
Soap, kerosene, utensils	1,960	7 per cent
Tobacco	3,600	14 per cent
Clothing	<u>2,870</u>	<u>11 per cent</u>
	E 26.330 (\$108.75)	100 per cent

SOURCE: Ayrout, H. H., The Fallaheen, Cairo, 1945, p. 51.

In January and February 1954, a sample survey of households with monthly incomes of twenty dinars or less was conducted in Baghdad to determine the expenditure habits of various economic groups. The households were selected so as to provide a representative cross-section.

Two hundred ninety-one households covering 2,025 persons were selected in the built up area. The mean family size among this group was found to be 6.96 persons. Fifty-nine more households covering 335 persons in a Sarifa camp were also selected. The mean family size of this group was 5.68 persons. The results of the survey were as follows:

Sample Household Survey in Iraq, 1954

	<u>Built-Up Area</u>		<u>Sarifa Camp</u>	
	<u>Dinar</u>	<u>Per cent</u>	<u>Dinar</u>	<u>Per cent</u>
Food	11.247	56.92	7.986	65.55
Clothing	1.408	7.13	.935	7.67
Fuel and Light	1.434	7.26	1.240	10.18
Cleaning Material	.686	3.48	.358	2.94
Furniture and Utensils	.309	1.56	.137	1.12
Rent	1.786	9.03	.000	.00
Miscellaneous (Cigarettes, movies, cafes, buses, etc.)	2.889	14.62	1.528	12.54
Grand Total	<u>19.759</u>	<u>100.00</u>	<u>12.184</u>	<u>100.00</u>

SOURCE: Qubain, F.I. The Reconstruction of Iraq, op. cit., p. 14-15.

Both the Egyptian and the Iraqi figures as above, in fact, do not present any significant difference, and these may safely be stated to be representative of the Middle Eastern landscape. These clearly demonstrate the paucity of savings in the region. Governments of the countries of the region, therefore, have to emerge as the procurer and the greatest investor of capital in their respective countries. And this helpless trend is sometimes branded as socialistic.

a) A Rough Financial Sketch:

In the preceding chapter, economic plans of the country of the Middle East have already been discussed. Now summarizing the magnitude of the development financing involved, a countrywise picture emerges as follows:

(In millions)

a) <u>Country</u>		<u>Total planned expenditure</u>	<u>Average per year</u>
Turkey	1948-56	\$ 1,600 app.	\$ 200.0
Iran	1948-62	\$ 3,251	\$ 232.0
Afghanistan	1947-62	\$ 714	\$ 48.0
Iraq	1951-63	\$ 1,533	\$ 128.0
Jordan	1949-65	\$ 193	\$ 32.0
Egypt	1946-62	\$ 3,107	\$ 194.0
Syria	1949-62	\$ 456	\$ 35.0
Israel	1954-60	\$ 2,730	\$ 455.0
Lebanon	1945-61	\$ 435	\$ 27.0
Bahrein	(Estimated)	\$ 35	\$ 7.0
Kuwait	"	\$ 970	\$ 194.0
Qatar	"	\$ 140	\$ 28.0
Saudi Arabia	"	\$ 300	\$ 60.0
Total		\$15,464	\$1,640.0

b) Expenditure on armaments in the region	
(Average per year)	\$ 750.0 ¹
Total Expenditure: Economic and Military	\$2,390.1

This estimated average expenditure of \$2,390 million per year appears to have been met as follows:

¹Meyer, op. cit., p. 10.

		(In millions)	
a) <u>Foreign economic aid:</u>		<u>Total</u>	<u>Average per year</u>
1. <u>The U. S. Mutual Security Economic Aid (1945-57):²</u>			
	Afghanistan	\$ 45.2	
	Egypt	\$ 61.7	
	Iran	\$ 345.0	
	Iraq	\$ 15.5	
	Israel	\$ 292.4	
	Jordan	\$ 85.6	
	Lebanon	\$ 35.6	
	Saudi Arabia	\$ 27.4	
	Turkey	<u>\$ 693.5</u>	
		<u>\$1,601.9</u>	\$ 133.5
2. <u>The Sino-Soviet Block Aid Until 1959:³</u>			
	Egypt	\$ 624.0	
	Afghanistan	\$ 217.0	
	Iraq	\$ 216.0	
	Syria	\$ 178.0	
	Yemen	\$ 44.0	
	Turkey	\$ 17.0	
	Iran	<u>\$ 6.0</u>	
		<u>\$1,302.0</u>	\$ 130.2
3. Great Britain 1945-56 ⁴			
		<u>\$ 179.0</u>	\$ 16.3
4. <u>Authorized Credits by the Export-Import Bank (1934-1958):⁵</u>			
	Afghanistan	\$ 38.5	
	Egypt	\$ 7.5	
	Iran	\$ 82.1	
	Iraq	\$.6	
	Israel	\$ 159.2	
	Saudi Arabia	\$ 49.0	
	Syria	\$.1	
	Turkey	<u>\$ 53.3</u>	
		<u>\$ 390.3</u>	\$ 16.4

²Grunwald and Ronall, op. cit., p. 128.

³The Business Week, 27 January 1962, p. 90.

⁴Grunwald and Ronall, op. cit., p. 129.

⁵Ibid.

5. IBRD (up to 1958):⁶

Iran	\$ 75.0	
Iraq	\$ 12.8	
Lebanon	\$ 27.0	
Turkey	\$ 63.4	
	<u>\$ 178.2</u>	\$ 17.8

6. United Nations
Technical Assistance:
(1953-57):⁷

Afghanistan	\$ 2.6	
Egypt	\$ 3.1	
Iran	\$ 4.9	
Iraq	\$ 2.2	
Israel	\$ 1.8	
Jordan	\$ 1.6	
Lebanon	\$.8	
Saudi Arabia	\$.6	
Syria	\$ 1.9	
Turkey	\$ 2.8	
Yemen	\$.2	
	<u>\$ 22.5</u>	\$ 5.6

b) Oil revenues of producing countries (Estimated average): ⁸	\$ 559.0
c) Internal sources excluding oil revenues of producing countries (Estimated average):	<u>\$1,511.2</u>
Total	<u>\$2,390.0</u>

Now summarizing the above in terms of percentages, the per year average figures appear as follows:

⁶Ibid., p. 131.

⁷Ibid., p. 132.

⁸The Middle East, op. cit., p.39. Average figure has been calculated keeping in view that 70 per cent of the revenues from oil have been earmarked for development financing by all the oil-producing countries except Saudi Arabia.

(\$2,390.7 = 100)

	<u>Per cent</u>
a) The U. S. Government Aid	5.6
b) The Sino-Soviet Block Aid	5.5
c) Great Britain	.7
d) Eximp.	.7
e) IBRD	.8
f) UNTA.	.2
g) Oil Revenues (producing countries)	23.4
h) Internal sources (excluding oil revenues of producing countries)	<u>63.1</u>
Total	100.0

It may, however, be added that since the Suez Crisis and the establishment of the Eisenhower Doctrine in 1957, there has been a tremendous increase in the U. S. Government aid to the countries of the Middle East, and that the figures for 1945-57, as given above, have drastically changed. Yet these, including all others, have been used here due to the fact that the detailed statements for the later years have not been available.

This region has invested on average \$750 million after armaments every year against which it received military aid of \$172 million (1944-53 average) thereby spending an average \$578 million out of her own resources.

A United Nations Committee on Measures for the Economic Development of the Underdeveloped countries calculated that in order to raise the national income by two per cent annually, the annual capital requirement for industry and agriculture for all the underdeveloped countries of the world would be \$14 billion; for the Middle Eastern

countries alone \$760 million.⁹ These figures were arrived at by deducting estimated domestic savings from the estimated needs. Actual foreign investment in the Middle East roughly averaged \$320 million a year, and this shows that only about 42 per cent of the estimated needs was provided.

In 1943, Alfred Bonne estimated the cost of developing the Middle East at 2.5 billion British pounds, in 1939 prices. The estimated savings of the region being about 1.6 billion, he estimated that the balance of 916 million, or \$3.7 billion, was to be supplied from abroad.

Another estimate of the capital needs \$3.83 billion; and a recent summary of the Middle Eastern development projects sets the figure at \$3.17 billion.¹⁰ The summaries are "catalogues" of development projects. Many of them have later been revised, usually upwards. The period they cover varies between five and ten years.

b) Financial Institutions: National Development Banks:

The World War I and the Great Depression led to the establishment of special financial institutions to provide credit to medium and small industries almost everywhere. Most of these new industrial banks were set

⁹ United Nations, Dept. of Economic Affairs. Measures for the Economic Development of Underdeveloped Countries (New York, 1951), p. 76.

¹⁰ Institute of Mediterranean Affairs. The Palestine Refugee Problem (New York: 1958), p. 92.

up under the sponsorship or with the active participation of government. Some Middle Eastern countries were among the first to open special banks for the specific needs of their national development. Charters and structures differed, according to the political regime in power. Development banks and industrial banks have since become a common feature in most of the countries of this region; they are usually a channel for dispensing foreign and domestic public funds to industries.¹¹

The Bank of Afghanistan, the central bank of the country, has a majority interest in the Bank of Agriculture and Cottage Industries, which supplies short-term and medium-term credit. The government, through the Ministry of Finance and the Government Pension Fund, subscribes to the capital and finances of the individual enterprises. The Afghan National Bank, a private commercial institution, combines commercial and investment banking; it retains a majority interest in concerns it assists.

