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POSSIBILITIES OF INDUSTRIALIZATION WITHIN A CUSTOMS UNION OF IRAQ, SYRIA, LEBANON, PALESTINE, AND TRANSJORDAN.

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PREFACE

One of our main problems in this part of the world is that we are ignorant as to that which is most effective in our national struggle. Purposes, although in a vague way, known; national struggle, strikes, uprisings, and disturbances have become a commonplace phenomenon. Yet our national aspirations have been realized to a small extent only, and the steps we have taken along our goal are only few. There may be political or historical causes for this slow progress, but still a serious drawback is that we have not yet adopted the proper measures. Emotions being our guiding force, the mind has been neglected, and our national struggle has been mainly along that which is most appealing to emotional impulses, namely, negative measures. Being unaware of the fact that in the world of to-day what is really effective are ideas vested with emotions, we have not yet adopted positive productive remedies which call for a lot of understanding, planning, and patience. One of the vital processes of the significance of which we have not yet been aware is that of establishing a manufacturing power. We do not yet fully realize that the introduction of industry is an indispensable measure for lifting our country from its poor, weak, and agrarian state, to an advanced prosperous one, in which nationality is able to grow, and to produce. The significance of industrialization in the rebuilding of our national life has been the incentive for this work of inquiring into the industrial possibilities of the Arab countries of the Fertile Crescent, namely, Palestine, Syria, Lebanon, Iraq, and Transjordan, within the framework of a Customs Union between them.

The subject being wide, my work has been done at serious disadvantages. There have been the limitations of time and space. My subject has a bearing almost upon all the proposed Union's economic aspects, as well as on some social and political issues, and a reference to these numerous points has been deemed necessary, but with the time and the space at my disposal an adequate discussion of all of them has been impossible. Thus in some cases my work is simply a statement of the main points at issue, and of the general principles involved without sufficient analysis. The advantages of industrialization, the economic resources for industry, and the industrial possibilities are discussed briefly; the implications of a Customs Union, the principles determining the regional distribution of industry, and the considerations governing the growth of Jewish industry are dealt with briefly; the main points about the extent of the market, and about the measures for industrial development are stated in a general way. A further limitation has been that of the absence and lack of uniformity of data. In many cases, and especially in the case of Transjordan, data is not obtainable altogether, while in other cases the information is not up-to-date. Moreover, there is a serious lack of uniformity in the data that is given, in the way it is presented, and in the period it represents. These difficulties were realized from the very beginning, but because of the significance of industry, a significance of which the majority of my countrymen are not aware, I thought that the attempt is worthwhile, hoping that inspite of the weaknesses mentioned above, my work may contribute to the revival and progress of my fatherland.

Several people contributed to this work. Prof. Himadeh helped me through his person as well as through his publications. Prof. Hakim was my supervisor, while my fiance did the work of translation from French sources. To these persons and to others who helped me in one way or another, I am grateful.

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Chapter I

ADVANTAGES OF INDUSTRIALIZATION

A. Our Industrial Age

B. Economic Advantages

1. In general
2. Utilisation of Natural Resources
3. Advantages to Agriculture
4. Greater per capit Income and Higher standard of living
5. Expansion of Commerce

C. Other Advantages

1. Effects on the Character of Society and the Individual
2. Industry and Science
3. Political Implications

Chapter One

ADVANTAGES OF INDUSTRIALIZATION

A. In the modern world, which is characterized by conflicting national interests, industrialization has assumed primary importance. Each nation in seeking its prosperity and power has aimed at industrial development, and has adopted every possible measure and policy to bring about within its boundaries the highest possible degree of industrialization. The extent of this shift towards industry may be at the basis of the commonly observed phenomenon that different countries are more or less powerful in accordance with their manufacturing power. It is hardly necessary to show that this is why the western highly industrialized powers are dominating the less advanced countries, and it is further needless to emphasize the fact that this is why it has come about that our fate in the Arab world, or rather the fate of the world at large, is to a great extent to be determined by the three greatest industrial powers, Great Britain, The United States and the Soviet Union. The various economic systems of the modern world may differ in their philosophies, and may disagree as to what is the ultimate end of life, yet, in a more or less similar way, they plan for a greater productivity, and they aim at a higher degree of industrialization. In Soviet Russia the keynote of the whole planning period has been industrialization, and almost the same has been the case with the other countries having different economic systems. Thus it may be true that there are different schools, each with its own systems of production and ownership, yet they all whether capitalist, fascist, or socialist agree in their teaching that the world needs an industrial system on a large scale.

