

Book Review**Under - developed, Despite Oil**

The Economic Development of Iraq. Report of a Mission organised by the International Bank for Reconstruction and Development, The Johns Hopkins Press, Baltimore. 1952. Paces 463. Price \$5.

Reviewed by Hannan Ezekiel

THE most outstanding feature of the economy of Iraq is that because of its immense oil reserves, it has no problem of finance to face. "Iraq," says the World Bank Mission, "possesses impressive potentialities for economic development." It is sparsely populated in relation to its resources and although all but a narrow belt to sustain agriculture, Iraq has rivers for irrigation. "As yet, however, this economic potential is in sharp contrast to the poverty prevailing in Iraq. The standard of living of the people is extremely low. Income *per capita* is probably at most ID 30. (One Iraqi dinar equals £1.) Almost 90 per cent of the population are illiterate and many are subject to debilitating diseases such as malaria, hook-worm and bilharzia. Housing and sanitation are for the most part primitive. The fundamental reasons for these conditions are low output and low productivity. Most of the manpower on the land is underemployed for a large part of the year, and considerable unemployment exists in the major cities."

Oil is produced in large quantities in Iraq and past investments in the industry are likely to yield heavy dividends in the future. Rapidly increasing production of petroleum has become possible and by an agreement reached in August, 1951, the three internationally-owned oil companies have undertaken to raise oil output, from 6 million tons in 1950 to 30 million tons by the end of 1955. Half the profits before deduction of taxes are to be paid to the Iraqi Government.

"On this basis," the report points out, "it is anticipated that, over the next five years, the Government may receive net revenues amounting to as much as 214 million dinars from oil." The entire oil revenues will be made available for the purpose of development according to a law passed in 1950, so that the major problem facing the country is how to make use of them to bring about that improvement in the standard of living of the people which is so desirable. The financial stringencies which had severely limited public

expenditures in the past have now given place to embarrassingly large revenues for which adequate and satisfactory avenues of developmental expenditure must be found.

The Mission finds that although the rainfall over Iraq is inadequate except in a narrow belt to the north and north-east, "the country's twin river systems—the Tigris and Euphrates—can provide large amounts of water for irrigation. Much of its soil is inherently fertile and with ample water, manpower and implements, the area under cultivation might be almost tripled." In this situation, the Mission's task was evidently to recommend a programme of work which would bring about the planned development of the country's resources and thus ensure that Iraq makes the most of the good fortune which has come its way. The Mission recognises that this is by no means easy. In particular, it stresses that, "Attention should be focussed not only on the content of the development programme but also on the means for carrying it out." This difficult task can be carried out only, the Mission points out, "if full advantage is taken of the technical resources of other countries."

As in most underdeveloped countries, the fact that a large proportion of the population is engaged in agriculture and both industry and commerce depend largely upon it, makes it essential that any development programme should put primary emphasis on agriculture. Besides, there is great scope for increasing agricultural production, both by expansion of the area under cultivation and by increasing the productivity of the soil. "Crop yields are generally low. The water supply is frequently inadequate. Agricultural methods have on the whole remained unchanged for centuries. Little or no animal manure or fertilizer is applied to the soil, animal dung being used largely for fuel. Crop rotation is wholly inadequate and makes little or no provision for soil-building crops." The list of defects of the mode of agriculture in Iraq reads like a description of the defects of agriculture all over

the East.

The Mission, however, draws particular attention to the social conditions which hamper the progress of agriculture. "The depressed economic condition of the *fellah* or share-cropper undoubtedly retards progress. It undermines the health and vigour of the rural population, limits the market for industrial products and may in the long run jeopardize the stability of the social order." The position of the share-cropper relative to the landowner is very weak because it is the latter who provides the means of production and by the fact that, by law, the share-cropper is forbidden to leave the land so long as he is indebted to his landlord, "which is generally the case." While the long-term solution to the problem, the Mission suggests, lies in the provision of alternative sources, of the means of production on more favourable terms, it points out that unless early steps are taken by the landowner to improve the share-cropper's lot, there is likely to be a flight from the land as a result of the various measures planned to be taken by the Government for the industrialisation of the country.