Egypt's private Misr Bank has been the prime mover of the national industrial development. In 1948, the government opened an Industrial Bank with a capital of \$1.5 million, half of which was contributed by the government. This Bank was authorized to borrow up to \$ million, from the government. The Bank is also authorized to issue bonds up to the equivalent of its capital. It may promote and participate in industrial

¹¹The role of Agricultural Banks in the fields of cooperatives and agriculture has already been explained in Chapter IV.

enterprises, grant short-term and long-term loans, proper secured, to existing enterprises up to ten years, and to new ones up to twenty years. It can also invest in shares, purchase equipment and raw materials for its clients. By the end of 1955, the Bank's loans and advances totaled E 2.7 million and its investments E 1.4 million, of which E 857,000 represented participation in ten different enterprises.

Iran's Industrial Credit Bank was set up in 1956 with a paid-up capital of 420 million rials and as a depository of the National Plan Organization. The Bank is limited to loans of 90 million rials at 6 per cent interest; the borrowers are mostly government enterprises. By April 1957, 181 applications were approved, 7 rejected and the rest taken under consideration. There were plans to amalgamate this Bank with a Development Bank to be established with private capital and possibly an interest-free loan from the International Cooperation Administration. Early in 1959, American investment bankers-- Lazard Freres and the Chase International Investment Company -- signed an agreement to establish an Industrial Development Bank in Iran with a capital of \$5.3 million per cent to be held by private Iranian investors and forty per cent, by foreign investors.

Iraq's Industrial Bank -- a government institution -- has a capital of 8 million Iraqi dinars. It is authorized to make loans up to 200,000 dinars and to enter into participation up to 250,000 dinars. It is also authorized to import equipment for resale to its clients. By March 1954, this Bank had granted 685 loans totalling 2.16 million dinars to private

industries, and had acquired participations to the value of 885,000 dinars. Proposals also existed for a Small Loan Bank to meet the credit needs of artisans and small manufacturers.

Israel's Industrial Development Bank took over most of the functions previously performed by a number of special institutions and the industrial credit departments of the commercial banks. The Bank's capital is \$7.7 million in ordinary shares, and \$4.4 million in preferred shares. Of the latter, 26 per cent is held by the government, 41 per cent by banks, and the remainder by other public or semi-public bodies. In 1958, International Cooperation Administration acquired \$11 million of non-voting preferred stock by transferring the "counterpart funds" accumulated by the United States in Israel. This Bank expected to mobilize funds up to \$44 million.

Jordan's Development Bank, established in 1951, has an authorized capital of \$1.4 million, 82 per cent of which has been contributed by the United Nations Relief and Work Agency for Palestine Refugees. The Bank makes loans for 7 to 8 years secured by mortgages. Agricultural loans account for 67 per cent of all loans made. Of the industrial loans, 80 per cent are in excess of \$28,000.

Lebanon's Banque de Credit Agricole, Industriel et Foncier set up in 1954 with a capital of \$1.6 million, has earmarked 60 per cent of its funds for the promotion and assistance to industries.

Syria's Industrial Development Bank was established in 1959 as a joint stock company with capital \$2.8 million. It runs under the

supervision of the Ministry of Industry.

Turkey's the Sumer and Eti Banks for industry and mining, respectively, are public institutions, channeling long-term loans to state-owned concerns. They are of the holding company rather than of the development bank type. For this reason, and because of the lack of financial facilities for private industries, the World Bank assisted in the establishment of the Industrial Development Bank in 1950. The share capital presently stands at T 25 million, and the Bank has a lending capacity of T 177 million.

Early in 1958, more than 100 leading financial, industrial and commercial concerns in the United States, Canada, and nine European countries cooperated with industrial and financial interests in eight Middle Eastern countries in organizing a corporation to assist in regional industrial development, especially in the oil-producing and oil-transporting countries. Immediately available resources were reported to be 1.6 million Swiss francs, 10 per cent of which were subscribed by the Middle Eastern partners.¹²

c). Encouragement to Foreign Investors:

Although laws to encourage foreigners for investing in Iraq and Turkey were passed as early as 1920 and 1927, respectively, the general realization throughout the Middle East, of its necessity came

¹²Grunwald and Ronall, op. cit., p. 157-162.

only after the World War II. They also realized the necessity for creating adequate legal conditions to attract foreign investors.

In Afghanistan, since 1954, foreign investment in productive enterprises has enjoyed the same freedom and rights as local capital. No monopolies are granted. Profits, after payment of income-tax can be repatriated in original currency, as can funds realized from the liquidation or sale of the enterprise. Foreign personnel in such enterprises may remit abroad in foreign exchange 10 per cent of their remuneration.¹³

Iran's Government guarantees owners against confiscation of their property; should laws be passed depriving them of their ownership, the government will make good any loss of capital, in the same kind and quantity of exchange in which it was originally brought into the country. There is no limitation on transfer of assets or remittance of profits or the repatriation of the yields up to the rate of 30 per cent annually of the total investment. In the case of foreign exchange shortage, transfers may be authorized in the form of goods.¹⁴

The Governor of the National Bank of Iraq announced in 1955 that foreign capital would be permitted to enter Iraq in unlimited quantities and in any currency. Current earnings from such capital might be repatriated to the country of origin and in the currency in which the capital

¹³International Monetary Fund. Twelfth Annual Report on Exchange Restrictions (Washington, 1961), p. 27.

¹⁴Ibid., p. 185.

entered Iraq.¹⁵

Jordan's Law for the Encouragement of Foreign Capital Investment provides that the profits from approved foreign investments could be freely remitted in the currency in which the original investment was registered. Foreign employees could also transfer any earnings exceeding their local expenditure. The repatriation of capital was to be permitted after one year, with transfer in four equal annual installments in the same exchange as the original investment. In general, foreign investment enterprises were to be allowed the same privileges and treatment as domestic concerns. The Law for the Encouragement and Guidance of Industry applied to both foreign and domestic investments, offered such incentives as tax relief and relief from import duties to enterprises classified as essential to Jordan's development.¹⁶

Lebanese Council of Ministers in 1953 approved a decree law exempting from income tax for a period of six years from the date of origin, all establishments which have a capital of at least 100,000 Lebanese pounds (about \$320,000) and pay wages and salaries to Lebanese employees and workers amounting to 100,000 Lebanese pounds annually. Tax exemptions were also allowed to existing concerns which increased their capital by a million Lebanese pounds. These applied to both domestic and foreign corporations.

¹⁵ Ibid., p. 189.

¹⁶ Ibid., p. 220.

Saudi Arabia's regulations stipulate that non-residents might transfer income from their investments in Saudi Arabia after obtaining written permission from the government.

The Syrian Exchange Control Decree No. 637 of 27 May, 1957 permitted the transfer abroad of capital and profits of foreign enterprises.

Egypt permits profits to the foreign investors to be transferred freely. Repatriation of capital assets is permissible at an annual rate of 20 per cent of the registered capital after the third year of the investment. Tax exemptions are allowed to new mining companies. Exemptions might also be extended to major corporations with a paid-up capital of at least \$1,400,000.¹⁷

In Turkey, principal and earnings of investments approved by a special committee, could be transferred freely.

In Israel, a project financed by foreign capital had to be approved by the Investment Centre to become eligible for benefits of tax exemptions. Profits from foreign investments could be repatriated without limitation. Attractive conditions have also been established for the depositors of foreign currency.

¹⁷Ibid., p. 343.

CHAPTER VII

THE U. S. AND SOVIET ECONOMIC POLICIES IN THE REGION

a) The United States:

Three factors have brought the United States into the Middle East -- Zionism, strategy and oil.¹ Before World War II contact were limited chiefly to missionary, cultural, and educational activities such as the American University at Beirut. American oil companies moved into the region after 1920, but their operations were not extensive. The region then was the sphere of influence of both England and France. In order to keep India safe from the Russians, England's foreign policy in those days was directed mainly towards consolidating her position in Turkey, Iran, and Afghanistan. England and France also sought opportunities for trade and finance, but in this respect their interests were no different here than elsewhere in the world: her traders and investors wanted profits and dividends and were satisfied when the local government were capable of maintaining the order necessary for trade, of guaranteeing the interest on loans, and of safeguarding a measure of prosperity as an essential condition of both trade and finance.² England had Iraq and Jordan under her direct control with

¹ R. C. Mowat, Middle East Perspective. (London: Pitman Publishing Corporation, 1958), p. 42.

² Ibid., p. 24.

Palestine given to her as a mandate, while France had direct control over Syria and Lebanon; but for the most part, the region was indirectly controlled by these two powers. This indirect control was exercised through the landlords and elites of the countries of the region, who, having lost their influence over the masses, tried to perpetuate their control and power through the help of England and France. Like any other colonial power, England and France pursued a policy of divide and rule. "For the most part, boundaries in the Middle East reflected neither a common history nor an economic and administrative necessity. They were drawn to guarantee weakness and rivalry."³ England and France, however, also intervened directly into the region whenever their commercial interests were at stake. This happened in 1953 when the Anglo-Iranian Oil Company was nationalized by Dr. Mossadegh. This happened again in 1956 when Nasser nationalized the Suez Canal. British troops were ready to intervene when Kassam threatened to run over Kuwait.

Although most of the rich were appreciative of England and France, the masses of the region were against them. To the masses, it was colonialism which was responsible for their poverty. A people with a brilliant past, now felt humiliated. As England and France were eclipsed completely as major Middle East powers after the Suez Crisis in 1956,

³ Henry A. Kissinger. Nuclear Weapons and Foreign Policy (Garden City: Doubleday and Company, Inc., 1958), p. 214.

the United States had unfortunately to fill this vacuum. This burden imposed by history upon the United States caused a lot of misunderstanding towards her in the region. Her support to Israel made the matters worse.