It is my intention to show in this chapter the various advantages of industrialization, discussing each in brief. I propose to concentrate mainly on the economic side of the question bearing in mind that the various aspects of life, whether social, economic or political are closely interrelated. Meanwhile I shall try to point out the manifold gains that would result from the introduction of industry[1] to our agricultural economy.

B. Economic Advantages:

1. The relation of industry to the other phases of the economic structure is one of inter-action, through which the whole economy is improved and the national wealth is increased. This is because the achievement of a higher stage of industrialization as we shall see below, is advantageous to the different classes of farmers, workers, managers, capitalists, and merchants. Consequently, the total purchasing power will tend to rise and the demand for industrial product will grow, and industries will in turn have the chance of further growth and expansion resulting in further advantages which will accelerate the operation working in something like a vicious circle.
2. In a primitive agricultural condition a great part of the natural resources lies idle, and the economic significance of industry is greatly due to the fact that it is an effective means for an adequate utilization of the natural resources of a country. In the Arab countries of the Fertile Crescent, Iraq, Syria, Lebanon, Palestine, and Transjordan there are

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(1) By "industry" I mean manufacturing industry; industry in this work is referred to in its narrow sense of a creative power in which a change of form is involved.

vast areas of cultivable land which is not cultivated. In Iraq and Syria for instance the ratio of the cultivated land to the cultivable is about 1/8(2), and 1/2(3) respectively. The soil, as we shall demonstrate below, is utilized more when agriculture is supported by industry. Moreover, the water resources are not utilized, and a considerable part of them is still neglected. The potential labor power is dealt with in chapter III , but it is proper to note here that a higher degree of industrialization would call for a more intensive use of hydraulic resourses both as a source of power, and for irrigation, the extension of which latter is important for securing industrial raw materials. The water supply of the Fertile Crescent is used only to a fraction of its capacity; in Syria and Lebanon it is capable of irrigating 600,000 hectars(4); while in Iraq the rivers were used only to 1/14(5) of their capacity.

The introduction of industry will result in various other advantages as regards the role that the natural resources play in national economy. The need for minerals as raw materials and as fuel will work as an incentive for a fuller utilisation of the native mineral wealth. At present there are considerably rich deposits which are not utilized, or which are sold to foreigners at too cheap a price. The improvement of transport facilities which is rendered possible, rather necessary, by a manufacturing power, will further the utilisation of mineral deposits which are often unutilised because of the high costs of transportation. It is impossible to go into the details of showing the effect of industry on the other natural resources, but I am bound at least to mention that the climate will be made use of, such as for instance utilizing the sun and the dryness in the preserving industry, and that the live stock and fisheries as a source of raw materials and as food will rise in value and importance.

3. As the Fertile Crescent is primarily agricultural, the significance of industry to its people would be mainly derived from its effects on agriculture. These effects, it will be shown, are manifold.

The growth of industry would result in an extension of cultivation and in greater yields. The establishing of industries creates new and increased demands for a wider variety and a larger quantity of agricultural products; these demands are created mainly because of the increase in population, of the rise in the standard of living, and of the growing needs for industrial raw materials. Thus uncultivated land will be brought under cultivation, some cultivated areas will be more intensively used, and lands which are cultivated with wheat or corn and not paying much, because most of the lands are used for the same purpose, may be used for flax, cotton, sugar-cane, or any other industrial product whose cultivation may prove more remunerative. Thus we notice that in Palestine while in 1933 the area under tobacco cultivation was 9779, in 1937 it rose to 55,410;(6) in Syria and the Lebanon the area cultivated with cotton rose from 13,243 hectars in 1934, to 87,262 in 1938(7).

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(2) عمارة، النظام الاقتصادي في العراق، بيروت، ١٩٣٨، ص ٦٤ and, A. Bonne, The Economic Development of the Middle East, Jerusalem, 1943, p. 50.

(3) Himadeh, Economic Organization of Syria, Beirut, 1936, p. 74.

