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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

CURRENT ECONOMIC POSITION
AND PROSPECTS
OF IRAQ

September 30, 1963

Department of Operations
South Asia and Middle East

CURRENCY EQUIVALENTS

1 Iraqi dinar = 2.80 U.S. dollars
1 U.S. dollar = 0.36 Iraqi dinars

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BASIC STATISTICS

<u>Area:</u>	171,600 sq. miles
Agricultural	24,400 sq. miles
Of which Irrigated	11,200 sq. miles
<u>Population:</u>	Estimated at 6.8 million in 1961, increasing at an annual rate estimated at 1.9%.
<u>National Income 1961</u>	ID 486 million (about \$200 per capita)
Of which:	
Crude oil extraction	22%
Agriculture	24%
Manufacturing Industry	11%
Construction	6%
Trade, transport, banking	17%

Government Budget (ID Million) 1961/62(i) Ordinary Budget

Revenue	118.4
Of which: Oil	58.1
Expenditure	113.8
Surplus	4.5

(ii) Development Budget

Revenue	65.0
Of which: Oil	58.1
Expenditure	66.8
Deficit	1.8

Foreign Trade and Payments (ID Million) 1961

Net receipts from Oil Sector	115.4
Non-oil sector:	
Exports	11.8
Imports	-138.2
Invisibles (net)	-6.6
Current Account Balance	-17.6

Money, Credit and Prices (ID Million)

	1957	End of Period	
		1960	1962
Money Supply	82.1	106.0	117.2
Bank credit, gross	72.1	96.7	133.3
Cost of Living, Baghdad (1958=100)	103	102	104
<u>Net Foreign Assets</u>	113.9	105.0	75.2

Summary and Conclusions

- i. Iraq's economy is very favorably placed as a result of several factors: the availability of enough capital from oil revenues to carry out a substantial investment program without balance of payments crises or the political risks of a heavy tax burden; secondly, an asset even more important than oil, in the form of plentiful water provided by the two rivers; and thirdly, relative under-population, with potentially cultivable land to spare. When to these were added in the early 1950's forward-looking development plans, effective organization, and an obvious determination not to squander the oil revenues, the prospect was highly promising.
- ii. Substantial economic development did take place over the last decade, though revolution and political instability, reflecting in part the failure of the monarchical regime to undertake basic social reforms, slowed the momentum of the development program after 1958. The pattern of public investment was shifted to greater emphasis on short-term social welfare projects and public buildings, but the long-range infrastructure projects already under way were for the most part brought to completion and others were initiated. Seventy per cent of the oil revenues were allocated to development under the monarchy, and 50 per cent under the revolutionary regime. All in all, despite some waste and administrative shortcomings, Iraq's record in devoting its revenues to the strengthening of its economy is a fairly good one. The major failures lie in the follow-up and utilization of the development projects - but Iraq is not the first country in which engineering achievements have raced ahead of education and training and social reorganization.
- iii. A substantial rate of economic growth has occurred since 1950, primarily as a result of the expansion of oil production and revenues. The national income may have doubled between 1950 and 1958, and has apparently been growing in recent years at a rate of about 7 per cent per annum - 5 per cent per capita. A striking aspect is the relative stagnation of agricultural output, despite heavy investment in water storage, irrigation and land reclamation. Industrial production has shown a substantial rate of growth, but still accounts for only about 10 per cent of the national income. Gross investment amounts to roughly 20-22 per cent of GNP, primarily as a result of the high level of public sector investment financed by the oil revenues.
- iv. The oil sector plays a unique and decisive role in Iraq's economic life. It accounts for a quarter of the national income, and is the source of 90 per cent of Iraq's foreign exchange receipts. Revenues from its operations account for two-thirds of the Government's revenues, and thus hold the key to fiscal balance and the development program. Oil exports and revenues rose spectacularly during the 1950's, but stabilized at their 1960 level as a result of the protracted dispute between the Kassim Government and the oil company. The new Government, which overthrew the Kassim regime in February 1963, appears determined to reach a settlement acceptable to both sides and thereby to ensure that Iraq's exports at least share in the expansion of Middle East oil exports generally. Agreement has already been reached on certain issues affecting exports from the Persian Gulf ports; and revenues are now beginning to rise again.
- v. The Government's financial position was exceedingly strong in the period before 1958, but the rise in spending - mainly in current expenditures - under the revolutionary regime, at the same time that the oil revenues stopped expanding, led to a very substantial deterioration in the Government's cash position. In addition, a combination of factors - including several years of poor crops

with resultant heavy cereal imports and a reduction in agricultural exports - led, along with the arrested growth of oil exports, to a depletion of exchange reserves by \$100 million between 1958 and 1962. The new Government thus inherited a relatively depleted treasury and limited room for fiscal maneuver.

vi. The new Government's preoccupation with political problems has prevented it from devoting its full attention to economic questions. It nevertheless attaches high priority to economic development and is pressing ahead with the public sector investment program while at the same time revising the plan inherited from the Kassim regime. Given sound fiscal and developmental policies, the long-range development prospects are still favorable.

vii. A moderate amount of additional foreign borrowing for development purposes appears justified and would present no problem from the standpoint of debt service. There has been very little reliance on external assistance. Credits have been obtained from the USSR and Czechoslovakia to assist in financing the development program but drawings to date have been relatively small (only about \$45 million as of the end of 1962.) Service of existing debt is small at present, and at its maximum in 1967 will rise to about 7 per cent of estimated foreign exchange receipts in that year. There is a substantial degree of import flexibility, exchange reserves are still more than 60 per cent of annual imports, and the oil revenues are a relatively stable element in the balance of payments.

I THE SETTING

Introduction

1. In 1951, when a Bank survey mission visited Iraq, the country was in the most enviable position of any in the Middle East. Endowed with considerable potential resources apart from oil, it was then beginning to acquire through expanded oil revenues the capital needed for development. The regime of Nuri es-Said undertook, from 1951, vast flood control and irrigation projects and other long range development schemes to which it allocated 70 per cent of the oil revenues. Substantial economic growth did take place in the ensuing years but this was accompanied by mounting political unrest culminating in revolution in 1958.

2. At the time of the military coup of July 1958 which brought Abdul Karim Kassim to power, few of these schemes had been completed and, while living standards were rising, the masses of agrarian peasantry had tasted few of the benefits of economic development. The Kassim regime's promises of drastic social reforms were largely nullified by ineffective administration and internal political instability. It abolished the Development Board, a principal point of administrative efficiency in the Hashemite Government. Avowed social and economic goals were not attained.

Political and Social Changes

3. The leaders of the new Government, which overthrew Kassim on February 8, 1963, described their aim as that of restoring the "true principles" of the 1958 revolution. Those principles are considered to have revolved around Arab unity and socialism. One of the first action of the new regime was to initiate discussions with Egypt and Syria to explore the possibility of a tripartite union. This new venture in Arab unity has, however, already come to grief. The Baath have resisted submergence within a single national front or federal party, as urged by President Nasser, and seek also a substantial degree of political and economic autonomy for each country within the federation. There is now some talk of union between Syria and Iraq, but no concrete steps have been taken. The Baathists continue to espouse pan-Arabism but they may want to confine this to the broad political sphere, rather than establishing a close economic union with a sharing of resources.

4. Preoccupation with federation has prevented full attention to economic questions. The political uncertainties have weakened confidence in the private sector, where trade has slowed and investment has come to a virtual standstill. The resumption of hostilities against the Kurds in June has further disrupted economic life and destroyed the hope for an early substantial improvement in the Government's financial position. However, the public sector investment program is making some progress - partly because of project and commitments inherited from the previous regime, but also because of the high priority the new Government attaches to economic development.

5. The problems of governing Iraq and of stimulating economic development are complicated by the fact that Iraq is divided not only

by difficult communications but also along linguistic and sectarian lines. There is a long-standing division between the Sunni Muslim group and the more numerous Shi'ia community. The Kurdish minority centered in the mountains to the north and east is the single most important social and linguistic minority.^{1/} They held important positions in the army and civil government - including at times the post of Prime Minister - under the monarchy. The Kurds (including those in Iran and Turkey) have, however, long striven for greater autonomy and at times for separate nationhood. The largest Kurdish rebellion of modern times was in full swing at the time of Kassim's downfall. After a brief truce following the February 1963 coup, negotiations broke down and hostilities began again on June 10.

6. The relative underdevelopment communications impedes the creation of a sense of community between the nomadic Bedouins of the western desert and the agriculturist of the central plain, between the wheat farmer of the north and the marsh Arab of the extreme south. These differences are aggravated by the social and economic gulf between rich and poor, landed and landless, urban and rural dweller. Until the 1958 revolution, a small oligarchy consisting of a few score families together with the tribal chiefs^{2/} controlled the bulk of the country's wealth (apart from the roughly half of all land owned by the State). The most dramatic and widely-supported program initiated by Kassim after the 1958 revolution was the agrarian reform program.

7. The new regime, like its predecessor, is nationalist and socialist. The role of the military is still a paramount factor but the leadership at present is collective rather than personal. All governmental powers are concentrated in the hands of the National Council of the Revolutionary Command (NCRC), whose membership has not yet been made known publicly. Cabinet ministers are named by the NCRC and subject to dismissal by it; all decisions of the Cabinet must be ratified by the NCRC.

^{1/} Though the Kurds are mostly Sunni Muslims, they are not Arabs and though many of them can speak Arabic, their mother tongue is Kurdish, which belongs to Indo-European languages. They have more in common with their fellow Kurds in the neighboring areas of Turkey and Iran than with their fellow Arab citizens. They live under tribal organization and have a strong sense of Kurdish nationality.

^{2/} The tribal sheiks, from the time of the creation of a unified Government in 1920 under the British mandate, exploited their political influence to get the tribal lands (hitherto legally State domain) registered as their own freehold; they thus joined the ranks of the big landlords, while the status of their tribesmen was imperceptibly degraded to that of serfs or peons legally bound to the soil.

Resources Base and Use

Natural Features and Population

8. Iraq covers an area of about 172,000 square miles, roughly the size of Sweden, with a population of 7 million. What sets Iraq apart from its desert neighbors is the two great rivers which cross it, giving it sufficient water to provide the greatest potential for agricultural expansion of any Middle East country - if a solution is found for its drainage and salinity problems.

9. The extremely flat and low-lying Mesopotamian Valley which runs roughly northwest to southeast across the center of the country, traversed by the Tigris and Euphrates Rivers, produces most of Iraq's irrigated crops. To the north the foothill country receives sufficient rainfall to permit rain-fed cultivation; this zone is the center of cereal production. Further north and east is the Kurdistan chain of mountains; the remainder of the country consists of desert land in the west and south, extending over half the total area of Iraq.

10. Iraq's population appears to be growing at an annual average rate of just under 2 per cent.^{1/} Roughly 65 per cent of the population was rural in 1957; some 4 per cent still live a nomadic life. Of the urban population, a large part is concentrated in Baghdad, whose population was estimated in 1957 at just over one million. As a result of migration from rural areas, the rate of increase of the urban population is estimated to be in excess of 2.5 per cent as against an increase of less than 2 per cent in the rural population.

Oil

11. The oil industry plays a unique and decisive role in Iraq's economic life. It accounts for 25 per cent of the national income on a net basis, (after deducting for oil investment income remitted abroad) and is the source of roughly 90 per cent of Iraq's net foreign exchange receipts. Revenues from its operations account for two-thirds of the Government's revenues, and thus hold the key to fiscal balance and the development program.

12. Iraq's proven oil reserves amounted at the end of 1961 to approximately 3.5 billion tons - 9 per cent of the world's total reserves and more than 70 times current production. It ranks fourth among the four major Middle East producers - after Kuwait, Saudi Arabia, and Iran. Production in 1962 amounted to 49 million tons, and exports to 45 million tons, representing 10 per cent of the world's oil exports.

13. Iraq was the second Middle East country - after Iran - to become an important producer. Production in 1945 was 4.6 million tons; in 1950, 6.5 million tons; and in 1960 it reached 47 million tons. Though export capacity is now more than 70 million tons, exports failed to expand between 1960 and 1962; they are now beginning to rise again following the solution

^{1/} This is based on adjusted 1947 and 1957 census results. The 1947 census figure, as corrected by FAO for under-enumeration of male citizens (FAO, Mediterranean Development Project: Iraq, 1959, p.6) was 5.2 million. The 1957 figure, corrected to substitute actual for estimated late registration, and to exclude Iraqis living abroad - as was done in the 1947 census - was 6.3 million (cf. K. El-Din Haseeb, "National Income of Iraq, 1953-61", Al-Sina'i Quarterly, April 1963, p.17)

by the new regime of some of the points that were in dispute between the Government of General Kassim and the foreign owned Iraq Petroleum Company.^{1/}

Agricultural Resources

14. Iraq has an abundance of agricultural land in relation to its population. Only about 6.35 million hectares, or 14 per cent of the total area, are used for agricultural purposes. Most of the remainder is desert, but unused and potentially productive lands are estimated to amount to about 27 per cent of Iraq's area. Some 3 million hectares are irrigated.^{2/} Assuming a rural population of roughly 4.6 million, with an average of five members per family, land actually under cultivation amounts to about 1.4 hectares per person, or 7 hectares per family - roughly 10 times as much as in Egypt.

15. Only a fraction of the arable land is used for high value summer crops like rice and cotton, while nine-tenths of the cultivated area is sown to barley and wheat. High prices during the war and immediate post-war period induced a substantial expansion of cereal production and in the north large tracts of marginal steppe land were brought under cultivation by mechanized farming.

16. On both irrigated and non-irrigated land, however, the level of agricultural techniques and productivity is very low. Fertilizer is hardly used, seed selection is poor, water where available is used without regard to maximum effect, and there is no crop rotation system based on scientific principles. Generally only half the cultivated area is cropped, half being allowed to lie fallow each year. Yields are low - in normal crop years they are roughly the same as those in Syria, and are only about one-fourth to one-half those in Egypt. The output of wheat and barley in the years 1953-56 increased about 60 per cent over that in the period 1934-38. However, this was due to a corresponding increase in area under cultivation as yields of these grains (as well as those of the major summer crops, rice and cotton) have increased little, if at all, in the past quarter century.

17. The world's largest date palm belt lies in southern Iraq, making the country the world's largest producer and exporter of dates. More of Iraq's people are directly dependent upon the approximately 18 million date palm trees than upon any other crop. No accurate production figures are available, but rough estimates indicate that in normal years about 400,000 tons of dates are produced, of which 50 to 60 per cent is exported. Much of the date output is of low quality and this together with faulty handling limits outlets in most of the western countries. The need for greater production of superior varieties and improvement of handling and processing techniques are perennial problems. Under the monopoly granted by the Government, the Iraqi Date Trading Company, the sole exporting agency, must buy at fixed prices all dates presented by growers during a certain period. There are, of course, political pressures to keep such prices high, and the Company is usually faced with substantial surpluses especially of lower quality dates. It is attempting constantly to find new industrial uses as well as to promote sales through bilateral trade agreements.

18. The increase of irrigation without adequate drainage in the Central Plain has increased the rate of salinization of the soil by raising the water

^{1/} See annex on "The Oil Sector"

^{2/} See, however, paragraph 18 below.

table. There are no reliable statistics on the dimensions of this problem and it dates far back into antiquity. The Bank survey mission in 1951 estimated that 20 to 30 per cent of the land under irrigation in modern times had been abandoned owing to salt, and that yields on the rest of the land had declined by 20 to 50 per cent. The extent of the devastation is unquestionably greater today. An FAO expert in 1959 estimated that salinity affected 70 to 85 per cent of the irrigated area.^{1/} Some areas, recently cultivated for the first time in 600 years, produced only five to ten crops before the soils became too salty, and one large area near Baghdad actually produced only one crop before it was ruined. This process encourages a shift to cultivation of date palms (which withstand moderate salinity) thus adding to the number of people dependent upon an already overabundant supply of dates.

19. Before 1958 it was not Government policy to reform land ownership directly. Under the monarchy a policy was initiated of settling small landowners on selected areas of Government-owned (Miri Sirf) land. Its advocates claimed it would develop a progressive agriculture and create a small farmer class as a challenge and alternative to the large semi-feudal farms and the tenure system based on crop-sharing. In the decade before 1958, some 20,000 families were resettled on Miri Sirf land. However, of the total privately-owned arable land of about 5.5 million hectares, it was estimated that in the pre-revolutionary era some 272 individuals owned a total of 1.5 million hectares, with some holdings as large as 250,000 hectares.