The denouement of the U. S. Middle East policies, however, came during the period 1955-58. Soviet-Egyptian arms deal in September 1955 when Nasser mortgaged Egyptian cotton for several years to pay for the Czech military equipment, made apparent Nasser's desire to break Egypt's dependence upon the West. This was counter-acted by the U. S. by her denial to supply Egypt with spare parts for American machinery. Lubricating oils which Cairo had ordered from the U. S. A. were also held back. The deteriorating relations heightened when the United States withdrew her offer to finance the Aswan Dam.⁴ Britain immediately followed suit followed even by the World Bank. This led to the abrupt nationalization of the Suez Canal leading subsequently to the Anglo-French action and its unfortunate end. The Soviet Union reaped the harvest by convincing the Arab states -- particularly by her declaration of September 16, 1956, that "any disturbance of peace in the Middle East cannot but affect the security and interest of the Soviet Union." The United States by not supporting the Anglo-French action achieved a moral victory, but was alarmed at the

⁴Middle Eastern Affairs May 1961 (New York: Council of Middle Eastern Affairs, Inc.), p. 134.

growth of the Soviet power and influence in the area. Now

Eisenhower set forth what is known as "the Eisenhower Doctrine."⁵

In his State of Union Message of January 5, 1957, Eisenhower declared that "the security frontiers of the United States extended to the Middle East as they did to Europe and Asia." He stressed that the situation as it was, could have disastrous effects on American political and economic life. His proposed actions can be summarized as follows:

- 1) Co-operation with and assistance to the nations of the Middle East in their economic development;
- 2) the initiation of regional programs of military assistance and cooperation with the Middle Eastern nations which so desire; and
- 3) the use of American armed forces "to secure and protect the territorial integrity and political independence of such nations requesting such aid against overt armed aggression from any nation controlled by International Communism."

The Eisenhower Doctrine provided for \$200 million a year economic aid to the countries of the Middle East.

Another major concern of the American foreign policy has been the protection of vital oil. The Middle East supplies 80 per cent of the civil and military needs of oil of the Western Europe. Should oil supplies from the Middle East be denied to the West European countries, their cost of living would rise sharply, the value of sterling would decline rapidly, their means of communication would become idle, and their defenses would be weakened. Consequently, the Middle East oil remains a

⁵"The Administration's New Mid-East Doctrine," Congressional Digest, XXXVI, No. 3 (March, 1957), p. 73.

determining factor in the present relative balance of power between the two world giants.⁶

Another concern of the American foreign policy is the protection of Israel. And this presents a paradox. The United States want to arm the Arab nations against Russian communism. But the Arabs consider their enemy to be Israel and not Russia. They do not worry about communism. They worry over 600,000 Arab refugees ousted from Israel. They consider Jews to be intruders and agents of imperialism. In Israel, they see the unity of Arab land broken. But the United States thinks Israel, as a country, must exist. This reflects the influence of New York's two million Jews.⁷ But much more than this is the lack of confidence of the United States in the Arabs. It is in fact an inheritance from the British who also have felt the same way. This feeling has been confirmed:

- 1) by the overthrow of King Farouk and Nasser's abrupt nationalization of the Suez Canal;
- 2) by the abrogation of Anglo-Jordanian Treaty in the Spring of 1957, and consequent offer of subsidy of nearly \$36 million by Egypt, Saudi Arabia, and Syria to throw the British out of Jordan;
- 3) by the pattern of the Iraqi Revolution of July 1958 where King Faisal and his Prime Minister Nuri were brutally murdered. "The naked bodies of the former (British) Resident and of Nuri-es-Said," writes Eden in his

⁶Martin Patrick, "Oil and the Middle East," The Political Quarterly, XXVIII, No. 2 (April-June, 1957), p. 168-69.

⁷Mowat, op. cit., p. 42.

memoirs, "were dragged through the streets of Baghdad amid scenes of unmentionable bestiality. A British officer was shot within the Embassy. Three Americans were torn to pieces by the mob, with faint protests by their Governments."⁸

b) The Soviet Union:

By the seizure of Kazan in 1552 Ivan Grozny (1530-1584) began the Russian crusade against the Muslim world, which has continued for more than four centuries to the present day. In 1768, the Russian forces under Count Rumyantsev defeated the Turkish army, overran Crimea, seized Turkish outposts on the Dniester and Danube, and occupied Moldavia and Wallachia. At the invitation of insurgent Arab leaders Russian forces occupied Beirut in 1772 and 1773. By the Treaty of Turkmanchay in 1828, the Russians acquired the left bank of the Araxes, and a large part of Armenia including Yerevan from the Shah of Iran. By the Treaty of Adrianople in September 1829 with Turkey, Russia gained the possession of the mouth of Danube and the coast of the Black Sea to Poti. In the rapid succession of victories, the Russians captured the Uzbek City of Tashkent (1865) and made it the capital of the new province of Turkistan, occupied Samarkand (1868), the famous capital of the Empire of Temurlung, and converted the Khanate of Bokhara into a Russian protectorate. Khiva was occupied in 1873, and the Khanate of Kokand in 1876, thereby extending Russian frontiers to the mountainous northwest borders of China. Russian forces soon after proceeded to

⁸Sir Anthony Eden. The Memoirs (London: Cassel & Company, 1960), p. 423.

subjugate the Turkoman tribes in the Trans-Caspian region. Thus Russia carved out for herself a new and rich Asiatic empire.⁹ In the wake of Russian armies came Russian merchants and traders. The underlying motives of the Russian expansion into the region were the urge to the Sea, economic factors and strategic considerations.¹⁰

The Russian Revolution of 1905-1907, which according to Lenin was the dress rehearsal for the victory of the October Revolution of 1917,¹¹ had a profound effect on Persia. The appreciable number of Persian students in Russian Universities, the traditionally close economic contacts between Russian and Persian merchants, and the large labor force in the Russian Transcaucasus area, especially in the oil centers of Baku and in Tiflis, contributed greatly to the rapid dissemination of Persia of information about the events in 1905 in Russia. And this led to the revolution in Persia.¹² There was a revolution even in Turkey where comparable conditions existed, and this Turkish revolution was quickly felt among the minority groups of the Ottoman Empire, including the Arabs.¹³ Disturbances occurred from Albania to Yemen.

⁹ Ivan Spector. The Soviet Union and the Muslim World (Seattle: University of Washington Press, 1958), p. 1-7.

¹⁰ Ibid., p. 9.

¹¹ Ibid., p. 11.

¹² Ibid.

¹³ Ibid., p. 13.

Revolution in Egypt ended the 400 years of Turkish hegemony.¹⁴

Soon after the October Revolution, on December 5, 1917, the Council of the People's Commissars of the Bolshevik regime issued the following highly significant appeal:¹⁵

Muslims of the East, Persians, Turks, Arabs, and Hindus!
All you in whose lives and property, in whose freedom and native land the rapacious European plunderers have for centuries trade! All you whose countries the robbers who began the war now desire to partition!

It is not from Russia and her revolutionary government that enslavement awaits you, but from the European imperialist robbers; from those who have transformed your native land into a "colony" to be plundered and robbed."

Overthrow these robbers and enslavers of your countries!
. . . . Lose no time in throwing off the yoke of the ancient oppressors of your lands! Let them no longer rob your hearths!
You yourself must build your own life in your own way and in your own likeness. You have the right to do this, for your destiny is in your hands!

The above appeal marked a turning point in the attitude of the Muslims towards Russia. Later, separate appeals for revolutions were directed towards individual countries. Troyanovsky thought that "the Persian revolution may become the key to a general revolution in the East." And Khrushchev in 1960 hinted to Kennedy about the inevitability of Persian revolution in near future.

As a result of the Second Anglo-Afghan War of 1878-1881, Afghanistan had given up her foreign policy to be directed by the British

¹⁴Ibid., p. 14.

¹⁵Ibid., p. 22.

Viceroy in India.¹⁶ Inspired by the Persian and Russian Revolutions, King Amenuh of Afghanistan wanted to throw off the British yoke. He also called for Russian support. After his success, he acknowledged that the objectives of the Soviet Government were directed towards elimination of imperialist policy throughout the world. Afghanistan, landlocked by Iran, Pakistan, and Russia has to be entirely dependent upon these countries in matters of her foreign trade and communications. Taking advantage of her struggle with Pakistan over Pakhtoonistan question, Russians have poured money and material into this country to keep her friendly. Much of Afghanistan's foreign trade today passes through Russia.

Renewed Soviet interest in the Middle East became manifest shortly after Stalin's death.¹⁷ In his challenge to the West, Khrushchev declared, "We will make war on you through peaceful trade to see which system is best." A Soviet representative at the Afro-Asian Peoples' Solidarity Conference in 1958 at Cairo spoke:

We do not seek to get advantages. We do not need profits, privileges, controlling interest, concessions, and raw material sources. We do not seek you to participate in any blocs, reshuffle your governments, or change your domestic or foreign policies. We are ready to help you, as brother helps brother, without any interest whatever, for we know from our own experience how difficult it is to get rid of need. Tell us what you need and we will help you and send, according to our economic capacities,

¹⁶The First Afghan War occurred 1830-1840. After sustaining losses of 30,000 men out of an army of 54,000, the English were forced to withdraw from Afghanistan.