(4) Ibid., p. 32

(5) منى حقراوي "العراق الحديث" ، بغداد، ١٩٣٦، ص ١٠٢

(6) Statistical Abstract of Palestine, Office of Statistics, Jerusalem, 1939, p. 42.

(7) Bulletin Economique Trimestrial, 1934 and 1938.

The greater yields and larger variety will most probably mean that the agriculturalists are able to use their land and labor at a better advantage. For instance the increased demand for milk in cheese and butter industries would result in a more intensive use of pasture lands, and consequently may increase the value of these lands, moreover the need for fruits in fruit's preserving and jams industries would increase the value of fruit growing lands. Thus we see that under conditions where industry is highly developed both the rent and the selling price of land are raised, and this is why we notice that both the amount of rent and the conditions of the cultivators vary as between places where industry is highly developed, and where it is not.

Without industries, agriculture is risky as then it would be relatively more dependent on foreign markets. Where no industries exist the agricultural crops such as the oranges of Palestine, the cotton of Egypt, the dates of Iraq, will be at the mercy of foreign demand, and of world conditions. This constitutes a great disadvantage and may result in business depression, such as when because of political causes, or of failure of the other's crops, or of less importation from other sources, the foreign nation importing agricultural products may need and import more. The increased demand may last short or long, but often it stops and the demand is restored to normal or less. The exporting population will find itself in difficulties because it has been accustomed to a certain standard which now has to be given up; the result is still worse when, as is often the case, an extension of cultivation requiring long term capital investments had taken place. The fall in demand results in serious business depressions, and there results a disproportion between production and consumption which may cause bankruptcies and retrogression; the decreased demand for agricultural products results in a reduction in the value of land, and this would mean that the expenses of the costly improvements on land will not be met; moreover the amounts of rent payable may prove to be far more than the value of the yield of land under the new conditions. On the other hand, where industry is adequately introduced, the crop, wholly or partly will almost always has a use as a raw material in one enterprise or the other, and thus the demand for agricultural products will tend to be more uniform. As agricultural production consists greatly of necessaries of life it is inevitable that proportionally less will be spent on them(8). The uncertainty of an economy in which agriculture plays the major part is further increased by the fact that the demand for some important agricultural such as foodstuff products is inelastic, and there is a tendency towards a fall in the proportion of total income expended on them. As better methods result in more quantities, there is a rising productivity, but as the demand for such products is inelastic, there is at the same time a falling market, or at least a market which is not expanding as rapidly as the productivity of the agricultural products. "Under these conditions of rising productivity combined with inelastic demand, agricultural prices have inevitably fallen very sharply in relation to industrial prices; and if these tendencies continue in being, the outlook of the agricultural countries is obviously very serious."(9)

The decrease in the population of the west, which is caused by a declining birth rate as well as by other factors, is another factor limiting the market for some agricultural

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(8) Colin Clark, The Conditions of Economic Progress, London, 1940, p. 339.
(9) G.O.H. Cole, Principles of Economic Planning, p. 287.

products. Some principal consumers of foodstuffs from the agricultural countries are western people, whose demands will tend to decrease as their number has the tendency to diminish. For instance the population of Great Britain which reached 45,000,000 in 1936, will go down to less than 44,000,000 in 1946, and little over 41,000,000 in 1956, to 37,000,000 in 1966 and so on(10). These forecasts may not prove exact, yet it remains to be true and important that for all the above mentioned and discussed considerations the agricultural countries should find a more diversified basis for their national economy; otherwise they will have to continue undergoing business depressions, and suffering from uncertainty of revenue.

4. In general, industrialization and a rise in income per capita go together. The occupational structure of the population has a great influence on the national income. Thus economic progress in the form of a rise in the average real national income per head of the working population can take place either as a result of increase in real output or as a result of shifting labor from the less productive to the more productive occupations. Colin Clark has made a detailed study of the relation of the occupational structure to the per capita income. He shows that where a large percentage of the population is engaged in "secondary" and "tertiary" occupations the per capita national income is higher than where the majority is engaged in "primary"(11) occupations. TableI which demonstrates the purchasing power of the capita average income in each of the three occupations gives an explanation for this latter fact.

Table I
Purchasing Power of Average Income per head in International Units(12).