20. The Agrarian Reform Law enacted by the Kassim regime in 1958 limited holdings to 250 hectares in irrigated areas and 500 hectares in rainfed areas. Land in excess of these ceilings was to be distributed to the peasants in plots of 7.5 to 15 hectares in irrigated areas and 15 to 30 hectares in rainfed areas. Expropriation proceeded at a relatively rapid pace, but distribution of land to farmers lagged; the new Government has stated that the Kassim regime seized about 48 per cent of the land subject to seizure under the law, but distributed less than 5 per cent. Administrative delay and confusion tended to depress production. More important, the State failed to provide the services which the landlord formerly furnished. Where he was dispossessed, the cultivator was left largely without financial aid, marketing organizations, or technical assistance, since there existed only the most rudimentary beginnings of a cooperative movement or extension service.

Industry

21. Industry contributes roughly 10 per cent to Iraq's national income. Until the mid-1950's the industrial structure outside the oil sector consisted mainly of processing and packing of agricultural products, mainly dates; production of building materials; and small-scale manufacture of consumer goods such as textiles, footwear, beverages, and cigarettes. Since 1955 the industrial structure has been expanded and diversified, mainly through the establishment of a number of relatively large-scale public-sector enterprises. These include further oil refining capacity (for domestic consumption); asphalt, textile and cement plants; a sugar refinery; a cigarette factory; and others, including a food canning plant with USSR assistance and

^{1/} FAO Mediterranean Project, op.cit., p.12. The area worst affected appears to be on the Euphrates, in the canal network originating from the Hindiya barrage.

a shoe factory utilizing aid from Czechoslovakia. Seven additional public-sector enterprises are under construction under the aid agreement with the USSR; these cover production ranging from garments, hosiery, textiles and anti-biotics to electrical and agricultural equipment and implements.

22. There are no reliable statistical series on employment. Surveys made at different times are not statistically comparable. It would appear that out of a total labor force of about 2 million, some 130-140,000 persons - roughly 7 per cent of the total - may be employed in industry, including oil production, public utilities, and homeworkers. The Ministry of Industry estimated in 1962 that about 40,000 persons were employed in 145 industrial establishments with 30 or more employees.

23. Capital invested in major industries, both public and private, was estimated in 1960/61 at ID 70 million,^{1/} two-thirds of which represented Government-owned enterprises and one-third privately-owned. The private sector includes also, of course, virtually all of the small-scale operators, on which statistics of capital invested are not available. Despite slow implementation of many of the public-sector projects, the capital invested in the major publicly-owned industries increased from ID 24 million in 1957 to ID 47 million in 1960, while that of the major privately-owned industries increased over the same period only from ID 19 million to ID 23 million.

Organization and Administration

24. The most crucial element in Iraq's development effort is the quality of administration. Unfortunately, the economic planning and administrative machinery appear to have received relatively little systematic attention since 1958.

Planning

25. The responsibility for economic planning is in the hands of a Ministry of Planning and an Economic Planning Board - which in 1959 replaced the Ministry of Development and the Development Board established in the early 1950's. The Economic Planning Board is an inter-ministerial committee, whose chairman is the Prime Minister and whose membership includes the Ministers (or their representatives) of Planning, Finance, Industry, Agricultural Reform, Agriculture, Communications, Works and Housing, and Social Affairs. The Planning Ministry, which is responsible for preparing the detailed economic plan, also constitutes the secretariat for the Planning Board and the Planning Minister appears to serve as a deputy chairman and executive officer for the Board. Project implementation is the responsibility of the individual Ministries; the Planning Board is supposed to review and approve the overall plan, see to the execution of the broad economic policy adopted by the Council of Ministers, and supervise the execution of the Plan by the various Ministries.

26. The planning process suffers from certain obvious deficiencies. The Planning Ministry has no economic staff; its approach to the appraisal of projects is an engineering one, and it gives little or no attention to the economic priority of projects, or their benefits in relation to their costs. Secondly, the Economic Planning Board, though officially at

^{1/} Ministry of Industry Year Book 1961/62. "Major industries" are those with a minimum capital of ID 10,000.

ministerial level, is preoccupied with details of project approvals, award of contracts, even selection of personnel. The result is that little attention is given to basic issues of development planning and strategy on the one hand, nor on the other to the task of improving the administrative machinery and procedures throughout the Government to make project implementation more expeditious. The new Government is now reviewing plans for a reorganization of the Planning Ministry, including the provision of economic expertise. More urgent than such organizational changes, however, appears to be the need for a change in approach. The Planning Board needs to lift its sights, to concern itself more with policy matters and the progress of plan implementation than with project details.

Administration

27. Project implementation arrangements vary from one Ministry to another, but they are generally marked by a high degree of centralization of authority in Baghdad. Projects have on occasion been held up for considerable periods while decisions were pending in Baghdad. The public sector enterprises, which are administered by the Directorate-General of Government Industrial Projects Management in the Ministry of Industry, are kept under a tight rein as regards production scheduling, marketing, inventories, personnel and almost every aspect of operations. The delays are frequently compounded by the necessity to obtain inter-ministerial agreement also - with the Ministry of Trade on import requirements, with the Ministry of Labor on employment matters, etc.

28. In rather pronounced contrast is the position of the semi-government departments and agencies such as the Ports Administration, the Government oil refineries, the Baghdad electricity service and others, whose operations and finances were until recently subject to little legislative or other central control. Laws introduced in 1961 subject these hitherto autonomous institutions to budget approval and auditing of accounts by the Ministry of Finance, and also require a portion of their profits to be turned over to the Treasury but, in practice, these agencies still appear to have considerable fiscal autonomy.

29. During the period of political instability the insecurity of tenure of government officials has discouraged initiative and further weakened general public administration. The mission heard unofficial estimates that one-half to three-quarters of the people in government posts involving any real degree of responsibility are new in their jobs since the February coup. Probably no one knows the actual figures, but the mission's brief experience would indicate that while the reports of a massive turnover may be substantially correct as regards policy-making posts, there appears to be a surprising degree of continuity in technical posts. More often than not the mission found itself dealing at the technical level with men who had served under one or more previous regimes. It is true, however, that many political appointees have replaced much more experienced civil servants.

30. Some of these problems are perhaps inevitable after a revolution. 1/

1/ They are not merely a matter of revolutionary turmoil, however. Problems of administrative instability and lack of continuity go back many years in Iraq.

The mission was assured by ministers and officials that these matters would soon sort themselves out as political life returned to normal. The fact remains that, like most developing countries, Iraq is desperately short of trained and experienced personnel to conduct its economy, and can ill-afford the insecurity which over the last several years has further depleted the supply.

Financial Institutions

31. Responsibility for monetary and credit matters is vested in the Central Bank of Iraq though decisions of the Bank's Board are subject to approval by the Minister of Finance. The note issue is required by law to be covered to the extent of 70 per cent by gold or foreign exchange. Commercial banks in practice are subject only to a limited degree of control by the Central Bank. They are required to hold 15 per cent - the maximum under existing law - of their total deposits as reserves with the Central Bank. The banks are very liquid, however, and changes in the Central Bank's discount rate have little effect upon their lending rates.

32. At present eleven commercial banks operate in Iraq; among these the fully Government-owned Rafidain Bank alone handles more than 50 per cent of all Iraqi banking transactions. Besides the banking institutions organized on modern lines, there are licensed bazaar bankers (sarrafs) who are mainly money lenders operating in most of the cities.

33. There are five specialized banks in the public sector, all of which lend at 5 per cent interest: the Agricultural, Industrial, Real Estate, Cooperative, and Moveables Mortgage Banks. (The latter also functions as a pawn office.) The Industrial Bank has been an important source of loan and equity finance for industry, both public and private. At the end of 1961/62, its authorized capital was ID 10 million, while paid-up capital and reserves amounted to ID 7 million. Though it was initially concerned mainly with larger firms, there has been a trend toward smaller loans to small and medium-sized firms; its lending of ID 1 million in 1961/62 consisted of 472 loans with an average size of ID 2,100. Total loans outstanding at the end of March 1962 were about ID 4.5 million, and equity participations about ID 2.5 million.

34. The Agricultural Bank provides short and medium term finance to farmers, including credit for purchase of agricultural machinery. Its scope for lending expanded steadily with the Miri Sira Land Development program and, after 1958, the Agrarian Reform Law, both of which created a class of owner-farmers previously dependent upon landlords for credit. Amounts advanced have not been adequate to meet total credit needs. In 1959 and 1960 loans were only ID 500,000 a year; in 1962 loans rose to ID 986,000. At the end of March 1962 authorized capital amounted to ID 10 million, paid up capital to ID 5.9 million, and outstanding loans to ID 5.6 million.

35. No organized stock exchange exists in Iraq. The commercial banks, however, operate as stock brokers and offer their services to sell shares to the public. The Government raises a limited amount of funds through the issue of securities; most of these are held by the commercial banks as part of their legal reserves, and by the Central Bank as part of the note issue cover.

1/ (Cont'd)

The Bank survey mission in 1951 recommended several administrative changes, including the appointment of Secretaries as permanent heads of Ministries immediately under the responsible Ministers; this recommendation was not acted upon.

II. RECENT ECONOMIC DEVELOPMENTS

Economic Growth

36. The remarkable growth of Iraq's economy since 1950 can be attributed almost wholly to the rapid increase in oil production since that year. The national income may have doubled in real terms between 1950 and about 1958 - and on a per capita basis may have risen by roughly three-quarters. The indirect effects of the oil boom on overall economic activity have been substantial, especially in those sectors directly influenced by the additional flow of money, such as commerce, trade and services, as well as the construction sector, whose growth reflects the high level of investment activity financed by the oil revenues. Agricultural production has shown little increase, while industrial output, though still accounting for only a relatively small portion of national income, has registered significant growth.

37. There are no current official statistics on Iraq's national income. Several studies exist which, in view of the lack or unreliability of basic statistical data, rest on often heroic assumptions, but they can nevertheless be regarded as indicative of general orders of magnitude and major trends. The most recent study,^{1/} covering the period 1953-61 and based on calculations of value added in each sector, estimates Iraq's national income at ID 486 million (\$1,360 million) in 1961 - ID 71 (\$200) per capita. In the period 1953 to 1961 Iraq's economy is estimated to have grown at an average rate of 7.4 per cent in real terms - 5.3 per cent per capita.

38. Though income has shown a substantial rising trend, its rate of growth has varied as a result of the fluctuations in oil income (particularly after the sabotage in 1956 of the oil pipelines in Syria) and in agricultural production. The oil sector's contribution to national income (in constant 1956 prices) is estimated to have risen between 1953 and 1961 from 21 per cent to 26 per cent.^{2/}

39. Year-to-year fluctuations in agricultural output owing to vagaries of the weather have overshadowed any basic trend in the agricultural sector. Agricultural output reached its peak in 1957; it was lower during the next four years due to successive droughts and, to some extent, to dislocations attendant upon the land reform program. The contribution of agriculture to the national income, in constant (1956) prices, fell from 32 per cent in 1953 to 21 per cent in 1961.^{3/} (This tendency has apparently been reversed in 1962, a good crop year.)

40. Manufacturing industry is estimated to have increased by more than two and a half times since 1953 - roughly 13 per cent a year - and to have

^{1/} K. El-Din Haseeb "National Income of Iraq 1953-61", Al Sina'i Quarterly (Baghdad) April 1963. Except where stated otherwise, national income data in the text are taken from this study.

^{2/} After deducting for oil investment income paid abroad. In terms of current prices, the oil sector's contribution is estimated actually to have fallen, from 26 to 22 per cent; see Table 5.

^{3/} The indices of production of individual crops are generally consistent with this picture of relative stagnation in agricultural output; see Table 7.

increased its contribution to national income from 7 per cent in 1953 to 11 per cent in 1961. Starting from a narrow base the growth shown in the earlier years may be quite reasonable.^{1/} After the 1958 revolution, despite greater official emphasis on industrialization, the Government's investment in industry actually fell - though it did contribute to expansion of the private sector by increased financing through the Industrial Bank and by a series of fiscal and other incentives. (Protected by selective import duties and import restrictions, some enterprises have achieved annual profits amounting to more than 40 per cent of their capital in recent years.) Nevertheless, such problems as political uncertainties; the teething troubles of most new public sector enterprises; military operations in Kurdistan, which have reduced outlets for consumer goods in the northeastern provinces; the fact that some industries, such as cement and certain textiles, have reached a saturation point in the domestic market - all suggest that maintenance of the above growth rates in industry will be increasingly difficult.

41. In absolute terms, value added in the construction sector doubled between 1953 and 1961, reflecting primarily the implementation of large building programs in the public sector. Trade, transport and banking has maintained its share at 16 per cent of the national income, growing more or less in pace with the economy.

42. There are no estimates of investment levels in recent years. An earlier study^{2/} estimated that gross domestic investment was 22 per cent of GNP in 1956, as compared with 11 per cent in 1950 when the oil revenues were very low. The mission's own rough calculations, based primarily on imports of capital goods and activity in the construction sector, would support the view that gross fixed investment has been maintained at roughly this level, though it may have declined somewhat between 1956 and 1961.^{3/} Expenditures under the development budget alone amount to 13-14 per cent of GNP:

	<u>1956/57</u>	<u>1957/58</u>	<u>1958/59</u>	<u>1959/60</u>	<u>1960/61</u>	<u>1961/62</u>
Development budget expenditures	43.0	57.4	52.2	49.9	47.6	66.8
Percentage of GNP	13%	16%	14%	13%	11%	14%

Nearly all of this is net new investment; it excludes any investment financed from the budgets of the semi-government departments and agencies - ports, railways, utilities, etc. - or small capital outlays that may have been made from the ordinary budget. Taking these into account plus private investment in the oil sector, estimated at about ID 20 million per annum in the last five years, as well as all other investment in private manufacturing, construction,

^{1/} There are no available production indices, however, with which to compare these value-added figures.

^{2/} Dr. K. G. Fenelon: Iraq: National Income and Expenditure 1950-56, (Baghdad), 1958.

^{3/} If imports of capital goods alone were taken as an index, and assuming they amount roughly to 40 per cent of the total cost of investment (a factor based on experience in many countries) an estimate of investment of 20-21 per cent of GNP in recent years would be obtained.

transport, and other services, it does not seem unlikely that gross investment in Iraq continues to approximate at least 20-22 per cent of GNP, and that net investment is in the neighbourhood of perhaps 15-16 per cent.

43. Investment at this level, and a rate of growth of income in excess of 7 per cent a year, would imply for Iraq an ex post capital-output ratio of 2:1 (or 3:1 on a gross basis). This does not mean, however, that Iraq's investment is especially efficient in a directly productive sense; as suggested above, it primarily reflects the fact that a large proportion of investment funds are derived from the growth of oil production, and the multiplier effects of the expenditure of the oil revenues. Indeed, much of the public sector investment is yet to bear fruit: it was heavily concentrated at first in agriculture - water storage, irrigation and reclamation - while agricultural production has failed to expand significantly; many major projects are still incomplete or only beginning to be utilized; several of the new public sector enterprises are for various reasons out of operation or working at a reduced level; etc. Also, the ID 100 million of oil company investment since 1957, for the 70-million-ton expansion program, had not until a few months ago yielded one extra ton, because of the dispute between the Government and the company. It must be assumed that prior oil company investment in the early 1950's was highly efficient.^{1/}

Public Finance

44. As a result of changes in the method of payment of royalties, the seven-fold expansion of oil production between 1950 and 1960 was matched by an even more spectacular increase in the revenues.^{2/} An agreement signed in 1952 introduced the 50-50 formula for profit sharing, and Iraq's oil revenues rose dramatically from ID 5 million in 1950 to ID 51 million in 1953 and to ID 95 million in 1960 (where they stabilized during the long controversy between the Kassim regime and the company). From one-third of total revenues in 1951/52, the oil revenues grew to two-thirds of the total in 1961/62.

45. Starting in 1952, 70 per cent of the oil revenues were allocated to the Development Board, and 30 per cent to the ordinary budget.^{3/} Shortly after Kassim came to power, the proportion of oil revenues allocated to the development budget was reduced from 70 to 50 per cent (starting with the 1959/60 budget). Though Government expenditures rose sharply in the early 1950's, they did not keep pace with the rising revenues. In particular, expenditures by the Development Board lagged far behind budgeted expenditures and even further behind revenues. As a result the Government's financial position was exceedingly favorable, Government deposits with the banking system rising from ID 14 million at the end of 1951 to ID 87 million at the end of 1956.^{4/}

^{1/} A clue to the productivity of oil investment is the fact that the ID 100 million expansion program has increased export capacity by 20 million tons per year - worth almost ID 100 million at today's posted prices.