¹⁷Middle Eastern Affairs May 1961, op. cit., p. 132.

money needed in the forms of loans or aid to build for your institutions, for industry, education, and hospitals we do not ask you to join any blocs only our condition is that there will be no strings attached.¹⁸

Before 1954, trade between the Middle Eastern countries and the Soviet Union was relatively insignificant. Exports, however, rapidly increased after that year, by 1956 they had trebled, and in 1957 and 1958 they rose sharply. Within four years, more than half of Egypt's exports went to the Soviet bloc countries, and imports had at least doubled. Since 1955, the Soviet Union has followed a fairly consistent pattern in its foreign trade, loans, and technical assistance arrangements in the Middle Eastern countries. On the average, interest rates have been set at 2 1/2 per cent, loans were repayable in 10 to 15 years. Bilateral trade agreements are the major devices which Russia has used to foster trade; Middle Eastern and the Soviet block countries concluded no less than 297 such agreements up to July 1957. In Syria alone, the Soviet Union extended a line of credit; in October 1957, of \$158 million to foreign currency costs of 19 development projects, and over a four-year period (1954-58), Soviet bloc purchases of Syrian goods, mainly raw cotton, shot up forty-fold.¹⁹

The major Soviet inroads in the Middle East since 1955, have been

¹⁸Douglas Dillon, "Economic Activities of the Soviet Bloc in Less Developed Countries," U. S. Department of State Bulletin, XXXVIII, No. 978 (March 24, 1958), p. 470.

¹⁹Middle Eastern Affairs May 1961, op. cit., p. 133.

through arms deal and construction of the Aswan Dam. . Egypt accepted the Soviet loan of \$100 million in December 1958 to finance the first stage of the Dam, and agreed that Soviet technicians and machinery were to be used in the construction. Russia's offer to build the second stage-- on the same basis as the first, using Soviet men and equipment--was also accepted by Egypt in January 1960.²⁰ The relations between Egypt and Russia, however, are strained at the present. This will properly form a subject for discussion in the next chapter, and hence it will be taken up there.

²⁰Ibid.

CHAPTER VIII

POLITICS OF THE REGION

2) The Background:

Afghans have Jewish ancestry (as the tradition runs)¹ and represents a mixture of Jewish, Budhist and Islamic cultures. History has made them a martial race. They faced every attack heading towards India, notably those of Chenghiz Khan, Taimurlung, Mohammad Ghazni and Gauri. Afghans have fraternal relations with the Pathans -- natives of the northwest frontier of Pakistan. Both the Pathans and the Afghans have a common language, Pushtoo.

Iran means "land of Aryans." Famous for her ancient culture, Iran claims to be "racially quite separate from the semitic stock of the Arabs."² Her language, Persian, is different from Arabic.

The Arabs moved north of the Arabian Peninsula, towards the richer, more fertile lands along the Mediterranean shore. Thus came the Hebrews into Palestine about 1500 B.C.³ As the prospects of trade declined in Palestine and increased in Europe most of the Jews migrated to the Continent.

¹Olaf Caroe, The Pathans, op. cit., p. 3.

²Mohammed Reza Shah Pahlevi, Mission for My Country, op. cit., p. 18.

³E. B. Childers, Common Sense About the Arab World (London: Vector Gollancz, Ltd., 1960), p. 26.

In A. D. 600, almost the entire share of the Mediterranean, north, south, east and west, was held by the Byzantine--Christian Empire ruling from Constantinople.⁴ To the east of the present-day Turkey stood the Sassanid-Persian Empire covering present-day Iran and most of Iraq. With the rise of Islam, the Arabs developed into a militant race, and by 732 A.D. had conquered all of North Africa, the whole of Sassanid-Persian Empire and all but Anatolian (present-day Turkey) and European territory of the Byzantines.⁵ How was such an achievement possible? Social and economic conditions inside Arabia, made a wave of expansion by conquest into richer lands very desirable.⁶ The social revolution was generated by the idea of one all-powerful God who promised great rewards in Heaven for his followers. This idea exercised considerable appeal among the tribes. The idea of "Holy War" added further impetus. The method of prayer and Ramadhan enforced military discipline and a sense of common allegiance. But this empire also came to an end as the life of the Caliph's (Head of the State) court became heavy with luxury, and the empire's finances suffered with mismanagement.⁷ As the social and economic ills disturbed the empire periodically, there arose a huge body of "working class" Moslems in every province whose

⁴Ibid.

⁵Ibid.

⁶Ibid., p. 30.

⁷Ibid., p. 36.

economic discontent made them susceptible to extremism.⁸ Lack of quick means of transportation made it difficult for the center to control the distant provinces. By the eleventh century; thus, the leadership of Islamic world fell into Turkish hands. The Crusades of Christian Europe which continued in successive waves from 1096 A.D. to 1453 A.D. hastened the decline of the Arabs. The terrible invasion of Chenghiz Khan in 1206 swept into the Arab world from the east, and ravaged the economic life of the region. At the beginning of the sixteenth century, the Ottoman Turks moved Southwards towards the crumbling Arab scene and captured almost the entire Arab Middle East. This rule continued until the Arabs revolted against the Sultan of Turkey. The Sultan had sided with the Germans during World War I. In order to defeat him, The British had entered with an agreement with Hussain--the leader of the Arabs, that if the Arabs revolted against the Sultan, Britain would recognize their unity in the shape of one independent Arab State comprising present Syria, Israel, Jordan, Lebanon and Iraq.⁹ But even before the war was over, the French and the British had entered secretly into Sykes-Picot Agreement in early 1916 to divide the Arab world (excluding Arabia) into two, a British and a French sphere of influence, partly under Arab suzerainty, but closely tied to dominant power.¹⁰ The reasons were

⁸Ibid.

⁹Ibid., p. 55.

¹⁰Ibid., p. 56.

oil, the Suez Canal, and the necessity to check Russian advance to the south.

Then came the Pease Settlement which the Arab nationalists believed would set them on the road to unity and independence. Egyptians had perforce taken part in the hostilities; they had drawn hope from Allied war0time declarations, and from President Wilson's promises about self-determination.¹¹ Britain herself had prmised in- dependence to Egypt. In the Arab east, there were the same hopes based on even more specific promises. "For nationalists in imperial and colonial territories, the end of World War I was a brief period of supreme optimism, and of faith in the civilization they so much admired."¹² They were soon to be disillusioned. In the Arab East, Mandatory rule was imposed against the clear opposition of Arab nationalists. Iraq and Transjordan became British Mandates. Palestine was put under the British Mandate, with special provisions for Jewish National Home-- again against the total opposition of the Arabs. France was given mandate over Syria and Lebanon. Britain finally agreed to end the Protectorate over Egypt after three years of demonstration, riot and political tension, but she insisted on keeping forces to protect "imperial communications", i.e. the Suez Canal, and virtually controlled the foreign affairs of Egypt.¹³ From 1920 to the present day, thus, the Arab mind has

¹¹ Ibid.

¹² Ibid., p. 57.

¹³ Ibid.

been filled with searing bitterness over the negation of declarations of high principle, and the detailed written promises that were made during World War I.¹⁴

As Turkey was defeated in World War I, the victorious Allies imposed on her the Treaty of Sevres. Much of the country was occupied by British, French, and Greek troops.¹⁵ The country was in ruins and morale was very low. At about this time, Mustapha Kamal appeared on the scene, protested against the humiliating Treaty of Sevres, and by 1922 he defeated the Greek Armies and established his control over the entire country. The Allies reluctantly entered into a new peace treaty with Turkey--the Treaty of Lausanne. This Treaty recognized Turkey's full independence and gave the Turks terms which satisfied them.¹⁶

As a result of the Anglo-Iranian Treaty of 1907, Iran was divided into Russian and British spheres of influence with a neutral zone between them. Soon after, the October Revolution, the Bolsheviks declared the Treaty partitioning Iran null and void in order to guarantee the Iranians their right of self-determination. By summer of 1918, Russian troops were also withdrawn.¹⁷ But this vacuum was quickly filled by the British,

¹⁴Ibid., p. 58.

¹⁵Norman Greenwald. The Middle East in Focus (Washington: Public Affairs Press, 1960), p. 17.

¹⁶Ibid.

¹⁷Ivan Spectre, The Soviet Union and the Muslim World, op. cit., p. 85-86.

much against the will of the Iranian Government.¹⁸ The subsequent Anglo-Iranian Treaty of August 9, 1919, to all intent and purposes, transformed Iran into a British protectorate.¹⁹ According to this Treaty, Britain obtained control over the key branches of the Iranian administration. When the terms of this Treaty became known, the Soviet Government on August 30, 1919 appealed to the Iranian people to head off the then government, posing as if the Soviet Union was the only friend and supporter of the Iranian people²⁰

As a result of the second Anglo-Afghan War of 1878-1881, Afghanistan had also conceded her foreign policy to be directed by the British Government through the British Viceroys in India.²¹

Much due to the Soviet pressure and their insistence upon recognizing Iran and Afghanistan as independent sovereign states as evidenced by the Soviet-Iranian Treaty of 1921, and of the Soviet-Afghan Treaty also of the same year, the British were forced towards accepting these two countries as independent.

The necessities of World War II compelled the British and the French to pull out of the Arab Middle East, but much to the disappointment of the nationalist Arabs, the divisions then brought about, were left to continue.

¹⁸Ibid., p. 86.

¹⁹Ibid.

²⁰Ibid.

²¹Ibid., p. 97.

b) Rationale Behind the Present Politics:

A close scrutiny of the Middle Eastern politics reveals the following fundamental facts:

- 1) Economic distress of the masses with the middle class falling in line with the poor. Also an uneven distribution of wealth leading to a wide gap between the rich and the poor.
- 2) Political corruption wherein the kings or the rich are trying to perpetuate their control of the country seeking the support of the West.
- 3) Bitterness towards British and/or French imperialism leading towards a feeling among the poor and the middle classes, generally against the West.
- 4) Nationalism.