As can be expected in the circumstances prevailing in Iraq, the Mission supports plans for the future, which "envisage large water storage and irrigation projects to provide more water for land already in use and to increase the area under cultivation and provide for the settlement of new land." The Mission, however, emphasises the need for arresting the deterioration of land already in use by extensive drainage schemes and for raising the productivity of agriculture by other means. Of the latter, an efficient extension service and incentives to cultivators to improve their methods of cultivation are particularly important.

The report devotes much attention to the problems arising from the settlement of new lands. It warns particularly against permitting new land to fall into the hands of big land-owners, which has been happening under the provisions of the Land Settlement Law of 1932. Under a new law passed in 1951,

land which has been adjudged to be state land under the provisions of the 1931 law has been set aside for distribution to new settlers. This law is generally approved by the Mission though it emphasises the need to ensure that the settlers farm the land themselves and do not set up a petty landlords.

The Mission makes two other recommendations—(1) that the right of sale after the initial period of twenty years should be limited so as to give the Government the option to purchase the land itself and (2) it advises against the provision enabling settlers to acquire the land without cost. In principle, the Mission recommends, the settlers should be made to pay for the facilities they obtain in this way, though the burden may be lightened by giving them easy terms of payment.

Industrial development has been very poor in Iraq so far. Apart from the oil industry which employs about 12,000 workers, about 2,000 are working in modern industrial plants. At present the main industries are processing of agricultural products, the production of building materials such as cement and bricks, and the manufacture of consumers' goods like textiles, soaps, matches, cigarettes, shoes and beverages. "Conditions, however, are generally favourable to further industrial development," according to the Mission. "An expanding agriculture should provide more materials, such as fibres and oilseeds, for processing and when the standard of living among the rural population is raised there should be a growing domestic market for industrial products. In oil and natural gas the country possesses a cheap source of power and fuel as well as an important source of raw materials. There are surface indications of iron, copper, zinc and chrome ores, as well as of the existence of sulphur and salt deposits."

There are the obvious limiting factors, - limited skilled manpower, little technical "know-how", and lack of sufficient private capital and initiative. Because of the last difficulty, industrial development will have to depend very largely upon the initiative or financial assistance of the Government. The largest and perhaps the most promising industrial possibility in Iraq lies in the utilisation of the natural gas produced in conjunction with oil which now goes waste. The Mission recommends the establishment of a large chemical plant for natural gas at an estimated cost of ID 25,000,000.

Two of the most interesting chapters, in the report are those on 'Problems of Execution', and 'Impact of the Programme'. The financing of the programme, the difficulties of achieving the high rate of expenditure necessary because of the need for the preparation of carefully planned projects, the necessity for the improvement in public administration and finally the need for technical assistance are discussed in the first; the second examines the effects of a development programme of this magnitude on the pattern of life in the country. "The national income will increase at a rate which, though not unparalleled, can certainly be considered exceptional. Large shifts in employment will occur as a consequence." To meet the possible inflationary effects of the development programme, the Mission recommends the free flow of imports, which would not be detrimental to the interests of the country in any way in view of the strong balance of payments position.

Nevertheless, wages are bound to rise as competition for manpower begins to be felt. There will be some drain of manpower from the land.

undesirable as at present many workers on the land are employed in performing very low-productivity tasks. Rising incomes, however, are bound to raise prices, particularly because the incidence of demand from those whose incomes rise cannot be fully predicted. Imports will not solve the problem where the commodities concerned cannot, for one reason or another, be imported. The fixed-income group may suffer in consequence and the Government will have to take measures to ensure that these changes do not result in an inequitable shift in the distribution of incomes.

Finally, the Mission stresses that such a large scale programme cannot succeed with a passive population. "Individual Iraqis must be given through the press, the radio, and other media an understanding of what the Government is trying to accomplish and how they themselves can contribute to the attainment of the objectives. They must also realize their stake in the programme in the form of a rising standard of living and hope for a better future for their children."

THE HINDUSTAN CONSTRUCTION CO. LTD.



- *Drilling Contractors*
- *Diamond and Shot Core Borings*
- *Dry Sample Borings*
- *Foundation Testing for Bridges, Dams and all Heavy Structures*
- *Also Undertake Guniting-Bored Piles Cementation, Etc.*



Construction House, Ballard Estate
BOMBAY

Telegrams
HINCON

Phone :
26036