^{2/} The original concessions to the Iraq Petroleum Company provided for a royalty payment of 4 shillings gold - raised in 1950 to 6 shillings - per ton of crude oil exported.

^{3/} Some part (perhaps 10-15%) of the Development Board's funds were used for maintenance expenditures, however.

^{4/} Of this, about ID 68 million represented the Development Board's balances with the Central Bank of Iraq.

46. After 1956 the situation was reversed. The Government's oil income in 1956-58 fell off as a result of the pipeline sabotage, while both developmental and current expenditures continued to rise, especially the former since many of the Development Board's projects had gotten into full stride. For the first time there were substantial deficits in the public sector. The Government's net cash position vis-a-vis the banking system during 1957 alone fell from ID 62 million to ID 25 million. Advances obtained from the oil companies against future oil revenues prevented a further deterioration.

47. Under the Kassim regime the situation worsened. Expenditures for social welfare schemes and housing and especially for public buildings increased; military and police outlays rose; and oil revenues stopped expanding. The Government's net cash position plummeted; from ID 32 million at the end of 1958, it reached zero during 1961, and at the end of 1962 stood at a negative figure of ID 42 million. There was thus a deterioration during the Kassim era of ID 73 million despite the fact that oil revenues, though their rate of increase had fallen off, were nevertheless at the highest levels ever reached.

48. Development expenditures, described more fully in the next chapter, have in the last few years roughly equalled the oil revenues allocated to the development budget, and amounted in 1961/62 to ID 67 million (ID 9 million more than the oil revenues). Ordinary budget expenditures of ID 114 million in 1961/62 were almost four times their 1951/52 level. Most of the expansion has come in defense and police expenditures, which account for two-fifths of the ordinary budget expenditures, and in education, which accounts for one-quarter. Outlays on education doubled in the three years ending in March 1962; Pensions, particularly for retired military officers, have become a significant item, amounting to 7 per cent of ordinary expenditures in 1961/62.

49. The ordinary budget for 1963/64 projects a deficit of ID 15 million. The new Finance Minister had, at the time of the mission's visit, obtained Cabinet agreement to a cut in current expenditures by 15 per cent this year, but with the resumption of hostilities against the Kurds this seems unlikely. The best hope for an improvement in the fiscal situation lies in an increase in the oil revenues - possibly by as much as ID 10-12 million in the current financial year - resulting from a new agreement with the IPC on cargo dues on oil. Nevertheless, the Government will probably have to borrow further from the banking system to finance the budgetary deficit. The margin for additional borrowing has been sharply reduced. Four years ago the foreign exchange reserves of the Central Bank equalled 150 per cent of currency in circulation; at the end of April 1963, the reserves were slightly less than the note issue. Under current statutory regulations, the present level of reserves could support only an additional ID 26 million of currency. Moreover, the foreign exchange reserves in relation to annual imports declined from a ratio of 120% in 1956 to 65% at the end of 1962. The new Government thus inherited a relatively depleted treasury and limited room for fiscal maneuver.

50. The ordinary and development budgets do not cover all the fiscal operations of government agencies. Budgetary procedures in Iraq are complicated by the existence of two other types of budget: supplementary and "autonomous" - and by the fact that the relationships among the various budgets are not clear.^{1/}

^{1/} The supplementary budgets cover those government agencies - such as ports, railways, tobacco monopoly - whose budgets have all along been subject, in law though not always in practice, to review by the Ministry of Finance. Until recently the "autonomous" budgets, on the other hand, were for various historical reasons not subject to any central control. (The principal "autonomous" institutions are: Government oil refineries; Baghdad electricity

Both the autonomous and supplementary budgets show a rising trend and generally show a surplus; their deficits are met from the ordinary budget, but not all their surpluses are turned over to the ordinary budget.^{1/} Transfers of receipts among the budgets are not clearly identified. It is impossible to obtain consolidated budget data and it is necessary to rely upon the banking statistics to determine the net impact of the Government's fiscal operations upon its cash position. (See Table 15).

51. The domestic tax burden, apart from customs, is relatively light. Thanks largely to the swelling of customs receipts as oil-financed imports have grown, total revenues (apart from oil) amounted to about 12 per cent of national income over the period 1957-61. Customs and excise duties together account for the bulk of these revenues, direct taxes on income and property contributing only about one-eighth. The burden of income tax is not heavy because of high exemption levels, and it covers only a small portion of the population; the tax burden on company income is also comparatively light (the maximum rate is 45 per cent of taxable profits, but very few companies pay this rate) while tax concessions are fairly liberal for new investments. Partly for political reasons, agriculture has been hardly taxed at all; while the old Istihlak taxes (taxes on agricultural commodities collected from merchants) have been abolished because of their regressive nature, the new land tax is very limited in scope and yield. Moreover, no charge is made for irrigation water.

Monetary Developments

52. Monetary developments have reflected the budgetary factors described above. In the early 1950's there was a substantial increase in foreign assets, but sizeable budgetary surpluses largely offset the expansionary effects of the external sector. After 1956, public sector deficits resulted in a reduction in Government cash balances followed by Government borrowing, and the money supply expanded rapidly. After 1959, however, although the Kassim regime substantially increased expenditures, the money supply levelled off until 1962 because the Government's borrowing was offset by a drastic decline in foreign assets following import liberalization in mid-1959. The growth of bank credit to the private sector, which expanded sharply after the import liberalization, was arrested in 1962 partly by restrictive monetary policies and partly by political uncertainties. The trends since 1957 are shown in the following table:

<u>Summary of Factors Affecting Money Supply, 1957-62</u>							
(in millions of Iraqi dinars)							
	1957	1958	1959	1960	1961	1962	1st Qtr. 1963
<u>Change in money supply</u>	5.8	16.5	11.9	-4.5	0.8	10.4	9.0
Net claims on public sector	36.2	-0.2	12.7	13.0	23.8	23.6	-23.3
Net claims on private sector	1.4	-1.4	2.2	5.5	4.0	-1.8	-1.9
Net foreign assets	-24.7	13.5	-0.3	-20.5	-19.8	-10.1	32.3
Other factors (net)	-7.1	4.5	-2.7	-2.5	-7.2	-1.3	1.9

^{1/} (Cont'd) service; water supply and sewerage service; Department of Municipalities; and transport service. Recent legislation (Law No. 83 of 1961) introduced in October 1961 requires that the autonomous public institutions' budgets be approved and their accounts audited by the Ministry of Finance.

^{1/} Under Law No. 83 of 1961 all semi-government agencies - both supplementary and autonomous - are required to turn over 25 per cent of their profits to the Treasury until their capital is paid up; thereafter 50 per cent of their profits are to be turned over until their reserves are built up according to their charters; beyond that all profits are to be turned over to the Treasury.

53. The increase in money supply has been more or less matched by the rise in output. Between 1956 and 1961 money supply rose by 40 per cent and compares with a rise of 42 per cent in GNP in the same period. The official indices of wholesale prices and cost of living have fluctuated^{1/} within narrow limits (see Table 18) and increased on the average by less than 2 per cent a year between 1953 and 1962. There were notable increases only in 1956, due to the Suez crisis, and in 1959, as a result of a poor harvest and import restrictions. Since 1960 prices have remained virtually stable.

External Trade and Payments

54. Iraq's balance of payments position is characterized by a rapidly growing trade deficit, usually covered by the earnings from the oil sector. Exports other than oil have actually declined over the last decade (though it appears that a good crop year in 1962 has raised non-oil exports to double their 1961 level). The trends are shown in the following table:

<u>Balance of Payments on Current Account, Selected Years</u>						
(in millions of dinars)						
	<u>1951</u>	<u>1956</u>	<u>1957</u>	<u>1959</u>	<u>1961</u>	<u>1st Half 1962</u>
Net receipts from Oil Sector	19.3	79.9	71.3	102.4	115.4	57.3
Non-Oil Exports	33.1	13.7	14.1	14.3	11.8	11.3
Non-Oil Imports	-43.2	-107.2	-112.1	-99.4	-138.2	-62.2
Non-Oil trade deficit	-10.1	-93.5	-98.0	-85.1	-126.4	-50.9
Net Invisibles	-0.2	3.4	-3.1	-1.7	-6.6	-
Balance on Current Account	+9.0	-10.2	-29.8	+15.6	-17.6	+6.4

55. The exchange reserves built up in the early 1950's were drawn down in the changed circumstances after 1956, but net foreign assets still stood at ID 126 million at the end of 1958. Under the Kassim regime, they fell to ID 75 million (\$210 million) by the end of 1962.

56. A sharp rise in imports following the import liberalization in 1959 led to new restrictions in 1961, at first through quantitative licensing and later by raising customs tariffs. These measures were intensified in 1962, and the list of prohibited goods was expanded; the loss of foreign assets in that year was reduced to half the loss in 1960 and 1961. The new government has placed a number of items on the "free list", but restrictions even on these continue to operate through the requirement of approval by the Ministry concerned. The Government has expressed the intention to hold imports in 1963 slightly below the 1962 level.

57. The vulnerability of Iraq's exports (other than oil) to the vagaries of the weather has added to the depletion of exchange reserves. In recent years Iraq's exports of wheat have disappeared completely and increasing quantities, reaching 400,000 tons in 1961, have had to be imported. A good crop year in 1962 enabled a substantial reduction in cereal imports. Exports of barley have been restricted by recurrent drought in 1959-61 (and by deficiencies in

^{1/} Neither index appears to be very reliable. Also, both relate to Baghdad only, and the cost of living index contains several items which are subject to price controls.

quality) to a tenth their normal level, but in 1962 again exceeded 300,000 tons. Rice, like wheat, has failed to keep pace with growing domestic consumption. Since 1956, exports have declined; they ceased entirely in 1960 and 1961, while imports rose to 70,000 tons by 1961. Date exports - which together with barley account for more than three-fifths of Iraq's non-oil exports - are usually around 250,000 tons per year, but fell sharply in 1961 as the result of a poor crop and insect infestation of the fruit. They recovered in 1962 to 230,000 tons, and with higher prices resulting from the 1961 shortage the 1962 export earnings were the largest on record.

58. Apart from the trade balance and the transactions of the oil sector, other items in the external accounts have relatively little bearing on Iraq's payments position. Invisibles are small, and private transfers apart from oil investment income are negligible. Capital transactions have reflected primarily the drawings and repayments on the IBRD loan made in 1950; on the advance from the oil companies after the damage to the pipelines; and on the assistance since 1960 under the aid agreements with the USSR and Czechoslovakia. Drawings on the latter amounted, at the end of 1962, only to ID 15.6 million under the USSR agreement and a negligible sum under the Czech agreement.

III. THE DEVELOPMENT PROGRAM

Introduction

59. The history of Iraq's economic development since 1950 is that of a very promising start and a gradual build-up of development momentum. After 1958, much of the momentum was lost amid political and administrative instability. Though many of the important infra-structure projects begun before 1958 were brought to completion, the revolutionary regime altered the pattern of public expenditure to a greater emphasis upon short-term social welfare measures, public buildings and low priority projects. The new Government's policies are not yet clear, but the indications to date are that its approach may be sounder and more realistic than was that of its predecessor.

60. The optimistic outlook at the beginning of the 1950's was a compound of several factors: the availability of enough capital to carry out a substantial investment program without having to borrow or face balance of payments crises, or run the political risks of a heavy tax burden and an austerity regime; secondly, an asset even more important than oil, in the form of plentiful water provided by the two rivers; and thirdly, relative under-population, with potentially cultivable land to spare. When to all this was added forward-looking development plans, effective organization, and an obvious determination by the top leadership not to squander the oil revenues, the prospect was promising indeed.

The Development Board, 1950-58

61. In 1950 a Development Board was established, and initially 100 per cent of the oil revenues were assigned to it; in 1952 this was changed to 70 per cent. The Board was to be an autonomous agency, protected from politics and able to achieve continuity of policy. As originally conceived by Nuri as-Said, it was to be a body of permanent members plus two cabinet ministers (including the Prime Minister as Chairman). The addition of a Ministry of Development in 1953 (in place of the original secretariat) - whose Minister became a member of the Board - did not alter the Board's effectiveness. The Board's budget remained separate from that of the Government, and the Ministry of Development staff which the Board controlled actually executed all major projects and freely utilized foreigners in executive capacities. These factors produced political attacks on the Board but these were offset by the strong support of the Prime Minister (Nuri as-Said or one of his allies).

62. In 1951 the Board presented a six-year plan (1951-56) calling for total expenditures of ID 155 million. In 1955 a revised and expanded five-year plan (1955-59) was adopted, and this was superseded in May 1956 by a new six-year plan (1955-60) calling for expenditures of ID 500 million. The new program reflected expectations of a further increase in the oil revenues; the completion of certain studies and surveys pre-requisite to various projects; and also the recommendations of Lord Salter, economic adviser to the Board, in favor of a broader program, particularly in the social welfare field.

63. Flood control, irrigation and drainage received first priority in all these plans. The emphasis at first was mainly upon flood control, but with the completion of some of the major control works on the two rivers the emphasis shifted in the later plans toward irrigation and reclamation. Also in the later plans, greater importance was given to communications and to industry and power. Long-range development projects were - in view of widespread political discontent - for the first time complemented by short-term projects geared to meet immediate social needs. Housing, almost completely ignored in the earlier plans, moved to fourth place, and greatly increased allocations were made also for health and educational facilities.

64. The Board's capacity to implement the development program was at first far below the allocations. The Board's expenditures were less than half its revenues in the early years, and began to catch up only toward the end of 1956. Expenditures rose from ID 3 million in 1951/52 to more than ID 50 million in 1958/59 - the last year in which the plan can be considered as the Development Board's plan.

65. Iraq's major problems have traditionally centered around management of its water resources, and the outstanding contribution of the Development Board was to undertake and in part complete a vast program aimed at their control and conservation. The root of the problem is the physical terrain. In the Mesopotamian valley, lateral drainage is negligible because of the very slight gradient towards the Persian Gulf and the impermeable soil. The Tigris and Euphrates rivers are, in the words used fifty years ago by Sir William Willcocks, the great Anglo-Indian engineer, "abrupt" as compared with the "gentlemanly" Nile. They rise without warning; they have steep gradients (particularly the Tigris) in their upper reaches down which they thunder when in flood damaging irrigation works and carrying at all times heavy sediment (perhaps five times as much as the Nile) which silts up dams and canals; they are at maximum flow too late for winter and too early for summer crops. Their waters are slightly saline, and when they are poured onto the ex-seabed of the Mesopotamian flats - whether by flood or intensive irrigation - the hot sun and the high water table contribute to salinization of the soil.

66. By early 1956 the Board had completed two of its most impressive achievements: the schemes under which the waters of the Euphrates could be diverted into Lake Habbaniyah and stored there, and the waters of the Tigris could be diverted into the vast Wadi Tharthar depression. These cost ID 4.5 and ID 17 million respectively, as compared with the damage of ID 25 million inflicted by the flood of 1954 alone - which may prove to have been the last flood of major proportions. Additional storage dams were undertaken upstream on tributaries of the Tigris: the Dokan Dam on the lesser Zab, completed in 1959, and the Derbendi-Khan Dam on the Diyala River, completed in 1962. The present flood control system is capable of dealing with floods up to 50 per cent above the recorded maximum.

67. The Development Board in 1956 estimated irrigated land to be about 3.2 million hectares. The Board's 1956 Plan would have made available about 1.5 million hectares of new land, of which 0.3 million were to have been developed over the following five years at the rate of 59,000 per year. This rate was not achieved, and there is little reason for believing that the area added since 1956 has appreciably exceeded the amounts lost due to the march of salinization. In any event, the figure is largely robbed of meaning by the fact that only about half the total is irrigated in any year, the other half being allowed to lie fallow; that salinization affects, in varying and unrecorded degree, the fertility of perhaps five-sixths of the irrigated land; and that water use is unscientific and un-systematic over most of the area.