Throughout the long history of the Middle East, there have been revolutions and disintegration of the empires whenever any economic distress like famine etc. occurred.²² As the history shows, deserts have kept encroaching the areas once inhabited by people. As the kingdoms and empires grew, a system of landlordism (later, absentee landlordism) automatically developed leading to the centralization and accumulation of wealth in a few hands. Yet the middle classes with limited incomes were assured of jobs and lived happily. As the industrial revolution occurred in the West and cheap goods flooded the Middle Eastern markets, cottage industries had to die. And this meant that the backbone of the economy was broken. The farmers were hard hit financially and so were the artisans. The farmers had not even enough to

²²Sydney, Nettleton, Fisher, op. cit., p. 91.

invest into their farms. The flow of income now reverted towards the Western manufacturers. The World War I and II added fuel to the fire. Inflation became rampant. The rich grew richer, the poor grew poorer. The backbone of the middle class was also broken. One peculiar phenomena also existed with the Middle East. Most of the land being desert, which was directly owned by the rulers with masses having no interest in them. So when oil was discovered, its income also went directly to the rulers with masses having nothing to gain except to hold non-technical jobs on the oil fields and to depend upon the benevolence of the rulers.

Such economic distress as developed in the Middle East, bred many revolutions since about 1950, although there have been many revolutions even before.²³ These have taken shape of assassinations and violent overthrow of governments. The first case in the line was the assassination of King Abdullah of Jordan on July 20, 1951. Abdullah was an astute politician and very ambitious. As Palestine was gradually occupied by the Jews, and the Arabs were being thrown out, he, as Arab, instead of fighting for the cause of his brethren in Palestine, was anxious to grab Eastern Palestine with the help of the British--the British who were responsible for the state of affairs prevailing in Palestine. If the Arabs were anti-Israel, they were also equally anti-British, and after the acceptance of defeat they were more anti-British than anti-Israel.

²³Childers, op. cit., p. 58.

Consequently, one Mustafa Shukri Ashr--a Palestinain shot Abdullah to death. Poverty stricken Arabs could not tolerate Abdullah's politics.²⁴

The present King Hussain of Jordan has so far failed to uplift the economic condition of the masses. There was a plot once again to assassinate the King. In the summer of 1950, a bomb was placed in the room where the King was to meet with his Prime Minister Al-Majali and the Cabinet. Fortunately the king could not attend the meeting and Al-Majali along with his cabinet was killed as the bomb exploded.²⁵

This writer, on reading this news asked one Rihani Amin, a student in California from Jordan, as to what was his reaction to this incident?

He said, "We wanted all the s.o.b's. to die, but unfortunately greatest of them has escaped. Well, one of these days you will read again."

"And yet in Jordan, the West appears as the supporter of a conservative and unpopular regime which had held power only by severe measures of repression, the most complete suppression of democratic liberties and freedom of press and assembly."²⁶

The second case in line is that of Egypt. On July 26, 1952, King Farouk had to abdicate and get out of the country. Why did the revolution occur? There were landowners, who owned a very large part of the country's wealth and enjoyed a predominant political position, providing a

²⁴For a detailed account see Middle East Journal of Autumn, 1951 published by the Middle East Institute, Washington.

²⁵Middle Eastern Affairs, December 1960, p. 340.

²⁶Middle Eastern Affairs, January 1959, p. 13.

vast majority of members in Parliament and cabinet ministers. They used their power selfishly so much so that even the fiscal policy of the country was linked to their interest.²⁷ The middle classes were annoyed. The governmental institutions brought no real changes in the social structure of the restless country. They merely permitted the bourgeoisie to maintain intact its privileged status. As a result of a social malaise, a political unrest grew up. Strikes broke out; street demonstrations became increasingly violent, sometimes taking the form of hunger riots. A multiplicity of parties and new political groupings sprang up, some in the garb of socialism. A nation became current that the country's leaders were passive tools of imperialism, which they needed to preserve the prerogatives of their privileged class. The "selfish Pashas" were denounced. To the men in the street, imperialism and capitalism were inseparably linked. The question was no longer of achieving political independence but of fighting Western "economic imperialism."²⁸ Nasser was the product of this phenomena--phenomena resulting from a cumulative process spread over centuries. As soon as, thus, the revolutionary government took over control, their first act was to abolish landlordism. The social ideal as stated in the new Constitution was "to ensure for its citizens a decent standard of living by providing

²⁷ Charles Issawi, Egypt At Mid-Century (London: Oxford University Press, 1954), p. 258.

²⁸ Marcel Colombe, Egypt Yesterday and Today (Middle Eastern Affairs, April 1959), p. 135.

them with food, housing, health, cultural and social services."²⁹

Then came the Suez Crisis in 1956. The Aswan Dam is a necessity for the economic emancipation of Egypt. Although planned by Mohammed Ali more than a hundred years ago, the work could not proceed for want of funds. The revolutionary regime took it up once again, but in spite of its economic soundness, its financing was stopped by the U. S. followed by Britain and the IBRD. This led to the abrupt nationalization of the Suez. Kennedy later remarked that the failure to go ahead with the Aswan Dam was a mistake. Here again, poverty was responsible for a political upheaval.

Third in line comes Iran. The fundamental weakness with Iran is that the present ruling dynasty is very new. Founded only in 1925, the Shah has yet to consolidate his dynasty's hold over the kingship of the country. The trouble is that in this 20th century, the thought of a new king's dynasty does not easily sink into peoples' minds. The Shah, therefore, has to seek support of the lowlands in order to perpetuate his hold. A land reform law was passed long ago, but was left at the mercy of the landlords for implementation. The Shah also remains strongly pro-West, and gets military aid in order to check Russian penetration. While all these go on, the masses are suffering under chronic poverty. A revolution occurred under Dr. Mossadegh in 1953. His hatred for England had grown out of World War I, when he felt that Iran

²⁹Ibid., p. 142.

and her interests were being sacrificed by the British imperialism. He agitated for the nationalization of Anglo-Iranian Oil Company. And suddenly at this time a 50:50 profit-sharing plan was agreed to in the neighboring Saudi Arabia between the Saudi Government and the Arab American Oil Company. The AIOC paying much less, now appeared to the country as a gang of cheats. Sentiments ran high. An Oil Committee formed by the Parliament, asked Premier Ali Razmara whether nationalization of the AIOC was practicable. Ali Razmara had the matter examined by a panel of Iranian advisors, and reported back to the Oil Committee that nationalization was impracticable. Four days later, he was assassinated, and the Parliament immediately thereafter nationalized the AIOC, "for the happiness and prosperity of the Iranian nation. . . ." As the British protested, tension grew in Iran and strikes broke out in southern oil-producing districts. As the matters proceeded more on the international plane, both the Houses of Parliament gave overwhelming support to Mossadegh. The demonstrations throughout the country helped him secure dictatorial powers. But differences now developed between him and the Shah, in which the latter had to flee the country. Violent demonstrators now threw down the statues of the Shah and his father. But Mossadogh also could not last long. The firm actions on the part of the West brought about his fall. The King was restored to his position by the Iranian army. But violent demonstrations still continued, which, however, were later repressed.³⁰ Later in 1961, the students of the University

³⁰For a detailed account see the Middle Eastern Affairs of August-September 1954, p. 249-259.

of Tehran again staged demonstrations against the Shah. Thirteen of them were shot dead, and many were imprisoned. The Shah is ruling with an iron hand with even the Parliament suspended.

The bloodiest of the revolutions happened in Iraq. The arch-plotter was Abdul Karim Kassem. Early in the morning of July 14, 1958, his armies moved into Baghdad, murdered the King, his son and uncle, and the Premier Nuri along with his son. What were the causes of this revolution? Writes General Martin, the military correspondent of the London Daily Telegraph:³¹

The writer has visited Baghdad at intervals over a period of more than forty years. On his last visit, not long before the coup, he was profoundly disturbed by what he heard from many of his Arab friends. The gulf between the rich and poor was a standing incitement to revolt. The cost of living had soared. The students, the clerical and industrial workers, and the miserable sharecroppers on the land were all in dire want. Communism was rife. The hatred of Nuri and of land-owning Arab Sheikhs and Kurdish Aghas who made up his party was pathological.

It was this Nuri who was the main architect of the Baghdad Pact.

In May 1958, the corrupt administration of Lebanon led her people to revolt against the regime of President Chamoun. He had succeeded Khuri, who was responsible for scandal almost fabulous in scale; and Khuri had gotten away without any impeachment or trial. Beirut,³² the Paris of the Middle East, had been a center of scandals. Hundreds of

³¹Middle Eastern Affairs, March, 1959, p. 98.

³²Mowat, op. cit., p. 123.

thousands of pounds were spent for the construction of the Litani River Dam, and yet the walls of the Dam had fallen down. Corruption was reported to be the cause of this colossal waste of funds. But Chamoun succeeded in suppressing the rebellion with the help of the United States Marines.

On May 27, 1960, Turkey, the most admired of the countries in the Middle East, was overtaken by a revolution. The country was overtaken by serious students riots leading ultimately to the fall of the Government of Adnan Menderes. Kemal Gursel, a military man, took over the administration of Turkey and Menderes and his cabinet Ministers were hanged to death. Menderes was charged with intense corruption in government. His regime had enforced restrictions and oppressions under which intellectuals and the press had long suffered.³³ He had also failed to introduce land reforms so urgently needed.