68. Perhaps the major failure of the Development Board lay in the follow-up of its engineering achievements. There was insufficient effort to teach the cultivator proper water use and other improved techniques, and appropriations for credit and marketing facilities were inadequate. Little systematic attention was given to collecting or disseminating the experience gained in the various resettlement projects. The Board, it is true, had relatively little time to implement its objectives before the 1958 revolution. The fact remains that the Board's funds were spent on the most costly method of increasing agricultural production - extension of the cultivated area - and the relatively small sums (but large effort) that would have been required for a real attempt to raise productivity on land already under cultivation were not forthcoming.^{1/}

^{1/} This was related to the land tenure system. The Government did not wish (Cont'd)

69. The Bank survey mission in 1951, among other advisory groups, recommended priority for industries that would complement agriculture: fertilizer production, agricultural implements, processing of local agricultural commodities - and also industries to meet the growing demand for consumer goods and construction materials. Apart from fertilizers, substantial progress was made along these lines under the aegis of the Development Board, much of it in the form of relatively large-scale government-owned enterprises. In the transport sector, an expansion of the railway system was undertaken, and a road and bridge construction program - after a slow start - got underway in the mid-1950's on a sizeable scale, though much of the road expenditures was wasted because of inadequate standards of construction. The Board undertook construction of three main power stations: at Dibbis in the north, at Baghdad, and at Basrah in the south. These three reached the operating stage in 1959 and 1960; output of electricity in 1960 was 77 per cent above 1957. Oil, and potentially the gas now going to waste in the oil fields, are cheap sources of energy for Iraq, but also the Dokan and Derbendi-khan dams were both planned to allow for eventual generation of hydro power.

The Era after the Revolution

70. The Kassim regime carried forward the major projects already underway, but shelved others. It changed the entire organization for economic development. In early 1959 the Government announced a reduction from 70 to 50 per cent in the proportion of oil revenues allocated to development. The Development Board and the Ministry of Development were abolished and replaced by a Planning Ministry and an Economic Planning Board. Planning was separated from execution, and the Development Board's balances were merged with other Government deposits. The existing economic plan was abolished and replaced by an interim development program which became operative on January 1, 1960, and this was superseded in 1961 by a "Detailed Economic Plan" for the five-year period 1961-66, calling for total expenditures of ID 556 million, or more than ID 110 million per year. Actual expenditures were less than half this level in 1960/61 and less than two-thirds in 1961/62.

71. It is a widely held impression in Iraq that prior to the revolution, the industrialization of the country was neglected, along with the masses' needs for housing and for social services. In fact, the amount spent on industry declined both relatively and absolutely after 1958. Moreover, in 1961/62, the last year for which data on development expenditures are available, ID 24 million, or more than a third of the total, went to public buildings (entirely apart from health and educational facilities) as compared with less than ID 10 million to housing. The relative amounts spent in each major sector by the Development Board and by the successor regime were as follows:

	<u>1951/52-1958/59</u>	<u>1959/60-1961/62</u>
<u>Total Development Expenditures</u>	<u>ID 230 million</u>	<u>ID 164 million</u>
Of which: Agric., storage, irrigation	32%	20%
Industry and power	13%	11%
Transport and Communications	24%	22%
Housing and Buildings	28%	47%

1/ (Cont'd) to be accused of unduly enriching the large holders of already irrigated land by providing them with more water for double cropping. Nor did it wish to undertake basic reform of land ownership. Instead it preferred to settle small holders on newly irrigated desert lands.

72. Much of the social investment undertaken by the revolutionary regime in housing, health facilities and the expansion of education was quite defensible and long overdue. Added to these, however, were such items as a monumental ID 10 million building program at Baghdad University; a new "extra" port at Um Qasr, now estimated to cost some ID 25 million and of dubious economic justification; a lavish opera house in Baghdad; a huge new international jet airport at Baghdad, etc. In fairness, it should be noted that most of these schemes were contemplated in the old Development Board's programs, and expenditures on public monuments were by no means absent from the Board's activities. It is primarily a question of emphasis.

73. External assistance for financing a portion of the Plan was obtained under two agreements with the USSR, signed in March 1959 and August 1960, for credits amounting to a total of ID 65 million (\$182 million); and an agreement with Czechoslovakia signed in October 1960 for a credit of ID 12 million (\$34 million).¹

74. All in all, despite the uneven pace of development, despite some waste and administrative shortcomings, the record is not a bad one. Not all the development projects have been fully utilized, but Iraq is not the first country where engineering achievements have raced ahead of education and training and social reorganization. Its performance must be seen in the perspective of its three short decades of national existence. After centuries of neglect under Ottoman domination, what is present-day Iraq became a political entity only in 1920, and after a brief period under British mandate, achieved national independence only in 1932. In this brief span, it has had to equip itself - partly through reliance on external assistance - with the administrators, engineers, doctors, and teachers needed to conduct its economy, and has embarked on the transformation and modernization of a society not far removed in some areas from tribal and nomadic origins. Seen in that context, it has achieved striking advances - not the least of which was the creation of a governmental apparatus, capable of carrying out a development program involving expenditures of more than ID 60 million a year.

¹ Under the USSR loan a total of 61 projects are being assisted, the largest of which is a standard gauge line for the Baghdad-Basrah Railway estimated to cost ID 16 million. Others include a radio broadcasting station, agricultural machinery stations, grain silos, and import of railway rolling stock. A canning factory has been completed, and seven other industrial projects (see paragraph 21) are under construction at an estimated cost of ID 30 million, scheduled to be completed in 1965 and 1966. The status of other projects under the USSR agreement, including a steel mill (69,000 tons) and a chemical fertilizer plant (172,000 tons), is uncertain and subject to further negotiations with the Soviets. A shoe factory has been completed with Czechoslovakian assistance (ID 0.4 million), but projects contemplated under the 1960 agreement are still under review by the Planning Ministry. These include a hydro-power plant at Samarra and six industrial projects, one of which, an oil refinery at Basrah, appears definitely to have been shelved in favor of greater use of natural gas as an energy source; a gas pipeline from Kirkuk to Baghdad is under consideration for this purpose.

IV. PROSPECTS

Current Status of the Plan

75. At the time of the mission's visit, the new Government's tentative revision of the development plan for the current year envisaged expenditures of about ID 69 million (as compared with more than ID 100 million per year called for under the Detailed Plan of the Kassim regime). Within this total, the largest allocation (ID 14 million) is for industry, followed by roads and bridges (ID 9 million) and water storage, irrigation and drainage (ID 7 million). The allocation to housing is ID 7 million and to public buildings ID 4.6 million - in contrast to the situation in recent years under the predecessor regime, when housing and public buildings accounted for half or more of total development expenditures. These allocations were highly tentative, pending the further working out of expenditure estimates for such activities as the agrarian reform program and an associated rural development program.

76. The Government is also starting upon a revision of the overall Five-Year Plan. This task is expected to take until some time next year. The Government's freedom of action in revising the Plan is limited; the mission was told that out of the contemplated ID 69 million expenditure for this year, some ID 45 million represented commitments already made or continuing projects which would be more economic to complete than to drop. The Government has stopped construction on some of the less justifiable projects which were not too far along, such as the opera house. It is trying to prune other projects and to select from the Detailed Plan only those which are most "urgent" and "productive". It shows a predilection for large-scale industrial projects; this is a field in which greater cost-consciousness, and more care in selecting projects adapted to Iraq's narrow market or to definite export prospects, are called for if some of the pitfalls into which predecessor Governments fell are to be avoided. On the other hand, the purpose of restudying the industrial and other projects under the USSR and Czechoslovakian agreements is to establish their feasibility and especially the fact that competitive prices are being offered.

Financial Prospects

77. Iraq's fiscal and balance of payments prospects are predominantly a matter of the growth of oil revenues, and these at present depend upon political as well as economic factors. The most hopeful aspect of the economic situation is the apparent determination of the new Government to resolve the dispute with the oil company. As a result of the agreement reached in June on oil cargo dues, exports are now rising for the first time since 1960, and revenues should increase this year by at least 6 per cent over last year's level - to perhaps \$280-290 million.

78. On the central issue of the concession areas, the new Government's position is not yet clear. As noted in the Annex, there are good prospects for some kind of compromise. Though the 1961 law which cancelled the company's rights to 99½ per cent of the concession areas 1/ is still on the books at this stage, the Government appears to be seeking a mutually acceptable solution which would enable Iraq's exports at least to share in the expansion of Middle East oil exports generally. A Bank Economic Staff study prepared early this year 2/

1/ i.e., virtually all of the concession areas except the portion where operations were actually being conducted.

2/ Report C-113, "The Outlook for Middle East Oil, 1960-65", January 11, 1963.

estimated that Middle East oil exports would grow during the period 1960-65 at a rate of 6 per cent per year. Middle East exports have in fact increased at an annual rate of nearly 9 per cent between 1960 and mid-1963, and revenues at roughly 8 per cent. Since IPC's owners, mostly international "majors", are extremely well placed as regards markets, there is reason to expect that Iraq, if the dispute with the oil company is resolved, would experience an expansion of at least 6 per cent per year in its oil revenues over the next several years.

79. An increase in non-oil revenues can also be expected as imports and therefore customs duties continue to grow. The new Government appears to be contemplating no new tax measures, though there appears definite scope for further expanding tax revenues, without impinging heavily upon those who can least afford it, by: (1) improving efficiency in tax collection; (2) lowering income tax exemption levels; and (3) taxing agricultural income on a suitable basis. Customs duties, including those on some luxury consumer goods imports, are still at only moderate levels, and excise duties are levied on only five items: petrol, tobacco, alcoholic beverages, salt and cement. A determined drive to increase and to mobilize the surpluses of public sector enterprises and agencies would probably also add significantly to the resources available to the Government. On balance it seems reasonable to expect that non-oil revenues will continue to grow at about the same rate as over the last five years, i.e., about 6-7 per cent per year.

80. Ordinary budget expenditures, on the other hand, have been growing at an average rate of 12 per cent per year over the last five years. Since the budget is supported roughly equally from oil and non-oil revenues, each of which will perhaps be growing at about 6-7 per cent per year, it is obvious that a determined effort to restrict the growth of current expenditures is essential if the Government's wish to expand the development program is to be attained. This will not be easy. An immediate imponderable is the likely level of military expenditures for the Kurdish campaign. Political courage will be required in restraining the growth of other items such as military pensions; in scrutinizing the quality as well as the quantity of expenditures on education; etc.^{1/}

81. In the longer run, moreover, the progress of the development program will inevitably entail an increase in ordinary expenditures for operation and maintenance of the added facilities. Other needs should be given a considerably larger place in the budget - for example, agricultural extension. (There are only 133 extension workers, in a country with perhaps 4.5 million people dependent on agriculture; only a fraction of these are adequately trained, and they are handicapped by the lack of an experiment service to back them up and by such strictly budgetary problems as lack of transport with which to reach the cultivators.) On balance it appears realistic to expect that, at best, current expenditures may be restricted to roughly the same rate of growth as revenues. There is no early prospect for a reallocation of more than 50 per cent of the oil revenues to the development budget, though this should be an aim of government policy.

^{1/} The auguries at this point are not all good. Recent social welfare pronouncements by the Government may reflect insufficient recognition of the implications of increasing demands upon the ordinary budget in reducing funds available for long-term investment. For example, the Government has announced that it will distribute building plots free of charge to "every Iraqi family," and will allow peasants to pay only half the value of land distributed under the Agrarian Reform Law and to pay the remaining half in 40 years instead of 20. (As to the latter, it is not clear whether the corresponding financial burden is to be borne by the landlords or by the Government.)

Need for External Assistance

82. Iraq's development expenditures reached a level of ID 67 million in 1961/62, were apparently somewhat higher in 1962/63, and under the Government's tentative allocation would amount to ID 69 million in the current year. (Actual expenditures are likely to be less than that this year, due to the change in regime, but given reasonable political stability they should shortly rise again). This level of development expenditures appears justified, provided the Government concentrates upon achieving maximum effectiveness of these expenditures. However, the 50 per cent share of oil revenues allocated to development (averaging about ID 49 million in recent years),^{1/} together with possible further drawings on the USSR and Czech loans, is not adequate to finance development expenditures at this level. Moderate additional external borrowing thus appears appropriate -- provided, of course, that it is utilized on productive investments with an adequate rate of return.

83. It would appear that many such projects exist or could be developed -- though the Government's administrative capacity to implement them would require specific appraisal in each case. Irrigation and drainage works are of very high priority in Iraq, particularly as a means of realizing the value of the very heavy investments in water storage, land reclamation and related activities over the last decade. Along with land tenure, the problem of soil salinity is the key factor in Iraq's agricultural development. Provided that the expensive drainage works required to arrest the disastrous march of salinization in Iraq's irrigated lands are proven to be economically and technically feasible, and provided also that the Government undertakes an adequate program of extension and other services to ensure proper water use and in general to raise the productivity of agriculture, the field of irrigation and drainage is one in which substantially increased expenditures, and if necessary, foreign borrowing, would eventually be justified.

84. As the new Government recognizes, an effective program to raise agricultural productivity requires a broader approach than hitherto adopted. The Government's proposed new "local development program" -- involving establishment of cooperatives, expanded extension services, self-help housing schemes, provision of seeds, fertilizers, credit and agricultural machinery, etc. -- would seek to revitalize the stagnant rural economy. The cost is roughly estimated at ID 20 million in 10 years. Some such program is urgently needed in view of the Government's determination to accelerate implementation of the Agrarian Reform Law, which will certainly cause further dislocation in agricultural production unless accompanied by such activities.

^{1/} The relatively small deficit in the development budget in 1961/62 shown in Table 15, reflects a once-for-all advance in the payment date of a quarterly oil installment, so that 1961/62 receipts into the development budget include five quarterly installments. The deficit in the development budget was apparently appreciably larger in 1962/63. (The overall deficit of the Government, on both development and current account, amounted to about ID 24 million, \$67 million per year, in 1961 and 1962).

85. In the transport field, despite fairly large expenditures for roads and bridges over the last decade, the country even today lacks an adequate system of modern roads linking the main centers of population, and many large agricultural areas are still without roads other than dirt tracks. This appears to be the area in which external assistance could be utilized most expeditiously. There are needed projects in this field, already studied by consultants and presumably ready for execution, which have not been started although they are part of the overall highway program envisaged by the new Government. (These include projects such as the Kut-Nasiriyah road, opening up a productive agricultural area not hitherto served by road transport; the Garimat-Ali bridge, a narrow bottleneck between the Port of Basrah and the interior of the country; and other road and bridge links in the basic highway network.) The Roads and Bridges Department appears administratively equipped to oversee a greater program of work than is possible under existing allocations, though this latter point would have to be further studied.

86. Other projects in the Government's program appear to involve some obstacles to early execution, but could appropriately be put forward for external finance in due course. A number of irrigation and drainage projects have been studied by consultants, and -- assuming they are economic -- are ready to be undertaken, but as noted above the Government's program for development of extension services and other means to ensure proper water use is not yet firm. In the field of power, though steps are already underway to solve the immediately threatening power crisis in Baghdad, other sound projects have been prepared for transmission and distribution lines in the northern, central and southern grids, as well as for some interconnection between these grids, but whether the proper demand studies exist and whether the projects fit into a sound overall plan would have to be examined. The natural gas pipeline from Kirkuk to Baghdad has been urged by many observers over the years, but it is not yet finally engineered. A project for needed improvement of telecommunications has been developed with UN assistance but not yet fully engineered.

87. Technical assistance, particularly in overall development programming, is perhaps even more important than financial assistance at the present time. Two things are urgently needed at this stage in Iraq's planning: the application of an economic rationale to the selection of projects -- measuring their costs against their probable benefits -- in order to assign priorities among what is now an unrelated list of projects; and secondly, greater attention to the administrative machinery and procedures for project decisions and project execution. (With regard to the former, it is important that, while measures are taken to strengthen the statistical base for planning in Iraq as rapidly as possible, the planners do not attempt to construct highly sophisticated models on the basis of the existing statistical indicators, which would involve a waste of time and talent.)

88. In this connection, Iraq could benefit substantially by drawing upon the experience of other countries through technical assistance in economic planning and financial coordination and administration. Iraq is indeed making extensive use of technical assistance from United Nations agencies, consultant engineering firms and other sources, but it is assistance limited largely to individual sectors and projects, and not brought to bear upon the broader socio-economic questions such

as the best use of the economy's water, power and human resources. The mission believes that a small team of advisers attached to the Planning Board would perform a useful function in this regard.

External Debt Position

89. Iraq's present external economic debt is small and includes only assistance provided under USSR and Czech aid agreements. Actual contracts signed under those agreements amount only to ID 50 million and ID 5.9 million respectively, of which ID 16 million had been disbursed as of December 31, 1962. These loans carry an interest rate of $2\frac{1}{2}$ per cent; amounts used are repayable in 12 years after completion of the individual projects, so that amortization has been negligible until now. The total amortization payment in 1961/62 was less than ID 50,000.