Syria's politics is rather complex. Soon after the Suez Crisis which had caused a violent revulsion against the West, Syria under Shukriual-Quwwatli decided to merge with Egypt forming thus, the United Arab Republic on February 1, 1958.³⁴ Syrians have been the foremost proponents of the United Arab world. No sooner than this union was brought about, Nasser went ahead with his land reforms programs in

³³ Middle Eastern Affairs, February 1961, p. 53.

³⁴ Mowat, op. cit., p. 132.

Syria. This made the landlords of Syria unhappy. They were looking for an opportunity to break this union. In the meantime, it appears, Nasser had mishandled the affairs of the union. And this gave a cause for the landlords to conspire and stage a break-away revolution in September 1961. No sooner than they had captured and organized the Syrian Government, they reversed the land reforms carried out by Nasser. This and other developments caused another revolution in March this year, in which the Army after deposing the political leaders of Syria charged:

The deposed leaders and legislators worked only for their own personal interests, such as increasing the salary of each member of parliament from 600 Syrian pounds a month to 2,000 pounds. They cracked down on the rights and gains of the country's peasantry and ordered many of them off their land in favor of landlords. They opened the way for conspiring elements and imperialist agents to infiltrate the country's government posts."

The Armed Forces later declared that they have established an honest and sincere government in Syria--currently, talk, for Syria's unification with Egypt are proceeding again.

Afghanistan, as a result of the Second Anglo-Afghan War 1878-81, was forced to accept Durand Line as the boundary between the then British India and Afghanistan. This separated the Afghans from their kith and kin -- the Pathans. The Pathans are now fighting with Pakistan for their own independent state of Pakhtoonistan, and are being supported in their struggle by Afghanistan. As a result, both Afghanistan and Pakistan are daggers drawn. The foreign trade of Afghanistan which used to pass through

Pakistan, is now diverted through Russia, for which the Russians have provided all facilities. Russians have also helped Afghanistan lavishly in her economic development as they consider her to be a buffer between Iran and Pakistan--the CENTO Pact Allies. In fact, Russia can not afford to lose Afghanistan. One wonders, however, why the poor Afghans have not revolted yet? The answer partially lies in the fact that King Amanullah has been making frantic efforts for bettering his people's lot. Afghanistan enjoys peace and stability also for the fact that both the world powers fear to annoy the King, and do not dabble into Afghanistan's internal politics.

In Saudi Arabia, the King distributes a lot of money among the tribal chiefs of the country to perpetuate his rule. Kuwaities refuse to join Iraq, because they are far better off without it, and that their joining Iraq will mean accepting to become poor. There is nothing particular to state about Oman, Qatar and Bahrein. Yemeni politics very much resemble that of Saudi Arabia. Aden is a British Protectorate and is ruled by England. Israel's politics center around defending herself from any Arab attack, and for this, she depends much upon Western help.

The politics of the region also reflects bitterness towards the British, in their anxiety to protect their Indian Empire, and also to bring as many countries as possible, under their control, made promises, entered into agreements and then broke them. Now Arabs do not forget them. In Iran, they ran over the other half of the country vacated by the

Russians, in spite of the opposition of the Iranian Government. They humiliated Afghanistan by taking over control of the country's foreign affairs and imposing Durand Line as the boundary line between the then India and Afghanistan. Jordan, a country economically not feasible was created to maintain a British foothold in the Middle East. Israel, the Arabs think, is another step in the same direction. No matter what is the justification for the creation of a Jewish National Home, the 600,000 Arabs were cheated and thrown out of their homes for no fault of theirs. They continue to be a sore in the Middle Eastern politics. And yet, England and France wanted to have the Suez Canal under their control because they could not trust Nasser. But Nasser today represents the pride of the majority of Arabs. This writer happened to meet a boy named Ali Kalla--a student at Detroit. He was a Palestine refugee. His parents were forced out of Israel. Speaking of Nasser he said, "Before the emergence of Nasser, I was ashamed to call myself an Arab. Nasser has restored much of our pride. He will succeed. God bless him. One day, we shall unify our motherland and will have no trace of imperialism left on our soil."

Nationalism, no doubt, in the Middle East has come as a reaction against the West. Its wave has been felt in Turkey, Iran, and Afghanistan. But could the Arab countries unite themselves to form one united nation which they so much aspire? History shows that whenever the Arabs were unified, it was because of the force of arms. There was never an

unity in the name of the Islam of the spirit. Today, Jordan and Egypt are daggers drawn. The unity between Syria and Egypt also meet its doom. Kassem and Nasser can not see each other. The birth of Israel has, no doubt, brought about an unity of approach among the Arabs so far Israel is concerned, but it has not yet achieved any positive result. As the spirit goes down with the passage of time, hostilities are also expected to cease. The Arab League founded by the Arab states on September 25, 1944 aimed at promoting cooperation in economic, social, cultural and political fields.³⁵ But the results achieved so far do not warrant any cause of optimism.

³⁵ "Basic Documents of the League of Arab States," The Arab World, V, No. 4 (April, 1959), p. 15-19.

CHAPTER IX

CONCLUSIONS AND RECOMMENDATIONS

I. The Downfall:

The Middle East has been a center of many civilizations. The region also did undergo many spiritual and intellectual upsurges. Whatever the generalizations for its fall, there is no denying that the downfalls occurred as a natural corollary to the rises of civilizations.

But after all, a downfall does not fall like a bolt from the blue. It is a rust that catches the spirit of the people. It appears like an outbreak of internal discord. It appears in the shape of social parasites who live by exploiting their own brethern in the society. It appears in the shape of the social vices caused by increased urbanization. In short, the leaders of the society become sinful, and with them the masses are also dragged. This is exactly what happened in the Middle East.

The question now arises as to why and how the sinfulness of the people affected the economic structure of the society? Putting both Ibn Khaldun and Toynbee together, we can certainly bring out some generalization in this respect. The rich migrated from rural to the urban areas, but according to the Middle Eastern social system, they kept their relation established with their rural home. As they grew in wealth and power

they invested more and more money towards acquiring real estates, first because this was the only safe avenue for investment, and second, because this enhanced their prestige and power. Landed estates were also granted by the kings to individuals as rewards for their services to the kings. And thus emerged landlordism--an economic tradition as a natural consequence to the prevailing social system, and this finally led to the exploitation of the many at the hands of the few. As these aristocrats also competed among themselves for power and wealth, social confusion increased, opening thus, an era of strife and mutual distrust as we can see in the disintegration of the many empires that took birth in the region, and later vanished.

Now agriculture, being the base of the economic system, remained a monopoly of the few. Wealth being limited, and also monopolized, created a tremendous disparity in incomes. As landlordism gave way to absentee landlordism, tenants and sharecroppers were left without any support and encouragement. Agricultural production went down. As population increased, prices went up. The poor grew poorer.

II. The Religion:

No doubt, Islam brought the peoples of the region under one banner, but unfortunately this was exploited towards building empires. Islam's branding of non-Muslims as Kafirs (having no religion) gave a reason why Muslims should attack others and convert them. God, according to Islam, promised great rewards for his followers in Heaven. This idea

exercised considerable appeal among the Muslims and provided them with incentive to fight. These concepts created tremendous animosity and bickering among other nations, and they had to react and take reprisals. This hastened the fall of the Middle East.

Islam sanctioned four wives to bring some sort of order in the society, but this compelled the women to accept an inferior position; thereby a very unhealthy imbalance between the two wings of the society was created.

Islam, no doubt, revolutionized the law of inheritance by giving this right even to women. But this gave rise to marriages even among first cousins which, biologically, was very wrong. And further, suppose a poor Muslim built a house. He has two sons and a daughter. Now under the joint family system, the sons could live together, but the daughter after her marriage, shall definitely go away to live with her husband. After the father's death, if the sister was kind enough, the brothers could stay in that house but they would lose their initiative for the repairs or expansion of the building, and the property would deteriorate. And if the sister demanded her share, the property would have to be sold or divided among the brothers and sister. Such divisions appear on the farms, which, throughout the Middle East, have become so small as to become uneconomical.

III. The Resources:

Eighty per cent of the population of the Middle East is illiterate.

Infant mortality in some areas is as high as 50 per cent. Studies so far revealed the population overtaken by diseases like amoebic dysentery, bilharzia, intestinal worms, trachome, malaria, tuberculosis and blindness. Ten per cent of the population leads a nomadic life. The total planned expenditure so far on education, health, housing and other social services throughout the Middle East has been \$15.4 billion, which roughly equals to \$15.46 per capita yearly.

Now analyzing the food consumption of the people of the area, it appears that their diet is constituted mostly of wheat, barley and maize, although in deserts, people also live on dates. Milk is scarce in the area and so are vegetables. A study in Egypt showed that 56 per cent of the people of the country ate fresh vegetables only once a week. Another 12 per cent ate no vegetables at all. Now cereals being the main diet, their production in the region was as follows:

	(*000 metric tons)		
	1949	1959	Average increase % per year
	_____	_____	_____
Wheat	7,326	17,487	13.9
Barley	3,498	5,867	6.8
Maize	<u>2,029</u>	<u>7,060</u>	<u>24.8</u>
Total	12,853	30,414	13.7

The population of the Middle East in 1949 was about 97 million, which increased to about 119 million in 1959. This means that the per capita share of wheat, barley and maize (all raw) was about 265 pounds per year, or roughly three-quarter of a pound per day. The increase in cereal production was 13.7 per cent per year between 1949-59. This

no doubt proves that herculean efforts for increasing agricultural production were made. This is evidenced by the fact that during 1949-59, the Middle Eastern countries spent about 3.5 billion dollars towards agricultural development. But reducing it to per capita basis, it comes down to \$3.50 only which again leaves much to be desired. Yet, the per capita share of wheat, barley and maize increased from the 265 pounds per year in 1949 to 511 pounds per year in 1959. This increased the three-fourth of a pound per capita per day to 1.4 pounds per capita per day. Meat is also very costly in the Middle East. A chicken in Tehran sells four times its price in India. The number of camels in the Middle East shows a decline throughout the region. It may well be that they are being slaughtered for filling the stomach of a hungry and diseased people. Economic well-being of the region will depend upon how far man succeeds in his fight with the desert. The process started over a million years ago seems still in action. Land keeps drying and the desert keeps encroaching upon the hearth and homes of the people. Some of the deserts that appeared capable of bearing heavy crops, turned saline and sterile soon after they were irrigated. Middle Eastern soils also suffer from the lack of humus and unusually high temperature. Standing crops are sometimes attacked and destroyed by locusts which breed in the deserts of Arabia and Africa. These are the problems facing the agricultural scientists of the region. Much will depend upon how soon they are solved.