90. Debt service requirements^{1/} on these debts would reach their peak in 1968, and would then amount to less than ID 6 million (about \$16 million) per year. Taking into account also the information available on military credits, total debt service would, at its maximum in about 1967 amount to 8.5 per cent of foreign exchange receipts in 1961 (or, assuming oil revenues increase at 6 per cent, it would amount to about 7 per cent of foreign exchange receipts estimated for 1966). Besides having a moderate debt burden, Iraq also possesses a substantial degree of import flexibility; there are many non-essentials in the import list, and food requirements are largely met internally except in bad crop years. The exchange reserves still amount to more than 60 per cent of annual imports, and oil revenues are a fairly stable element in the balance of payments. In view of these factors, Iraq can safely assume additional borrowing on conventional terms.

91. Iraq's past record in discharging external obligations has been excellent. The IBRD loan of ID 4.5 million (\$12.6 million) extended in 1950 for the Wadi Tharthar flood control project, was prepaid in early 1955 after utilization of only half the loan; and drawings of ID 11 million against the oil company's advance of ID 25 million at the time of the Suez crisis in 1957 had all been repaid by 1961.

^{1/} See Table 25.

ANNEX

THE OIL SECTOR

1. Iraq ranks fourth among the major oil producing countries of the Middle East as shown in the following table:

Middle East Crude Oil Production and Reserves, 1961

	<u>Production</u> (mn. tons)	<u>Share of</u> <u>World</u> <u>Total</u>	<u>Reserves</u> <u>at End of</u> <u>Year</u> (mn. tons)	<u>Share of</u> <u>World</u> <u>Total</u>	<u>Ratio of</u> <u>Reserves</u> <u>to 1961</u> <u>Production</u>
Kuwait	82	7%	8,370	20%	102
Saudi Arabia	68	6%	6,915	17%	102
Iran	58	5%	4,700	11%	81
Iraq	49	4%	3,495	9%	73
Neutral Zone	9	1%	850	2%	94
Qatar	8	1%	365	1%	46
Egypt	4	-	100	-	25
Bahrein	2	-	35	-	18
Other Middle East	<u>1</u>	<u>-</u>	<u>480</u>	<u>1%</u>	<u>-</u>
Total Middle East	280	25%	25,310	62%	92

2. Exploitation of Iraq's oil resources is carried out by the Iraq Petroleum Company (IPC) and the latter's affiliates, Basrah Petroleum Company and Mosul Petroleum Company. IPC is owned by British, Dutch, French, and American interests in the following proportions: 1/

British Petroleum	23.75%
Royal Dutch-Shell group	23.75%
Compagnie Francaise des Petroles	23.75%
Near East Development Corp. (Owned in equal shares by Standard Oil Co., N.J., and Socony Mobil)	23.75%
Participations and Explorations Corporation (C.S. Gulbenkian Estate)	5%

1/ The original concession was granted in 1925 to IPC's predecessor, the Turkish Petroleum Company formed by British and German interests shortly before World War I. (A 5 per cent interest was subsequently transferred to Mr. Calouste Gulbenkian, the Armenian entrepreneur largely responsible for the original organization of TPC.). At the San Remo Conference of 1920, when Iraq became a British mandate, Great Britain and France concluded an agreement under which France received the German (Deutsche Bank) share - 25 per cent - of the TPC which Britain had seized during World War I. In return, France

(cont'd)

3. The three concessions of the Iraq Petroleum Company and the associated Mosul and Basrah Petroleum Companies run for 75 years (till 2000, 2007, and 2013, respectively). Oil was first discovered in 1927 near Kirkuk. The expansion of Iraq oil production is shown in the following table. A rapid increase came in the early 1950's following the February 1952 agreement under which the oil companies agreed to a 50-50 profit sharing arrangement:

Crude Oil Production in Iraq, 1935-62
(million metric tons)

1935	3.7	1955	32.2
1940	2.6	1956	29.5
1945	4.6	1957	21.7
1950	6.5	1958	35.5
1951	8.6	1959	41.6
1952	18.5	1960	47.3
1953	27.7	1961	48.8
1954	30.1	1962	49.0

Source: Central Bureau of Statistics, Statistical Abstract; Petroleum Press Service.

4. The oil company in 1962 completed a \$100 million expansion program designed to increase Iraq's export capacity to 70 million tons per year. A difficulty in the way of expansion toward that goal is the dispute between the Government and the company, discussed below. Oil from the northern fields -- mainly Kirkuk plus a small amount from Mosul -- is carried by a system of pipelines across Syria to the Mediterranean coast. These include three lines to Tripoli in Lebanon and one to Baniyas in Syria. Exports from the southern oil fields near Basrah are carried by tankers from the oil-loading terminal at Fao, south of Basrah on the Shatt-al-Arab, and from a new deep-water loading terminal in the Persian Gulf. With the completion of the expansion program, export capacity is now roughly 48 million tons per annum from the northern fields and 22 million tons from the southern fields.

1/ (cont'd) relinquished its rights to the Mosul district of Iraq and gave TPC transit rights through French-mandated Syrian territory. American oil companies and the U.S. Government protested the exclusive nature of the San Remo agreement, and a long controversy was finally settled in 1928 when U.S. companies acquired 23.75 per cent of TPC, which after 1929 was known as the Iraq Petroleum Company.

5. More than 90 per cent of Iraq's oil is exported. The major market is Western Europe, which accounts for the overwhelming proportion -- 88.5 per cent in 1962 -- of Iraq's exports. The remainder is exported to the Far East (7 per cent in 1962) and to Africa and Aden (4 per cent).

Growth of Oil Revenues

6. Iraq's oil exports and revenues have risen as shown in the following table:

	<u>Exports</u> <u>(million metric tons)</u>	<u>Revenues</u> <u>(ID million)</u>
1950	6.1	5.3
1951	7.8	13.9
1952	17.5	40.7
1953	26.8	51.4
1954	29.2	68.5
1955	31.6	73.8
1956	29.2	69.2
1957	19.9	51.5
1958	33.3	84.6
1959	39.2	86.8
1960	44.5	95.4
1961	45.9	95.1
1962	45.1	94.2

a/ Direct payments by the oil companies to the Government. These figures include readjustments for retroactive settlement of previous claims.

Source: Iraq Petroleum Company data.

The 1958-61 Negotiations

7. The new republican Government on July 18, 1958, four days after the revolution, announced that it did not plan to abrogate its agreements with IPC. The company, already engaged upon the £100,000,000 expansion program, went ahead on the basis of these assurances. Beginning in August 1958, however, there ensued more than three years of intermittent negotiations between the Government and the oil company, climaxed by the promulgation in December 1961 of the now-famous Law No. 80 of 1961 restricting IPC to some 740 square miles -- one half of one per cent -- of their concession areas. This left the company with only the areas under active exploitation. (The oil company states that in fact the order denies it some small areas where wells had been drilled and oil had been found, in the Rumaila field in the south). This legislation

represented a drastic challenge to the oil companies' position and to the stability of their concession agreements in the Middle East.

8. Relinquishment of concession areas was only one of several points of difference between the Government and the company. Premier Kassim also demanded a 20 per cent share participation by the Government in the company, as well as a change in the division of profits from the 50-50 basis to one more favorable to the Government. Since there was no indication that the Government intended to pay for the 20 per cent share at its market value, these two demands tended to amount to the same thing -- an increase in the Government's share of revenues from Iraq's oil. The Government challenged other points also, which covered the whole gamut of the company's operations: its calculation of costs and profits; its method of fixing selling prices; the progress of iraqization of the company's posts; etc. The Government also announced plans for the establishment of a national oil company which would undertake all phases of oil operations.

9. The course of the negotiations was inconclusive and sometimes erratic. The company eventually, in June 1961, offered to give up 75 per cent of the concession area immediately and additional amounts up to 90 per cent within seven years.^{1/} The Government, in October 1961, demanded immediate relinquishment of 90 per cent, with the Government to select the areas; and after the company refused, the Government brought in legislation which took away 99½ per cent of the concession areas and left the company with only the area in which operations were actually being conducted.

New Government Attitudes

10. At the time the new Government came to power in February 1963, the oil revenues of Iraq were still at or slightly below the level reached in 1960, while other Middle East oil countries' revenues had continued to expand. All exploration by IPC had ceased in April 1961 by Government order. The Government had not named an arbitrator to take up the outstanding issues.

11. The new Government appears intent on finding a solution acceptable to both sides. One of the new Government's early moves was to rescind a law under which the Kassim regime had threatened to impose an income tax on owners of tankers calling at Fao, which had led to a boycott of Fao by Japanese and other shipowners. On June 13, 1963, an agreement was reached also on cargo dues at Fao and at the deep-water terminal. The dues had been increased twelve-fold in 1960, following which exports from Basrah, which were 12 million tons in 1959, declined to 8 million tons in 1962. The Government has now agreed to eliminate the dues on exports above 8 million tons, and the company will make its "best endeavors" to raise exports from the Basrah area to a total of 14 million tons this year. Such an increment of 6 million tons would, at present posted prices, yield to the Iraq Government additional revenues of roughly ID 12 million.

^{1/} The company's concession agreement covered virtually the whole country, and - after the 1931 revision of the original concession - contained neither a provision for relinquishment of concession areas nor any commitments regarding the rate of exploration.

12. The new Government's position on the concession areas, however, which is the basic point at issue, is not yet clear. Law No. 80 remains on the books. A compromise which would break the present impasse, and permit Iraq's oil at least to share equally in the overall expansion of Middle East oil exports, would considerably benefit both parties. Under the present circumstances, other foreign interests appear to be showing little interest in coming into Iraq.

13. Little has been said on the part of the new Government regarding Kassim's demands for a 20 per cent share participation and a change in the 50-50 formula. During the negotiations on this point, Kassim had claimed an increase in the 50 per cent share by reference to developments elsewhere in the industry, including the Middle East concession agreements of recent years and the recent increase in the tax take in Venezuela. The oil company is bound under its concession agreements to "consider and discuss" with the Government of Iraq in case the Government of Saudi Arabia, Iran or Kuwait should receive a higher average revenue per ton than the Government of Iraq. The company states -- and the available evidence appears to bear this out -- that such a position has not yet arisen. The Government, like other Middle East governments, now receives somewhat more than a fifty per cent share of profits. The 50-50 profit sharing formula in the Middle East is based upon posted prices rather than the (lower) realized prices. Information as to the extent to which IPC sells to non-affiliates, i.e., to "arms-length" buyers, at a discount off posted prices is not available, but indications are that the Government of Iraq at present receives perhaps 55 per cent or more of actual profits.

14. Iraq's future negotiations with the oil company may take place within the context of the Organization of Petroleum Exporting Countries (OPEC). Iraq had withdrawn from OPEC's deliberations because of the presence in those meetings of Kuwait, which Kassim had wished to annex in 1961; Iraq has now "rejoined" OPEC. The current OPEC demands upon the oil companies -- which the companies have not accepted -- would further increase the Governments' share of profits without changing the basic pattern of the concession agreements.

STATISTICAL APPENDIX

Resource Pattern

1. Labor Force, 1956
2. Land Use, 1955
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23. Geographical Distribution of Foreign Trade
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Table 1: IRAQ - LABOR FORCE, 1956^{a/}

(In thousand persons)

<u>Agriculture</u>		1,610
<u>Industry</u>		128
Manufacturing & Public Utilities	99	
Home Workers	15	
Oil Industry	14	
<u>Transport</u>		56
Railways	15	
Road Transport	29	
Ports	6	
Other	6	
<u>Trade</u>		60
Retail	48	
Wholesale	5	
Other	7	
<u>Banks & Sarrafs</u>		3
<u>Construction Activities</u>		35
<u>Personal Services</u>		58
<u>Civil Service & Police</u>		58
<u>Service Industries</u>		<u>38</u>
Total		<u>2,046</u>

a/ Excludes housewives and other women engaged in unpaid domestic duties. Excludes also army.

Source: K. G. Fenelon, Iraq National Income & Expenditure, 1950-56, Baghdad, 1958.

Table 2: IRAQ - LAND USE, 1955
(in 1000 hectares)

Total area	44,444
Agricultural	6,332
Arable land and land under tree crops	5,547 ^{a/}
Of which irrigated	2,912 ^{b/}
Permanent meadows and pastures	875 ^{c/}
Forested land	1,770
Other area	36,342
Unused but potentially productive	12,100
Built-on area, wasteland and other	24,242

^{a/} From 1952/53 agricultural census

^{b/} From 1952/53 agricultural census; includes total area covered by irrigation schemes and irrigated by seasonal flows.

^{c/} Includes 644,000 hectares of uncultivable land grazed in spring season.

Source: United Nations: Economic Developments in Middle East, 1959-61

Table 3: IRAQ - RAINFALL
(In millimeters)

<u>Year</u>	<u>Mosul</u>	<u>Baghdad</u>	<u>Basrah</u>
1952	405.8	72.3	139.5
1953	537.6	97.1	119.3
1954	585.2	247.2	319.5
1955	365.7	167.7	104.8
1956	297.3	91.5	137.2
1957	459.9	336.0	224.9
1958	208.2	125.7	68.9
1959	331.7	170.4	113.8
1960	315.0	78.4	113.1
1961	<u>317.4</u>	<u>213.3</u>	<u>174.4</u>
Average	377.7	155.7	162.9

Source: Central Bureau of Statistics, Statistical Abstract

Table 4: IRAQ

GROSS DOMESTIC PRODUCT, GROSS NATIONAL PRODUCT, AND NET NATIONAL PRODUCT AT
CURRENT FACTOR COST PRICES, 1953 - 1961

Sector	(ID. Million)								
	1953	1954	1955	1956	1957	1958	1959	1960	1961
1. Agriculture, Forestry and Fishing	71.55	84.78	65.45	89.34	111.69	92.88	82.11	97.96	117.11
2. Mining and Quarrying									
a — Crude Oil Extraction	128.91	149.53	161.16	152.45	113.10	175.43	189.99	208.07	209.03
b — Other Mining and Quarrying	0.89	0.93	1.56	1.64	1.74	1.85	1.81	1.92	2.40
Total Mining and Quarrying	129.80	150.46	162.72	154.09	114.84	177.28	191.80	209.99	211.43
3. Manufacturing									
a — Oil Refining	1.91	2.46	3.45	4.19	4.99	5.74	6.45	7.79	8.07
b — Other Manufacturing	17.83	19.42	23.47	27.88	30.26	31.05	38.38	46.61	50.12
Total Manufacturing	19.74	21.88	26.92	32.07	35.25	36.79	44.83	54.40	58.19
4. Construction	12.89	19.11	23.21	28.01	30.66	34.78	33.77	36.77	34.98
5. Electricity and Water	1.46	1.78	2.17	2.53	2.68	2.78	2.97	3.62	4.21
6. Transport, Communications and Storage	21.58	22.30	24.90	27.82	30.16	30.89	34.59	40.08	45.19
7. Wholesale and Retail Trade	17.85	20.67	21.48	26.90	29.67	27.52	26.23	32.55	36.58
8. Banking, Insurance and Real Estate	3.23	3.63	4.49	6.28	6.60	7.40	8.20	8.69	9.62
9. Ownership of Dwellings	11.61	11.91	12.20	12.47	12.80	12.51	11.58	11.89	12.19
10. Public Administration and Defence	18.29	20.80	24.34	28.12	32.06	37.57	45.65	45.71	46.28
11. Services	16.83	19.25	21.26	24.83	26.99	29.65	33.33	38.11	41.45
12. Gross Domestic Product at Factor Cost	324.83	376.57	389.14	432.46	433.40	490.05	515.06	579.77	617.23
13. Less Income to Abroad	-57.63	-67.66	-71.24	-65.49	-46.40	-78.45	-85.73	-95.33	-94.20
14. Gross National Product at Factor Cost	267.20	308.91	317.90	366.97	387.00	411.60	429.33	484.44	523.03
15. Less Provisions for the Consumption of Fixed Capital	21.35	23.07	26.66	29.33	31.58	32.86	33.26	34.72	37.31
16. Net National Product at Factor Cost	245.85	285.84	291.24	337.64	355.42	378.74	396.07	449.72	485.72

Source: K. El-Din Haseeb, "National Income of Iraq 1953-61," *Al Sina'i Quarterly*, April 1963.

Table 5 : IRAQ - PERCENTAGE CONTRIBUTION OF THE SECTORS TO THE NATIONAL INCOME IN 1953 AND 1961

	Current Prices				Constant Prices			
	1953		1961		1953		1961	
	ID Million	%	ID Million	%	ID Million	%	ID Million	%
Agriculture, forestry, fishing	70.6	29	115.5	24	85.7	32	96.9	21
Crude oil extraction	121.2	49	198.6	41	121.2	46	233.7	50
Other minerals	0.9	-	2.3	-	0.9	-	2.3	-
Manufacturing	18.5	7	52.7	11	18.7	7	50.1	11
Construction	11.1	4	30.8	6	13.4	5	26.2	5
Public utilities	1.2	1	3.4	1	1.1	-	4.0	1
Trade, transport, banking	38.3	16	82.3	17	40.9	16	76.8	16
Ownership of dwellings	7.3	3	7.6	2	7.3	3	8.8	2
Public administration and defense	18.3	7	46.3	9	22.7	9	42.9	9
Personal services	16.1	7	40.4	8	19.8	7	41.0	9
Income to abroad	-57.6	-23	-94.2	-19	-66.8	-25	-112.4	-24
National income	245.9	100	485.7	100	265.2	100	470.3	100

Source: K. El-Din Haseeb, "National Income of Iraq 1953/61," Al Sina'i Quarterly, April 1963.

Table 6 : IRAQ - PER CAPITA NATIONAL INCOME 1953-1961

<u>Year</u>	<u>National Income</u> (ID. Million)		<u>Popula- tion^{a/}</u> (000's)	<u>Per Capita Income</u>			
	<u>At Current Prices</u>	<u>At 1956 Prices</u>		<u>At Current Prices</u>		<u>At 1956 Prices</u>	
				<u>ID</u>	<u>% increase over pre- ceding yr.</u>	<u>ID</u>	<u>% increase over pre- ceding yr.</u>
1953	245.9	265.2	5,832	42	-	46	-
1954	285.8	322.5	5,945	48	14%	54	19%
1955	291.2	301.4	6,061	48	-	50	-8%
1956	337.6	337.6	6,180	55	14%	55	10%
1957	335.4	351.8	6,301	56	3%	56	2%
1958	378.7	367.0	6,423	59	5%	57	2%
1959	396.1	372.6	6,548	61	3%	57	-
1960	449.7	424.1	6,675	67	11%	64	12%
1961	485.7	470.3	6,804	71	6%	69	9%

a/ The population figures were intrapolated from the adjusted 1947 and 1957 population censuses. The FAO adjusted population figures for 1947 were used (see FAO, Mediterranean Development Project: Iraq Country Report, 1959, p.6). They give a total population of 5.2 million in 1947, compared with 4.8 million as reported in the census. The 1957 adjusted figure is 6.3 million. Estimated on this basis the average compound rate of increase of the population is 1.94 per cent per annum.

Source: K. El-Din Haseeb, "National Income of Iraq 1953-1961", Al Sina'i Quarterly, April 1963.

Table 7: IRAQ - AREA, PRODUCTION & YIELD OF PRINCIPAL CROPS

	<u>AREA</u> ('000 hectares)										
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Wheat	928	969	1,198	1,390	1,425	1,314	1,456	1,533	1,490	1,271	1,346
Barley	918	882	1,096	1,122	1,205	1,171	1,240	1,157	1,090	1,038	1,041
Rice	61	75	95	120	54	70	91	89	59	77	64
Cotton	113	51	21	56	58	58	65	56	37	31	37
	<u>YIELD</u> (ton/hectare)										
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Wheat	.52	.49	.63	.83	.32	.59	.76	.49	.38	.46	.63
Barley	.91	.88	1.01	1.10	.63	.87	1.05	.82	.66	.77	.88
Rice	1.37	1.68	1.71	1.50	1.53	1.58	1.69	1.53	1.49	1.53	1.06
Cotton	.23	.15	.33	.37	.39	.43	.67	.66	.70	.77	.64
	<u>PRODUCTION</u> ('000 tons)										
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Wheat	488	480	762	1,160	453	776	1,118	757	564	592	857
Barley	839	652	1,111	1,239	757	1,016	1,305	954	725	804	911
Rice	84	126	163	180	83	111	154	137	88	118	68
Cotton	26	8	7	21	23	25	44	37	26	24	24
Tobacco <u>a/</u>	1	4	7	9	5	5	5	5	11	12	na
	<u>PRODUCTION INDICES</u> (1956 = 100)										
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Wheat	63	62	98	149	58	100	144	97	73	76	110
Barley	83	64	109	122	75	100	128	94	71	79	90
Rice	76	114	147	162	75	100	139	123	79	106	61
Cotton	104	32	28	84	92	100	176	148	104	96	96
Tobacco	20	80	140	180	100	100	100	100	220	240	na

a/ No acreage figures are available for tobacco

Source: Central Bureau of Statistics, Statistical Abstract

Table 8: IRAQ - PRODUCTION OF MAJOR INDUSTRIES IN 1960

	<u>Unit</u>	<u>Quantities Produced</u>
Cotton (Ginned)	Tons	8,093
Sugar	Tons	23,841
Vegetable Oil	Tons	68,076
Soap	Tons	16,314
Alcohol	1000 liters	3,242.5
Wine	1000 liters	224.
Beer	1000 liters	5,170
Soft Beverages	1000 bottles	238,808
Cigarettes	1000 cigs.	6,500,000
Cotton Yarn	1000 lbs.	1,167.5
Textiles Cotton	1000 yards	33,675.5
Yashmagh	1000 pieces	1,257.2
Rayon Yarns	1000 lbs.	372
Blankets	1000 pieces	255.4
Woolen Yarns	Kilograms	133,428
Woolen & Rayon Textiles	1000 meters	6,967.7
Shoes (all kinds)	1000 pairs	2,670
Leather (Inner & Outer)	1000 sq. ft.	5,754.1
Sole Leather	Tons	836.8
Bricks	1 mn. pieces	726.2
Tiles	1 mn. pieces	23.2
Mosaic	1 mn. pieces	9.6
Cement	1000	812.9
Jute	Bales	5,918
Matches	1000 gross	912
Petroleum Products	1 mn. gallons	516.5

Source: Central Bureau of Statistics, Statistical Abstract

Table 9: IRAQ - MAJOR EXISTING INDUSTRIES 1961/62: CAPITALIZATION, LABOR FORCE, CAPACITY

Industries	NUMBER OF PLANTS			Invested Capital in LCCC dinars	Manpower	Production Capacity
	Private	Public	Total			
Dairy products	6	2	8	1,686.3	373	11.7 million liters milk and 553,000 kilos cream.
Sugar refinery	-	1	1	2,119.6	415	30,000 tons.
Date products	27	3	30	750.0	5,400	60,700 tons.
Alcoholic beverages	3	-	3	428.3	155	5.6 million liters alcohol.
Brewing	2	-	2	614.0	219	11.3 million liters beer.
Soft beverages	12	-	12	736.0	1,567	143 million bottles.
Cigarette manufacture	5	1	6	2,863.0	2,240	12.75 million gross.
Woolen textiles	3	-	3	2,050.0	2,015	136,650 kilos yarn, 967,500 sq. m. fabrics, 313,750 blankets.
Cotton textiles	4	1	5	4,877.6	3,947	32.8 million yards fabric, 3.84 million lbs. yarn, 1.2 million clothing pieces.
Rayon fabric & fibers	14	-	14	1,026.6	1,661	125,000 kilos fiber, 6 million sq. m. fabrics.
Knitted & stocking products	14	-	14	321.6	404	60,000 dozen pairs of socks, 135,300 dozen under-shirts, 457,000 clothing pieces.
Jute	1	-	1	760.1	342	5,700 bales.
Footwear	21	1	22	566.0	1,298	5.9 million pairs of shoes of all kinds.
Metal furniture	21	-	21	439.4	514	285,600 pieces and 290 tons springs.
Hardware	8	-	8	186.0	105	2,080 tons.
Tanneries	6	-	6	688.0	539	870,000 kilos leather soles and 4.14 square feet leather.
Printing ^{a/}	4	3	7	na	904	
Vegetable oil, soaps & detergents	9	-	9	2,076.5	1,536	19,050 tons vegetable oil, 100 tons soap, 9,100 tons detergents.
Pharmaceutical products	3	-	3	160.0	55	
Paints & varnishes	3	-	3	140.0	215	3,025 tons.
Matches	5	-	5	505.9	420	3.05 million gross.
Industrial gases	7	-	7	261.1	100	
Petroleum refinery	-	4	4	31,000.0	2,216	4 580 million gallons of products and 50,000 tons asphalt
Bricks	na	na	130	1,270.5	11,442	279 million.
Tiles	50	-	50	123.5	1,085	9.3 million pieces and 3,000 tons mosaic stones.
Cement	4	2	6	12,631.6	1,949	1.42 million tons.
Concrete products	9	-	9	505.5	904	
Asbestos	1	-	1	361.6	123	
Aluminum utensils	7	-	7	424.1	336	
Vehicle radiators	2	-	2	38.0	24	10,000 pieces.
Grain milling ^{a/}	6	-	6	na	522	
Crude oil production	4	-	4	na	12,451	
Miscellaneous ^{a/}	2	3	6	na	400	Including canning of food (Govt.) cotton ginning, cinematographic products (Govt.) chalk, medical cotton (Govt.).

n.a. Not available.

^{a/} Enterprises employing 30 or more persons.

Source: Ministry of Industry, Year Book 1961-1962, and various unpublished sources.

Table 10: IRAQ - ORDINARY BUDGET ^{a/}
(Millions of Dinars)

	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	(Est.) 1962/63	(Est.) 1963/64
Oil Revenue	6.4	9.5	15.0	17.2	25.3	20.7	14.6 ^{b/}	26.1	43.3	47.6	58.1 ^{c/}	52.0	52.0
Customs & Excise	15.6	15.5	18.8	21.7	26.0	25.5	29.1	27.7	27.2	33.1	36.5	39.5	40.0
Income Tax	2.0	2.4	2.2	2.2	2.2	2.5	2.7	3.8	3.8	4.7	5.0	6.3	7.8
Agricultural Tax	4.7	3.9	3.5	3.5	2.7	2.6	2.8	2.4	1.9	1.9	0.7	1.0	0.8
Property Tax and Stamp Duties	1.4	1.2	1.2	1.3	1.6	1.7	2.0	2.0	2.4	2.8	3.3	3.7	3.6
Post & Telegraph	1.2	1.5	1.7	1.9	2.0	2.2	2.6	2.7	2.9	3.2	2.8	3.5	3.7
Other Revenues	6.0	16.5	5.3	4.4	5.5	7.5	8.0	10.9	8.2	10.3	12.0	12.5	12.5
Total	37.3	50.5	47.7	52.2	65.3	62.7	61.8	75.6	89.7	103.6	118.4	118.5	120.3
<u>Expenditures</u>													
Defence & Police	11.0	17.1	19.6	20.1	22.2	28.6	30.1	31.3	37.3	44.1	43.4	49.2	49.5
Education,	)	)	)	)	)	)	11.2	14.4	20.2	24.5	28.2	29.8	27.0
Health & Muni- cipal Affairs	)7.4	)9.0	)10.5	)13.7	)14.8	)17.4	)	11.4	11.7	12.1	11.8	12.9	15.1
Financial & Econ- omic Affairs ^{d/}	4.5	7.1	7.0	7.2	5.8	10.3	9.2	9.2	12.8	15.9	10.8	13.9	18.2
Communications, works & Housing	1.5	2.1	3.0	2.4	2.6	2.8	3.6	3.3	4.1	4.1	4.2	5.6	5.7
Foreign Affairs	0.5	0.5	0.9	0.8	1.1	1.0	1.2	1.2	2.8	3.1	3.1	1.8	1.9
Administration & Justice	2.7	3.2	3.5	4.1	4.3	5.3	2.9	2.6	2.8	3.0	3.1	3.5	3.7
Pensions	0.9	1.0	1.2	1.5	1.8	2.9	3.8	5.0	6.3	6.9	7.3	6.5	8.0
Others	2.3	4.5	4.5	4.0	2.7	2.0	0.5	0.6	0.7	0.9	0.8	1.6	1.8
Total	30.8	44.5	50.2	53.8	55.3	70.3	73.8	79.2	100.2	114.2	113.8	127.0	134.9
Surplus or deficit(-)	6.5	6.0	-2.5	-1.6	10.0	-7.6	-12.0	-3.7	-10.5	-10.7	4.5	-8.5	-14.6

Source: Central Bureau of Statistics, Statistical Abstract; Central Bank of Iraq.

a/ Fiscal year ends March 31.

b/ Includes ID 10.8 million as advances by oil companies against oil income.

c/ Includes ID 10.7 million prepayment of oil royalties which were paid late in March rather than in early April 1962. Thus in 1961/62 there are five quarterly instalments of oil royalties.

d/ Includes expenditures of Ministries of Finance, Trade, Agriculture, Agrarian Reform, Oil, Planning, Industry and certain welfare and other schemes.

Table 11a: IRAQ - SUPPLEMENTARY BUDGETS: SUMMARY
(Millions of Dinars)

	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>	<u>1956/57</u>	<u>1957/58</u>	<u>1958/59</u>	<u>1959/60</u>	<u>1960/61</u>	<u>1961/62</u>	(Est.) <u>1962/63</u>	(Est.) <u>1963/64</u>
Receipts	6.7	9.5	10.9	12.2	12.6	13.9	17.1	21.0	23.6	22.2	27.2	26.7
Expenditures	<u>7.7</u>	<u>9.4</u>	<u>10.9</u>	<u>12.2</u>	<u>11.1</u>	<u>13.0</u>	<u>14.4</u>	<u>18.0</u>	<u>19.6</u>	<u>19.5</u>	<u>22.2</u>	<u>24.3</u>
Surplus or Deficit	-1.0	0.1	-	-	1.5	0.9	2.7	3.0	4.0	2.7	5.0	2.4

Table 11b: Iraq - Supplementary Budgets, Selected Years 1953/54-1963/64
(Millions of Dinars)

	<u>1953/54</u>		<u>1955/56</u>		<u>1957/58</u>		<u>1959/60</u>		<u>1961/62</u>		<u>1963/64</u>	
	<u>Rev.</u>	<u>Exp.</u>	<u>Rev.</u>	<u>Exp.</u>	<u>Rev.</u>	<u>Exp.</u>	<u>Rev.</u>	<u>Exp.</u>	<u>Rev.</u>	<u>Exp.</u>	<u>Rev.</u>	<u>Exp.</u>
Iraqi Railways	4.9	4.9	5.7	5.5	6.8	6.7	7.0	8.2	5.3	6.0	6.6	6.9
Ports Administration	1.9	1.9	3.1	2.8	4.1	3.8	7.2	4.7	10.2	6.5	10.9	8.3
Fao Development Scheme	0.5	0.6	1.2	0.9	1.9	1.4	3.1	1.6	2.9	2.0	2.7	2.5
Tobacco Administration	2.2	1.9	2.2	3.0	1.1	1.1	3.4	1.0	3.5	2.4	1.3	1.3
Higher Agrarian Reform Body ^{a/}	-	-	-	-	-	-	-	1.2	0.3	2.5	5.2	5.2
Atomic Energy Commission ^{b/}	-	-	-	-	-	-	-	1.0 ^{d/}	-	0.1 ^{d/}	-	.1
Admin. of Liquidation of Properties of the ex-Royal Family ^{c/}	-	-	-	-	-	-	0.3	0.4	-	-	*	*
Total	9.5	9.4	12.2	12.2	13.9	13.0	21.0	18.0	22.2	19.5	26.7	24.3

^{a/} Established on September 30, 1959

^{b/} Established on January 3, 1959

^{c/} Established on October 5, 1958

^{d/} Budget Estimates

* Less than ID 50,000

Source: Central Bank of Iraq, Quarterly Bulletin

Table 12: IRAQ - BUDGETS OF SEMI-GOVERNMENT DEPARTMENTS: SUMMARY a/
(Millions of Dinars)