Except for Turkey, none of the countries of the region appear

sufficiently endowed with hard minerals. Oil can act as a substitute, but lack of cooperation among the Middle Eastern countries mars this prospect. Economic integration is the only solution, but this seems impractical in the present context of the situation prevailing in the region.

IV. The Planning:

As for the planning technique, the countries of the region appear to lack in scientific approach. None of the countries of the region have developed a national accounting system except for Israel, Lebanon, Iraq, Egypt and Jordan where national incomes have only been estimated recently. Now lacking this vital base, the global target in regard to the desired rate of growth of income and the required amount of savings for the achievement of this target could not be scientifically determined. As a consequence, none of the countries of the region used capital-output ratio. Unemployment being a chronic disease in the area, it was essential to develop a capital employment ratio to tackle the problem adequately both from global and sectoral points of view. With the capital-output ratio and the capital-employment ratio being absent, the requirement of the amount of foreign capital could not also be accurately determined.

For a scientific approach to planning, it was essential to compile national income and then to treat it as a function of capital, labor and material cost. It was essential that the total expenses in productive

industries should have also been classified under the three heads, viz. capital, wages and salary, and material cost. The production of every industry could then be expressed as a function of the amount spent on these. Taking the sum total of all production in the country during any period, the additional income I for that period could thus be given by

$$I = f(c, l, m)$$

Where c, l, m stand for the amount spent on capital, labor and materials respectively.

As more capital is applied to the plan, the marginal product of the capital decreases. To obtain an additional unit of output, a greater dose of capital has to be administered. Thus $\frac{\Delta I}{\Delta c}$ will essentially be a decreasing function. Just as $\frac{\Delta I}{\Delta c}$ so also $\frac{\Delta I}{\Delta l}$ and $\frac{\Delta I}{\Delta m}$ would be decreasing functions, but they do not decrease as rapidly as $\frac{\Delta I}{\Delta c}$. Hence

$$\frac{\Delta I}{\Delta c} \geq \frac{\Delta I}{\Delta l}$$

$$\frac{\Delta I}{\Delta c} \geq \frac{\Delta I}{\Delta m}$$

Now dividing the investments into capital, labor, and material among agriculture, industries, transport and communications, a set of equations could be developed which could help in scientifically determining the addition to national income per dollar of investment in capital, labor and materials. Methods of linear programming have proved of great help in deciding the maximization of national income, and also to determine

the priorities between agriculture, industry and transport.

The ratio of average productivity of capital is the universe of the capital coefficient. Designating the coefficient indicating the average productivity of capital as A, and the ratio of savings to income also called the investment rate as B, the rate of growth of income could also be derived by multiplying A into B ($A \times B$). Deducting the rate of population growth out of the figure so derived, the rate of growth per capita could be arrived at.

To designate the technique of planning is not a subject matter of this research. Yet, this gives a very brief outline as to what should be done in the region. This writer had an opportunity to go through the studies published by the International Bank of Reconstruction and Development in regard to Iraq, Jordan, Syria and Turkey. Much to his surprise he found that these studies also followed the old concept and did not approach the problems of planning in terms of the vital ratios discussed above.

Throughout the studies in the techniques of planning, two good approaches came in sight. Afghanistan's Five Year Plan (1957-62) included also the ordinary budget expenses. This established a healthy and clearly defined relation between the ordinary budget expenditure and the development budget expenditure. Such relation has not yet been established in Iran where lack of this causes a lot of confusion between the two wings. In Israel and Iraq, reserves were created and set apart, to meet any shortages that could occur as the plan progressed. This was

also a good and more practical approach.

Planning essentially is a government function in an underdeveloped country, wherein government emerges helplessly as the biggest investor. This development need not be branded as socialistic, although there is an increasing tendency towards socialism throughout the world.

V. The Development:

Obviously, not much was invested in the health, education and will of the people. Cereals per capita at 1.4 pound per day shows a miserable phenomenon. The result -- the Middle Eastern farmer is only one-eighth to one-quarter as efficient as his counterparts in Western Europe or the U. S. A.

Although satisfactory information is lacking in regard to the industrial progress of the region, but looking generally, it appears that it has not been satisfactory. For the Middle East, according to an U. N. estimate, the capital requirement from abroad for development purposes is \$760 million a year. This figure was arrived at by deducting estimated domestic savings from the estimated needs. Of this \$760 million required from abroad, only \$320 million a year (42% of the estimated need) was received. In regard to domestic savings, it appears that approximately \$400 million are flying out of the region every year to the Swiss Banks, to be used for such purposes as acquiring mansions in France and buying treasury certificates in England or for keeping deposits for future. This practice shows that the rich men of the region

are not sure of their position in the future. These add to over \$800 million shortage of investments in the region every year. This position is still worsened by the investments in armaments that have run on an average \$750 million a year, of which only \$172 million (1944-53 average) was received as military aid from outside.

The Middle East, has invested roughly \$4.5 billion during 1949-59 towards industrial development. In terms of per capita, it comes only to \$4.50 per year, which is highly inadequate. The Middle East also invested roughly \$3.8 billion towards developing transport and communications during the same period. Although this is still far from satisfactory, its effect may be gauged from the fact that the number of camels in the region is rapidly declining. In Lebanon during 1948-59 their number declined by 80 per cent. Their number in Turkey during 1949-59 declined by 50 per cent; in Egypt during 1947-58 by 21 per cent; in Aden during 1949-59 by 34 per cent; and in Iran during 1948-59 by 27 per cent. The number of horses and asses has also recorded decline in many countries of the region. It may be that since the poor have grown poorer, they can not afford camels any more. It may as well be that they are being eaten up. Or it may also be that since the transportation system has been revolutionized, the prices of camels have gone down, and hence their breeding is being gradually stopped. Coming of tractors may also have decreased the value of camels as a means for ploughing farms. Anyway, the poor camel is in trouble!

The plans as drawn for the region do not appear to place sufficient

stress upon the development of cottage industries. The plans appear too biased in favor of large-scale industries. The question here is whether to follow the U. S. pattern or the Indian pattern where cottage industries have once again been called upon to play their past role in certain sectors of the economy, particularly textiles. The paucity of heavy minerals as well as capital warrants the Middle Eastern countries to go for as much of cottage industries as possible.

We have noticed a disgruntled middle class in the region, most of whom are settled in the urban areas. To ameliorate their condition is vital for peace in the Middle East. This writer submitted to the Bihar State Government and to the Indian Planning Commission, his plan for the organization of the Urban Ladies³ Multi-purpose Co-operative Societies, which could go a long way towards solving the middle class problems in the Middle East also. The fundamental assumption was that the women in the middle classes stay at home, and do not and can not go outside to work, under the prevalent social system. With males having limited income in face of mounting inflation, it has become quite a problem for the family to run smoothly. And yet the two hands of the wife are almost idle the whole day, except for cooking and looking after children, other works being taken care of by maids available very cheap. It was further assumed that as the rat-race around the world increases its pace, the man faced with all the complications outside will suffer from a demoralizing effect, and will need more than anything else, a happy home with his wife being a source of strength to

him. Children in any society need to be cared for so that they do not become delinquents. In fact, they will need greater care so as to make them ready to face the future as the world gradually gets more complicated. It will, therefore, be essential for the wife to stay at home, and it is here at home, that she should be provided with work to supplement her husband's income. The Urban Ladies' Multi-purpose Co-operative Society is planned to meet exactly this demand of time. It may, however, be added here that the middle class women of the Middle East know various handicrafts, are experts in knitting, know tailoring. They could prepare pickles at home to be sold in the market. For greater efficiency, it may as well be necessary to provide them with some sort of training, and they will surely accept it very gladly. Now this organization in brief would be as follows:

1. The cooperative society registered under the Law of the country will have its registered office and shop at a place suitable for business.
2. Not more than 100 women could be allowed to become its members.
3. Each member will furnish a guarantee for any liabilities that the society may incur. Either the husband would stand a guarantor for his wife, or if the member has property in her own name, she may furnish her own guarantee.
4. The members will elect from among themselves office-bearers of the society.
5. The society will primarily have three departments: Purchase, Sales, Finance and Accounting. Purchase Department will purchase at wholesale rates cloths, wool and all such items like sewing machines, etc. as would be necessary for the work of the members. Sales Department in addition to selling products, shall also take orders from individual customers

such as for a sweater, a pair of gloves, a shawl, etc., and for this purpose shall maintain a register of patterns. Sales Department, in addition to selling the product, will also be responsible for the delivery at home of the members, such materials as would be needed for fulfilling a particular order or otherwise. Finance Department, in addition to procuring finances from the bank, will collect capital and admission fees from the members as decided. It will also pay the members such remuneration as fixed for their work. Finance Department, in addition, will also supply short-term loans to members to meet their family urgencies at times.