Fiscal Year	A c t u a l s															
	<u>1955/56</u>		<u>1956/57</u>		<u>1957/58</u>		<u>1958/59</u>		<u>1959/60</u>		<u>1960/61</u>		<u>1961/62</u>		<u>1962/63^{b/}</u>	
	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.
Government Oil Refineries	-	-	5.6	6.8	5.1	7.2	15.2	13.8	7.9	6.1	10.9	6.6	8.4	4.0	9.3	8.1
Grain Trade Regulation Service	-	-	0.1	-	-	-	-	-	-	0.1	0.2	0.2	-	0.3	0.8	0.3
National Insurance Company	0.5	0.6	0.7	0.4	0.5	1.0	1.3	1.1	0.9	1.0	1.3	1.1	0.5	0.3	0.5	0.3
Department of Date Service	-	-	-	-	0.3	0.1	0.3	0.1	0.1	0.1	0.3	0.2	0.6	0.2	1.1	0.1
Baghdad Water Supply Service	0.5	0.6	0.5	0.6	0.5	0.4	0.7	0.4	0.7	0.5	0.7	1.0	0.8	0.9	0.9	1.6
Baghdad Electricity Service	0.2	0.7	1.4	0.4	1.6	0.6	1.9	0.8	1.9	1.3	2.3	1.4	2.7	1.6	2.9	1.9
Baghdad Sewage Service	-	0.6	-	0.2	-	0.1	-	0.1	1.4	1.4	1.9	0.9	0.5	2.2	0.1	0.2
Directorate General of Passenger Transport Service	1.4	1.3	1.4	1.4	1.5	1.3	1.5	1.5	1.7	2.0	1.9	1.7	2.1	2.2	2.4	2.2
Department of Municipalities	1.3	1.3	2.7	2.3	4.0	2.6	1.6	2.3	2.3	4.8	3.6	2.0	3.0	3.5	3.3	2.8
Total	3.9	5.1	12.4	12.1	13.5	13.3	22.5	20.1	16.8	17.2	23.0	15.0	18.6	15.1	21.3	17.5

a/ This table does not include the revenues and expenditures of the Department of Religious Estates and the Municipality of Baghdad on which data are not available.

b/ Budget estimate

Source: Central Bank of Iraq

Table 13: IRAQ - DEVELOPMENT BUDGET: SUMMARY OF ALLOCATIONS AND EXPENDITURES 1951/52-1961/62
(Millions of Dinars)

	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	TOTAL 1951/52-1961/62
Agriculture, Irrigation and Reclamation												
Allocations	4.7	10.6	15.0	16.3	14.1	27.0	26.6	29.5	23.1	29.6	15.6	212.1
Expenditures	1.1	2.8	6.2	9.8	12.9	13.6	14.2	13.5	10.9	10.8	11.9	107.8
% of total expenditures	35%	36%	50%	47%	38%	32%	25%	26%	22%	23%	18%	24%
Industry, Mining & Power												
Allocations	-	3.0	5.0	6.0	4.1	17.0	16.0	11.0	9.4	21.3	12.5	105.3
Expenditures	-	-	0.5	2.0	2.9	5.0	8.6	11.9	4.9	5.7	7.2	48.7
% of total expenditures			4%	10%	9%	11%	15%	23%	10%	12%	11%	11%
Transport & Communications												
Allocations	2.1	3.8	4.7	5.3	14.1	17.7	29.3	32.1	21.3	57.1	25.5	213.0
Expenditures	0.9	2.3	2.2	4.9	9.9	11.1	14.2	9.6	13.7	8.1	14.2	91.1
% of total expenditures	29%	30%	18%	23%	29%	26%	25%	18%	27%	17%	21%	20%
Housing and Buildings												
Allocations	2.5	3.1	3.7	3.9	14.3	20.2	28.9	26.9	29.8	126.7	44.8	304.8
Expenditures	1.1	2.4	3.1	3.8	5.5	12.7	19.8	16.6	20.1	22.9	33.4	141.3
% of total expenditures	35%	31%	25%	18%	16%	30%	34%	32%	40%	48%	50%	32%
Administrative												
Expenditures	0.1	0.2	0.3	0.3	2.7	0.6	0.7	0.7	0.3	-	-	6.0
% of total expenditures	1%	3%	3%	2%	8%	1%	1%	1%	1%			1%
Loans to Semi-Govt. Dept.												
% of total expenditures												53.4 12%
TOTAL ALLOCATIONS	9.4	20.5	28.4	31.6	46.6	81.9	100.8	99.6	83.5	234.8	98.3	835.3
TOTAL EXPENDITURES	3.1	7.8	12.3	20.9	34.0	43.0	57.4	52.2	49.9	47.6	66.8	448.5

Source: Ministry of Finance

Table 14: IDAQ - DEVELOPMENT BUDGET: EXPENDITURES BY DEPARTMENTS, 1951/52 - 1961/62^{a/}
(Thousands of dollars)

	Fiscal Year										TOTAL 1951/52- 1961/62	
	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61		1961/62
Agriculture, Irrigation and Reclamation	<u>1,072</u>	<u>2,840</u>	<u>6,201</u>	<u>9,753</u>	<u>12,944</u>	<u>13,601</u>	<u>14,190</u>	<u>13,486</u>	<u>10,965</u>	<u>10,844</u>	<u>11,949</u>	<u>107,845</u>
Water Storage Projects	352	1,730	3,773	6,590	9,161	8,311	8,549	7,881	5,506	5,945	2,867	59,833
Drainage	13	115	84	273	765	1,379	1,172	879	1,535	1,242	(6,590)	(32,148)
Irrigation	466	646	938	1,656	2,008	2,484	3,094	2,665	1,677	2,465		
General Agricultural Development	78	189	294	394	225	448	423	698	899	600	2,342	6,288
Animal Husbandry	-	*	7	5	=	4	37	40	144	410	362	1,011
Groundwater Development ^{b/}	119	93	973	697	650	859	807	1,262	1,127	273	838	7,697
Aerial and General Surveys	34	65	132	137	135	111	68	48	78	7	50	869
Industry, Mining and Power	-	<u>81</u>	<u>461</u>	<u>2,045</u>	<u>2,803</u>	<u>5,039</u>	<u>8,591</u>	<u>11,880</u>	<u>4,850</u>	<u>5,685</u>	<u>7,216</u>	<u>48,711</u>
Manufacturing and Processing Industries	-	81	461	2,045	2,179	3,849	5,420	5,511	3,228	2,667	4,187	26,711
Mineral and Industrial Surveys	-	-	-	-	54	59	58	48	10	14	110	353
Electric Power	-	-	-	-	50	1,131	4,113	6,284	2,634	5,076	2,379	21,666
Transport and Communications	<u>907</u>	<u>2,307</u>	<u>2,238</u>	<u>4,848</u>	<u>9,217</u>	<u>11,097</u>	<u>14,200</u>	<u>9,555</u>	<u>13,652</u>	<u>8,057</u>	<u>14,219</u>	<u>91,098</u>
Roads	446	1,484	1,463	2,833	5,290	8,302	10,399	7,069	4,812	8,621	6,308	55,107
Bridges	184	268	453	1,433	2,250	1,656	2,157	1,496	869	639	1,023	12,427
Telecommunications	259	489	306	450	659	887	642	596	619	687	2,130	7,723
Airports	19	66	15	231	275	172	224	235	50	110	54	1,456
Railways ^{c/}	-	-	-	-	1,440	-	738	-	7,302	-	2,158	11,638
Ports ^{d/}	-	-	-	-	-	-	40	150	-	-	2,547	2,747
Housing and Buildings	<u>1,052</u>	<u>2,396</u>	<u>3,054</u>	<u>3,845</u>	<u>5,537</u>	<u>12,597</u>	<u>19,768</u>	<u>16,570</u>	<u>20,060</u>	<u>22,978</u>	<u>33,352</u>	<u>141,329</u>
Health Facilities	94	564	407	309	738	834	792	1,114	1,025	980	746	7,808
Education and Research Institutions	254	941	466	512	602	1,134	1,045	1,292	1,231	1,731	2,563	11,819
Housing	126	77	379	359	550	2,754	6,557	5,389	7,093	6,323	5,785	35,403
Public Buildings	313	683	1,199	1,556	3,035	6,441	7,904	5,434	9,515	13,767	23,998	74,247
Construction Site Purchases	178	38	454	992	412	1,066	2,936	3,130	314	-	-	9,520
Tourist and Resort Facilities	86	93	149	118	199	463	534	*	501	127	259	2,531
Administrative	<u>100</u>	<u>244</u>	<u>302</u>	<u>277</u>	<u>2,744^{d/}</u>	<u>607</u>	<u>666</u>	<u>724</u>	<u>348</u>	<u>-</u>	<u>50^{e/}</u>	<u>6,032</u>
Total	<u>3,131</u>	<u>7,838</u>	<u>12,256</u>	<u>20,863</u>	<u>34,025</u>	<u>43,041</u>	<u>57,415</u>	<u>52,215</u>	<u>49,895</u>	<u>47,564</u>	<u>66,786</u>	<u>395,015^{a/}</u>

* Less than ID 500.

^{a/} Excludes ID 534 million of loans to semi-government departments from development budget over this period. Data are not available to distribute these funds by department or sector, or by year.

^{b/} Includes provision of drinking water supplies, plus some reclamation of swamp lands.

^{c/} Represents only those expenditures met from development budget; most expenditures of these agencies are met from their own independent budgets (see Table 12).

^{d/} Includes ID 2,247,700 repayment of I.B.R.D. loan for Wadi Tharthar project.

^{e/} Repayment on loan from U.S.S.R.

Source: Ministry of Finance

Table 15: IRAQ - GOVERNMENT FISCAL OPERATIONS: OVERALL RESULTS

	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	Total 1951/52-1961/62
<u>Development Budget</u>												
<u>Receipts</u>												
Share from oil revenue	6.7	22.9	34.8	40.0	59.1	48.2	34.2	60.8	43.3	47.5	58.1	455.6
Others ^{a/}	<u>0.8</u>	<u>1.1</u>	<u>0.5</u>	<u>0.7</u>	<u>1.7</u>	<u>2.9</u>	<u>1.7</u>	<u>1.0</u>	<u>-</u>	<u>1.8</u>	<u>6.9</u>	<u>19.1</u>
Total	7.5	24.0	35.3	40.7	60.8	51.1	35.9	61.8	43.3	49.3	65.0	474.7
<u>Expenditures</u>												
Surplus or deficit (-)	4.4	16.2	23.0	19.8	26.8	8.1	-21.5	9.6	-6.5	1.7	-1.8	79.7
Less loans to semi-Govt. depts ^{b/}												<u>53.4</u>
A. Net Surplus or Deficit (-)												26.3
<u>Ordinary Budget</u>												
<u>Receipts</u>												
Oil Revenue	6.4	9.5	15.0	17.2	25.3	20.7	14.6	26.1	43.3	47.6	58.1	283.8
Non oil revenue	<u>30.9</u>	<u>41.5</u>	<u>32.7</u>	<u>35.0</u>	<u>40.0</u>	<u>42.0</u>	<u>47.2</u>	<u>49.5</u>	<u>46.4</u>	<u>56.0</u>	<u>60.3</u>	<u>481.5</u>
Total	37.3	51.0	47.7	52.2	65.3	62.7	61.8	75.6	89.7	103.6	118.4	765.3
<u>Expenditures</u>												
B. Surplus or Deficit (-)	6.5	6.5	-2.5	-1.6	10.0	-7.6	-12.0	-3.6	-10.5	-10.6	4.6	-20.8
<u>Supplementary & Autonomous Budgets</u>												
<u>Receipts</u>												
	-	6.7	9.5	10.9	16.1	25.0	27.4	39.6	37.8	46.6	40.8	260.4
<u>Expenditures</u>												
C. Surplus or Deficit (-)	-	<u>7.7</u>	<u>9.4</u>	<u>10.9</u>	<u>17.3</u>	<u>23.2</u>	<u>26.3</u>	<u>34.5</u>	<u>35.2</u>	<u>34.6</u>	<u>34.6</u>	<u>233.7</u>
D. Overall Surplus or Deficit (-) ^{e/} (A + B + C)	10.9	21.7	20.6	18.2	35.6	2.3	-32.4	11.1	-14.4	3.1	9.0	32.2 ^{e/}
<u>E. Change in Net Govt. Cash Position^{d/}</u>												
	7.8	12.6	16.3	18.3	17.1	-4.9	-36.2	0.2	-12.7	-13.0	-23.0	-17.5
<u>F. Discrepancy^{e/} (E - D)</u>												
	-3.1	-9.1	-4.3	0.1	-18.5	-7.2	-3.8	-10.9	1.7	-16.1	-32.0	-49.7 ^{e/}

a/ Includes proceeds from IBRD loan and USSR loan.

b/ Data are not available to enable these loans to be distributed by year.

c/ Yearly figures do not add to total shown for 1951/52-1961/62 for reason described in footnote b/.

d/ From banking statistics, Tables 16 and 17.

e/ Partly due to inadequate budgetary procedures which make it impossible to eliminate double counting of receipts among the different budgets and therefore to produce a single consolidated budget. Receipts into the supplementary and autonomous budgets include transfers from the ordinary budget, and presumably the ID 53.4 million of loans to semi-Government departments from the development budget (see footnote b/). Moreover, there appear to be some Government expenditures not recorded in the budget data. An attempt by the Central Bank to remove double counting and produce a consolidated budget for 1961/62 was unsuccessful in eliminating a sizeable discrepancy even in that year between an ostensible budgetary surplus and a substantial deterioration in the Government's cash position. There are no indications as to just which Government expenditures may be excluded from the budgetary figures. In any event, only the banking statistics can be relied upon to show the net impact of the Government's fiscal operations.

Source: Table 15 is compiled from Tables 10-14, 16 and 17.

Table 16: IRAQ - CONSOLIDATED STATEMENT OF BANKING SYSTEM a/
 Year ending December 31
 (Millions of Dinars)

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	(March) <u>1963</u>
<u>Assets</u>													
Foreign Assets	54.3	65.8	85.9	107.0	127.0	138.9	113.9	127.4	130.1	107.2	89.6	84.3	117.8 ^{c/}
Claims on Government ^{b/}	10.3	8.1	10.7	13.9	19.2	25.5	32.0	25.8	30.6	36.7	46.7	65.4	52.1
Claims on Private Sector	11.3	10.8	15.5	24.8	32.1	33.9	40.1	39.4	44.7	53.4	61.8	64.6	63.3
Claims on Specialized Banks	-	-	-	-	-	-	-	3.3	5.5	6.6	5.3	3.3	3.1
Unclassified Assets	2.5	2.4	3.1	3.9	4.7	7.9	12.3	13.3	19.4	18.8	14.1	17.0	19.0
<u>Liabilities</u>													
Money of which: currency	45.4 (32.1)	43.4 (30.0)	51.0 (34.4)	61.2 (41.2)	66.1 (43.2)	76.3 (48.5)	82.1 (50.7)	98.6 (63.6)	110.5 (76.1)	106.0 (73.1)	106.8 (75.0)	117.2 (81.0)	126.2 (84.4)
Quasi-Money	10.5	9.8	10.8	12.0	14.0	17.4	22.2	23.0	28.3	32.6	35.7	38.3	38.7
Government deposits	13.9	24.3	40.8	65.2	85.7	87.1	57.4	58.0	49.5	42.2	28.4	23.4	33.4
Foreign liabilities	-	-	-	-	-	-	-	1.0	4.0	2.2	4.4	9.1	10.3
Capital Accounts	5.6	6.3	8.2	9.5	11.4	13.0	15.6	18.3	19.8	21.7	24.5	27.7	29.8
Unclassified Liabilities	3.0	3.0	3.3	4.3	5.8	12.5	21.1	11.0	18.9	19.3	19.0	20.2	18.2

a/ Includes Central Bank, commercial banks and sarrafs (indigenous bankers)

b/ Includes Postal Savings.

c/ Reflects quarterly payment of oil royalties on March 29, 1963 amounting to ID 25.2 million

Source: Central Bank of Iraq IMF, International Financial Statistics

Table 17: IRAQ - FACTORS INFLUENCING MONEY SUPPLY

	(Millions of Dinars)												1st Qtr. 1963
	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
<u>Change in Money Supply</u>	-1.9	-2.0	2.2	11.3	4.2	10.2	5.8	16.5	11.9	-4.5	0.8	10.4	9.0
Net claims on Public Sector	-7.8	-12.6	-16.3	-18.3	-17.1	4.9	36.2	-0.2	12.7	13.0	23.8	23.6	-23.3
Claims on Private Sector	5.3	-0.5	4.2	9.4	7.3	1.8	6.2	-0.6	7.5	9.8	7.1	0.8	-1.5
Less: Time & Saving Deposits	2.4	-0.7	1.0	1.2	2.0	3.4	4.8	0.8	5.3	4.3	3.1	2.6	0.4
Net claims on Private Sector	2.9	0.2	3.2	8.2	5.3	-1.6	1.4	-1.4	2.2	5.5	4.0	-1.8	-1.9
Foreign Assets (net)	2.1	11.5	20.1	21.1	20.0	11.9	-24.7	13.5	-0.3	-20.5	-19.8	-10.1	32.3
Other Assets and Liabilities (incl. errors and omissions)	0.9	-1.1	0.2	0.2	-4.0	-5.1	-7.1	4.5	-2.7	-2.5	-7.2	-1.3	1.9
<u>Money Supply (end of period)</u>	<u>45.4</u>	<u>43.4</u>	<u>50.6</u>	<u>61.9</u>	<u>66.1</u>	<u>76.3</u>	<u>82.1</u>	<u>98.6</u>	<u>110.5</u>	<u>106.0</u>	<u>106.8</u>	<u>117.2</u>	<u>126.2</u>
of which: currency	32.1	30.0	34.4	41.2	43.2	48.5	50.7	63.6	76.1	73.1	75.0	81.0	84.4

Source: Central Bank of Iraq; IMF, International Financial Statistics.

Table 18: IRAQ - PRICE INDICES

	(1958 = 100)												1st Qtr. 1963
	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Wholesale Prices in Baghdad	122	125	104	99	101	108	111	100	110	114	113	111	112 ^{a/}
Cost of Living for Unskilled Laborers in Baghdad	97	105	91	90	92	98	103	100	99	102	104	104	105

^{a/} February 1963.

Source: IMF, International Financial Statistics.

Table 19: IRAQ - VALUE OF PRINCIPAL EXPORTS^{a/}

(Millions of Dinars)

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Dates	5.6	4.7	4.2	3.5	2.8	2.6	3.4	2.9	4.0	4.0	2.8	7.1
Barley	12.3	9.0	8.6	8.8	6.0	5.0	3.0	4.8	0.8	-	0.8	7.1
Wheat	1.5	-	-	0.5	1.7	-	0.1	0.2	-	-	-	-
Rice	0.4	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	-	-	n.a.
Other Grains	0.7	0.3	0.4	0.2	0.3	0.1	0.2	0.3	-	-	-	-
Pulses and Flour	0.4	0.2	0.6	0.3	0.5	0.3	0.1	0.2	0.1	0.1	0.1	0.1
Raw Cotton	1.8	1.1	0.4	0.3	0.6	0.8	1.0	1.3	1.5	0.3	0.2	0.4
Raw Wool	1.7	1.1	1.0	0.9	1.4	1.6	1.5	0.9	1.6	0.9	0.9	1.2
Live Animals	0.5	0.9	1.6	1.6	0.4	0.4	0.4	0.6	0.1	-	0.1	0.1
Seeds	0.6	0.3	0.6	0.3	0.5	0.4	0.3	0.3	0.5	0.2	0.2	0.5
Hides and Skins	0.3	0.2	0.3	0.3	0.2	0.3	0.4	0.3	0.5	0.6	0.6	1.0
Cement	0.1	-	0.1	-	-	0.1	0.7	0.4	0.7	0.6	0.7	0.6
Fodder and Straw	1.4	0.9	0.1	0.1	0.1	0.1	0.2	0.6	0.5	0.4	0.4	0.4
Others	1.4	0.9	1.1	1.0	1.3	0.7	1.5	1.6	1.1	0.9	1.1	0.8
TOTAL	27.3	18.8	19.1	18.0	15.9	12.5	12.9	14.5	11.6	8.0	7.9	19.3

^{a/} Excluding Oil.Source: Central Bank of Iraq and Central Bureau of Statistics: Statistical Abstract.Table 20: IRAQ - VOLUME OF PRINCIPAL EXPORTS^{a/}

(Thousands of tons)

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Dates	330	243	252	218	249	264	238	238	279	251	186	230
Barley	439	339	490	490	321	288	193	314	43	-	49	339
Other Grains	76	9	19	49	89	6	5	17	6	-	1	39
Pulses and Flours	15	9	22	12	29	15	6	9	6	7	5	5
Fruits and vegetables	-	1	2	1	-	14	7	5	4	-	6	11
Raw Cotton	4	3	1	1	3	4	5	7	10	2	1	2
Raw Wool	5	5	6	5	6	7	6	4	9	5	4	4
Hides and Skins	1	1	2	1	2	2	3	3	3	4	4	4
Seeds	16	12	12	5	9	9	7	7	11	5	3	9
Live Animals ('000 heads)	134	229	356	385	151	83	87	177	16	1	11	11
Cement ^{b/}	53	15	36	7	1	11	72	56	106	95	145	143
Fodder and Straw	-	11	7	9	10	13	13	34	23	20	22	19

^{a/} Excluding Oil.^{b/} Includes earth, stone and lime, from 1952 through 1955.Source: Central Bank of Iraq and Central Bureau of Statistics, Statistical Abstract.

Table 21: IRAQ - VALUE OF PRINCIPAL IMPORTS

(Millions of Dinars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
<u>Total Imports</u>	<u>114.6</u>	<u>122.4</u>	<u>109.8</u>	<u>116.4</u>	<u>138.9</u>	<u>145.6</u>	<u>129.6</u>
<u>Imports by Oil Companies</u>	<u>7.4</u>	<u>10.4</u>	<u>10.0</u>	<u>17.0</u>	<u>14.6</u>	<u>12.1</u>	<u>1.9</u>
<u>Other Imports</u>	<u>107.2</u>	<u>112.0</u>	<u>99.8</u>	<u>99.4</u>	<u>124.3</u>	<u>133.5</u>	<u>127.7</u>
<u>Principal Consumer Goods</u>	<u>41.9</u>	<u>46.2</u>	<u>39.2</u>	<u>46.5</u>	<u>60.8</u>	<u>65.2</u>	<u>54.3</u>
Food, Beverages and Tobacco	20.5	22.7	17.6	24.0	31.5	36.9	24.8
Textiles, Clothing & Footwear	12.1	14.4	12.6	12.6	14.8	13.5	13.4
Current Consumer Goods	2.5	3.0	2.5	3.7	4.3	5.1	5.8
Durable Consumer Goods	6.8	6.1	6.5	6.2	10.2	9.7	10.3
<u>Principal Capital Goods</u>	<u>44.2</u>	<u>42.8</u>	<u>35.4</u>	<u>29.9</u>	<u>34.9</u>	<u>38.0</u>	<u>43.5</u>
Machinery & Equipment	16.6	17.0	10.5	6.9	9.3	9.6	12.9
Other Capital Goods	27.6	25.8	24.9	23.0	25.6	28.4	30.6
<u>Raw Materials</u>	<u>10.5</u>	<u>10.5</u>	<u>8.5</u>	<u>7.1</u>	<u>10.0</u>	<u>10.5</u>	<u>9.9</u>
<u>Other Goods</u>	<u>10.6</u>	<u>12.5</u>	<u>16.7</u>	<u>15.9</u>	<u>18.6</u>	<u>19.7</u>	<u>19.9</u>

Source: Central Bank of Iraq, Quarterly Bulletin.Table 22: IRAQ - VOLUME OF PRINCIPAL IMPORTS

(In thousands of tons)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Cereals	115	55	4	186	263	484	169
Sugar	141	145	175	168	212	236	225
Tea	17	17	16	20	23	25	27
Vegetable Oils	5	4	6	10	20	20	19
Cotton piece goods('000 m ²)	28	31	29	36	44	41	41
Artificial silk piece goods ('000 m ²)	49	69	63	65	64	56	56
Iron and steel	158	139	122	150	160	211	234
Machinery and equipment	27	44	22	13	17	21	29
Vehicles and parts	20	18	16	11	18	20	18
Electrical machinery	12	9	13	17	13	12	17
Paper and cardboard	15	14	14	17	24	28	18
Timber	36	47	46	52	69	82	82
Pharmaceutical products	2	2	1	2	3	4	5

Source: Central Bank of Iraq and Central Bureau of Statistics, Statistical Abstract.

Table 23: IRAQ - GEOGRAPHIC DISTRIBUTION OF FOREIGN TRADE^{a/}
(Millions of Dinars)

<u>EXPORTS</u>	<u>1 9 5 1</u>		<u>1 9 5 8</u>		<u>1 9 6 2</u>	
	<u>ID.</u>	<u>%</u>	<u>ID.</u>	<u>%</u>	<u>ID.</u>	<u>%</u>
United Kingdom	8.3	30	3.1	21	1.1	6
United States	0.9	3	0.7	5	2.1	11
Germany	1.0	4	1.0	7	2.4	12
Other OEEC	4.3	16	1.7	12	2.7	14
Lebanon	2.2	8	0.6	4	1.8	9
Syria	0.5	2	0.7	5	0.6	3
Japan	2.0	7	0.2	1	0.1	1
India	2.6	10	0.8	6	0.8	4
Others	<u>5.5</u>	<u>20</u>	<u>5.7</u>	<u>39</u>	<u>7.7</u>	<u>40</u>
TOTAL EXPORTS	27.3	100.0	14.5	100.0	19.3	100.0
 <u>IMPORTS</u>						
United Kingdom	17.3	34	30.2	28	21.2	16
United States	7.1	14	15.2	14	14.9	12
Germany	0.7	1	12.6	12	14.3	11
Other OEEC	7.1	14	13.8	13	14.4	11
Ceylon	2.8	6	5.7	5	7.0	5
India	2.3	4	1.4	1	2.8	2
Japan	3.6	7	8.6	8	5.6	4
USSR	-	-	-	-	8.7	7
Others	<u>10.1</u>	<u>20</u>	<u>22.3</u>	<u>19</u>	<u>40.7</u>	<u>32</u>
TOTAL IMPORTS	51.0	100.0	109.8	100.0	129.6	100.0

a/ Excluding oil and re-exports.

Source: Central Bank of Iraq.

Table 24: IRAQ - BALANCE OF PAYMENTS

(Millions of Dinars)

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	First Half 1962
A. TRANSACTIONS OF OIL SECTOR												
Exports and re-exports	39.1	80.8	120.9	156.1	169.1	156.9	114.4	186.8	202.1	222.9	224.5	111.8 ^a
Imports, c.i.f.	- 8.8	-14.4	- 13.2	- 5.8	- 6.3	- 7.4	- 10.4	- 10.0	- 16.9	- 14.6	- 12.1	- 1.2
Investment income	-14.1	-32.7	- 51.3	- 68.5	- 73.7	- 68.8	- 48.9	- 79.9	- 86.6	- 95.1	- 94.8	- 47.2
Salaries remitted abroad	- 0.3	- 0.5	- 0.5	- 0.4	- 0.4	- 0.4	- 0.4	- 0.3	- 0.3	- 1.1	- 0.9	- 0.5
Net capital movements (incl. net errors & omissions) ^{a/}	3.3	15.3 ^{b/}	- 0.5	- 14.7 ^{b/}	5.6 ^{b/}	- 0.4	16.6 ^{c/}	0.1	4.1	1.0	- 1.3	- 5.7
Net Receipts	19.3	48.4	55.4	66.7	94.4	79.9	71.3	96.7	102.4	113.2	115.4	57.3
(Iraqi Government's share of profits)	(14.1)	(32.7)	(51.3)	(68.5)	(73.7)	(68.8)	(48.9)	(79.9)	(86.6)	(95.1)	(94.8)	(47.2)
(Expenditures in Iraq and other payments, net)	(5.2)	(15.7)	(4.1)	(-)	(20.7)	(11.1)	(22.4)	(16.8)	(15.8)	(18.1)	(20.6)	(9.7)
B. OTHER GOODS AND SERVICES												
Exports f.o.b.	33.1	22.5	23.0	20.7	15.2	13.7	14.1	15.7	14.3	10.6	11.8	11.3
Imports c.i.f.	-43.2	-48.6	- 56.9	- 68.7	- 90.9	-107.2	-112.1	- 99.8	- 99.4	-125.9	-138.2	- 62.2
Other	- 0.2	- 0.8	0.1	- 0.3	- 1.9	3.4	- 3.1	6.6	- 1.7	- 5.1	- 6.6	-
TOTAL	-10.3	-26.9	- 33.8	- 48.3	- 76.6	- 90.1	-101.1	- 77.5	- 86.8	-120.4	-133.0	- 50.9
C. OTHER FVT. TRANSFERS AND CAPITAL												
	- 0.4	1.3	0.9	1.0	1.4	4.8	5.5	6.8	1.2	2.2	1.0	0.8
D. OFFICIAL TRANSFERS AND LONG TERM LOANS												
Transfer payments	-	0.2	0.6	0.6	2.4	1.4	0.8	1.0	- 1.3	- 2.1	- 1.1	- 1.0
Drawings on loans	- 0.1	- 0.8	- 1.9	-	- 2.2	-	-	1.9	-	1.6	5.0	2.1
Repayments on loans	0.3	1.7	0.4	0.1	-	-	-	- 0.5	- 1.8	- 4.2	- 4.2	- 0.1
TOTAL	0.2	1.1	- 0.9	0.7	0.2	1.4	0.8	2.4	- 3.1	- 4.7	- 0.3	1.0
E. NET ERRORS AND OMISSIONS												
	- 8.4	-12.8	0.1	3.2	1.1	11.2	- 0.8	- 8.8	- 14.2	- 10.2	- 2.8	- 4.5
F. TOTAL FOR NON-OIL SECTOR												
	-18.9	-37.4	- 33.6	- 43.4	- 73.9	- 72.7	- 95.6	- 83.1	-102.9	-133.1	-135.0	- 53.6
G. MONETARY MOVEMENTS												
Central Bank (increase-)	- 0.1	- 5.6	- 18.4	- 22.6	- 18.8	- 16.3	34.9	- 4.7	15.3	20.2	10.2	(
Commercial banks (increase-)	- 0.3	- 5.4	- 3.4	- 0.7	1.3	9.1	- 7.9	- 4.2	0.6	7.1	4.0	(- 3.4
Monetary Gold (increase-)	-	-	-	-	- 3.0	- 2.0	- 2.0	- 5.0	- 18.0	- 4.7	4.9	(
Change in bilateral balances	-	-	-	-	-	-	- 0.7	0.3	2.7	- 2.1	0.5	- 0.3
TOTAL ^{d/}	- 0.4	-11.0	- 21.8	- 23.3	- 20.5	- 7.2	24.3	- 13.6	0.6	19.9	19.6	- 3.7

a/ Drawings and repayments on the 1957 loan from the oil company are included in Group D from 1958 onwards.

b/ Includes a sum of ID 7.5 million in 1952 as adjustment of oil royalties; in 1954 a sum of ID 10.6 million is entered as accrued royalties; this sum was paid in 1955.

c/ Includes drawings of ID 9.1 million against the loan from the oil company (see footnote a/).

d/ There are slight differences between these figures and the data on net foreign assets as shown in the banking statistics. These differences are due to the fact that the Rafidain bank imports and holds gold for industrial purposes. This gold is counted as part of the foreign assets of the bank, whereas it appears under "other goods and services" in the balance of payments table. In 1960 the difference is also due to the increase in the IMF quota.

Source: International Monetary Fund; Central Bank of Iraq.

Table 25a: IRAQ - EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1962

(In thousands of U.S. dollar equivalents)

Item	Debt outstanding December 31, 1962		
	Disbursed	Undisbursed	Total
TOTAL EXTERNAL PUBLIC DEBT	<u>44,800</u>	<u>111,720</u>	<u>156,520</u>
Loan from U.S.S.R. <u>a/</u>	43,680	96,320	140,000
Loan from Czechoslovakia <u>b/</u>	1,120	15,400	16,520

a/ Excludes unallocated portion (ID 15,000,000) of U.S.S.R. frame agreement in the amount of ID 65,000,000.

b/ Excludes unallocated portion (ID 6,100,000) of Czech frame agreement in the amount of ID 12,000,000.

Table 25b: IRAQ - ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING (INCLUDING UNDISBURSED) AS OF DECEMBER 31, 1962 a/

(In thousands of U.S. dollar equivalents)

Year	Debt outstanding plus undisbursed January 1	Payments during year		
		Amortization	Interest	Total
1963	156,520	1,026	1,570	2,596
1964	155,494	1,493	2,097	3,590
1965	154,001	1,960	2,624	4,584
1966	152,041	10,710	2,845	13,555
1967	141,331	13,043	2,934	15,977
1968	128,288	13,043	3,007	16,050
1969	115,245	13,043	2,881	15,924
1970	102,202	13,043	2,555	15,598
1971	89,159	13,045	2,229	15,274
1972	76,114	13,044	1,903	14,947
1973	63,070	13,043	1,577	14,620
1974	50,027	13,043	1,251	14,294
1975	36,984	12,016	925	12,941
1976	24,968	11,550	624	12,174
1977	13,418	11,084	335	11,419

a/ Includes service on all debt listed in Table 25a.

NOTE: The debt service projections in Table 25b are based upon the Government's figures on drawings (i.e. disbursements) as of December 31, 1962, and upon the mission's estimates of future drawings as indicated by the official (and generally optimistic) completion schedules of various projects. Amortization, it should be noted, commences not at the time of drawings (which are considered to take place when the equipment is shipped) but only after completion of the particular project.

Statistics Division
IBRD - Economic Staff
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