6. The members shall be responsible for the work allotted to them by the society and will deliver the finished products at home as soon as the society van has arrived.
7. The supreme authority, however, shall vest in the general meeting of the society.

This, in brief, is the plan which will provide the following benefits to the society in general:

1. The plan will give a chance to women to work for their families' well-being. Their economic role will better their position in the family and society.
2. The plan will provide a forum for their enlightenment and leadership. Eminent leaders could be invited to speak to the women.
3. The plan will go a long way towards solving economic problems of the family.
4. Women will stay at home and yet be effective economically.

In the decades ahead, women have to play a role imposed upon them by time. More than ever before, the state of the society will depend upon its women.

VI. The Foreign Trade and Capital:

Intra-regional trade standing at 15 per cent shows lack of

cooperation. Arab countries do not buy cheap manufactures of Israel and prefer to buy abroad. Sixty-six per cent of the total trade directed to the West shows the region's dependence on the West. Eighty per cent of the West European oil supply going from the Middle East shows West Europe's dependence upon the Middle East. Ten per cent of the total trade directed to the Soviet Bloc is primarily the result of the falling terms (of trade) in the region's trade with the West. The rising import costs are due to the yearly wage-push and price inflations in the countries of the West. The Western technology has substituted rayon and nylon for Egyptian long-staple cotton in the world's automobile tire casings, and Egypt had therefore to turn to the Soviet Union for outlet. Syria, Turkey, Iran, Iraq, Israel, Jordan and Lebanon, have also felt the pressure from the falling terms of trade, and are gradually diverting their foreign trade to the Soviet Bloc.

While exports of the region during 1949-59 increased at the rate of 21 per cent annually, imports increased at the rate of 14 per cent only. This speaks well although this may also be an intentional cut-down of imports in order to have sufficient foreign exchange left for investment and deposit abroad (we have already noticed \$400 million slipping out of the region every year). The import of capital goods during 1959 appears to be 30 per cent of the total (\$1,117 million), but of this roughly \$500 million represented imports of military armaments. This almost starved the investments in capital and consumers' goods industries so badly needed.

The ancient trade route passing through the Middle East has not yet been revived because the governments of the region are suspicious of each other. The Suez Canal, a vital international waterway at the present, has been subjected to grim controversies. During the last crisis, when this canal was blocked for five months, it hit some of the nations hardest. Ceylon's tea sales to London dropped almost to nothing and her cash reserves sank. Saudi Arabia's oil revenues were cut by one-third. Iraq's revenues dipped 30 per cent. Syria's revenue fell by 50 per cent as she expressed her sympathy for Egypt by smashing British-owned pipe lines crossing her territory. Egypt herself, had to borrow \$30 million from the International Monetary Fund. India arranged for \$200 million from the World Bank. Britain estimated that her Suez venture cost her \$300 million which she could ill-afford. She had also to borrow \$561 million from the International Monetary Fund. France also borrowed \$262 million. Gasoline and heating fuel were rationed in England and France and the prices of petroleum shot up. The price of petroleum also went up in the United States. As the affairs of the Suez Canal grew troublesome, this led to the upsurge in marine technology through perfections in design and construction of the 100,000 ton super oil-tanker powered by nuclear engines and able to move Persian Gulf oil to Europe via South Africa at costs approximating the Suez route for conventional vessels. Pipelines for transporting oil designed to bypass troubled political areas are now technically feasible despite the

Middle East's high mountains and extreme climate and distances. So it is vital for Egypt to handle the Suez affairs with extreme caution and tact, to gain as much of world confidence as possible. This is essential for her own survival.

So far as the role of foreign capital is concerned there is no doubt that it ushered industrial revolution in many countries. Private investments in the oil companies have been \$2 billion. Another \$2 billion has been supplied to Israel for abroad. U. S. private investments in Turkey, Iran and the Arab states have reached \$10 million yearly. In aggregate, the West seems to have built a recent stake in the Middle East amounting to some \$6.5 billion. The U. S. government-to-government mutual security economic aid approximates roughly to \$2 billion, but its allocation between military and development heads has been 2:1. Russia's military and economic aid shows a still greater tendency towards military aid. While it is essential to cut down the military expenditure as much as possible, it is essential for the governments of the Middle Eastern countries to create confidence among the foreign investors. They must curb the extreme nationalism that they sometimes exhibit. The West definitely blundered by withdrawing assistance from the Aswan Dam. No matter what happens, politics for power or diplomacy should not be directed against the stomach of the hungry people. Basic human values must not be shunned.

The Sheikh of Kuwait, perhaps the richest man in the region, could

help by providing capital to the Middle Eastern countries. Instead he prefers to invest outside. Recently, he established an Arab Development Fund amounting to \$150 million, but much of it went to Sudan. This shows lack of cooperation in the region. Every effort should be made to promote it. In fact, the Arab League was founded with this end in sight. But nothing tangible appears to have emerged out of it.

VII. The Epilogue:

Time and again, we have heard of revolutions in the Middle East. This is natural. The masses living in misery for over 500 years, have every right to throw off the existing state of affairs. For this, it will be wrong to call them communists, for their religious base is still very strong. No matter what shape the revolutions have taken, the fundamental factor is economic discontent.

On the other hand, there are the landlords. They have and still are standing in the way of the economic well-being of the masses. But this is also natural, for after all, no person wants to lose power and wealth. This is the way human thinking has evolved itself over all these million years. Why should a landlord be held responsible for this? What is actually needed is to correct the system which is responsible for the birth of the landlords. Like the land monopolies of the landlords in the Middle East, business monopolies started developing in the United States. What was done then? Antitrust laws were passed. Competition was enforced. These were the steps taken to

correct an unhealthy development. No matter how selfish the landlords of the Middle East look, they still are endowed with many talents and they must be used in the best interests of the society as a whole.

The Middle East appears filled with feelings against the West, although Russians have also expanded at the expense of the Middle East during the last four hundred years. It is argued that the West has only exploited them. The question may be asked: Why did their own brother--a landlord, exploit then? The fact is that this is human nature. This is the way the world has worked so far. And why should the Arabs complain? They have themselves built empires, and have carried on so many persecutions. Zoroasterianism had to run out of the Middle East and seek asylum in India. Here it is not argued that Islam is bad. In fact, more than any other religion, Islam is filled with the idea of world brotherhood. The evolution leading to the birth of Mohammad may be appreciated from the fact that every prophet before him longed to establish a world brotherhood. But each of them failed and died. Mohammad, filled with the same feeling, only took a more practical course. Maybe his enthusiasm and anxiety about it was applied in a wrong way. But then, nobility of his ideas could not be questioned. Unfortunately, as years passed by, a work begun by Mohammad was exploited by certain selfish people. And this happened at the hands of the Arabs, Persians, Turks, even Afghans. Should they now complain against the West?

And further, the Middle East had many spiritual outbursts. Why should the Middle East expect the West to be more human when the West yet looks upon a Man of the Middle East for her spiritual uplift?

The problem boils down to this: We as human beings have not yet evolved ourselves to a position where we could call ourselves to be truly civilized. The prophets have come and gone, but their stature was only national. On the international plane, their messages were carried by their followers who essentially did not possess that dynamism and godliness. The human thinking and attitude, therefore, could not be fully rationalized. As the world progresses and becomes one, it is very possible that a prophet would come to destroy the sin of the sinner and establish righteousness throughout the world. World conscience was shaken after the Hiroshima and Nagasaki incidents. World conscience was aroused at the loss of Gandhi. World conscience is vitally disturbed as the nuclear tests occur around, and as the fear of a holocaust looms at our head. These are the auguries for the birth of a prophet. Maybe in the 21st century!

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VITA

Jitendra Madho Prasad was born at Gaya, India, January 11, 1927. After graduating from the Gumla High School in 1943, he joined the H. D. Jain College, Arrah, affiliated with Patna University, in 1944, from which he received his I. Com. and B. Com. degrees in 1946 and 1948, respectively. He joined the Development (Co-operative) Department of the Bihar State Government in 1948 as Auditor in which capacity he also audited the Bihar State Co-operative Bank and The Gaya Sugar Mills Ltd. (on lease). In 1954 he was promoted to the rank of Organizer in which capacity, he also was in charge of the Gaya Sugar Mills Ltd. (on lease). In 1957, his services were taken over by the Development (Cane) Department, to serve as Organizer of the Co-operative Sugar Factory Scheme, in which capacity he served until August 1957. He then proceeded on long leave for his studies at Louisiana State University where he received his M.B.A. degree in May 1959. He is now a candidate for the Doctor of Philosophy degree.

He is married to the former Miss Annpurna Lal of Gaya, India, and is father of three sons, Shivendra, Gyanendra, and Vijayendra. His daughter Geeta died in 1960 while he was at L.S.U.

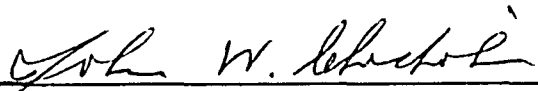
EXAMINATION AND THESIS REPORT

Candidate: Jitendra Madho Prasad

Major Field: Finance

Title of Thesis: Economic Development of the Middle East and the Role of Foreign Trade and Capital

Approved:



Major Professor and Chairman


Dean of the Graduate School

EXAMINING COMMITTEE:









Date of Examination: July 3, 1962