		Primary	Secondary	Tertiary
Great Britain	(1930)	827	1151	1072
U. S. A.	(1935)	688	1728	2456
France	(1930)	500	1373	440
Australia	(1935)	1408	1461	1148
Norway	(1934)	268	1123	650

Thus we see that an appreciable increase in the per capita income, and a real rise in the standard of living requires a shift in the vocational structure in favor of the "secondary" and "tertiary" occupations, and that a rise in the standard of living can take place if industries are established, and people diverted from agriculture to the more productive industrial and commercial occupations(13). Concerning this Clark writes:-

"Economic progress clearly can be made by increasing

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(10) Ibid., p. 288.
(11) Primary industry included agriculture, livestock, farming, hunting, fishing, forestry. Secondary includes manufacturing, building, mining etc. Tertiary included commerce, distribution, transport, professions. "Secondary" it is clear is a wider term than "industry" as used in this work.
(12) Clark, Op. Cit., p. 342
An international unit is equal to the goods and services that a dollar can purchase over the period 1924-35.
(13) Thus according to one Source, Bonne, Op. Cit., p. 15, the national income per head of earning population in primary and secondary occupations in Palestine (Arabic sector) and Syria is in the ratio of 27:83 and 19:52 respectively.

production per head in the sphere of primary, secondary, or tertiary industry; or by transferring labor from less to more productive spheres. In all countries both of these have been of importance. In the U. S. A. for instance, primary production has yielded an income per head much lower than in secondary or tertiary industry, and the transfer of labor out of primary production has contributed substantially to increasing the general level of real income per head. Generally speaking the main dynamic of economic advances has been rising income per head in either secondary or tertiary industry, often in both and the transfer of population away from primary industry"(14)

The main reason behind the above stated facts concerning the rise of the standard of living and of the per capita income is that industry has a greater productivity. The manufacturing processes lend themselves more to improved methods and technique, and such institutions as that of specialisation find a wider possibility of application in the case of industry. Certain aspects of this increased productivity will be discussed briefly.

One of the factors affecting this greater productivity is that labor is more productive in industry. In the U. S. A. for instance in 1930 the production per worker engaged in agriculture to that of a worker engaged in manufacture is in the ratio of 141:163.(15) An important reason for this is that division of labor can be applied to a greater extent in industry, and that the effects of this division are great on increasing the productive powers of labor and improving his skill. The nature of agriculture does not admit of so many subdivisions as does manufacture. Thus if the labor in an agricultural rich country is twice as productive as that of a poor agricultural one, the labor of an industrial rich country will be much more than twice as productive as that of an industrial poor country. In confirmation of this fact Adam Smith says "in agriculture the labor of the rich country is not always much more productive than that of the poor; or at least, it is never so much productive, as it commonly is in manufactures."(16)

Another factor increasing the productivity of industry is that of diminishing returns. It is true that the law of diminishing returns applies to both occupations, but it is to be noted that industry lends itself more to mechanization and improved methods; and moreover it is to be observed that the point of diminishing returns is in general further in the case of industry because the extent to which land can be utilized, without suffering from diminishing returns, can be conceived to be more limited than that of other factors. Thus it may be said that in general the law finds wider application in agriculture.(17) However, speaking in particular one is bound to say that in various places within the Fertile Crescent agriculture is working under decreasing returns and that in certain areas the employment of resources in industry would prove more remunerative.(18)

5. The introduction of industry, which results in ~~appreciable~~ advantages to the different classes of society, causes ~~appreciable~~ expansion in the country's trade. Commerce, whether internal or external, is the occupation whereby the exchange between consumers and producers is effected; it is the medium of exchange between the individual categories of the economic structure, and thus its volume would vary in accordance with

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(14) Clark, op. cit., p. 11
(15) Ibid., p. 445
(16) Adam Smith, The Wealth of Nations, p. 8
(17) Clark, op. cit., p. 340, goes further to say that if is the basic difference between primary and secondary types of production that the former is subject to the conditions of diminishing returns, and the latter to increasing returns
(18) See footnote No. 13.

the prosperity and activity of these categories, and these in turn are affected by industry. Thus we notice that the ratio of those engaged in commerce to the total occupied population tends to be higher as the country is more industrialized. In the U. S. A., Great Britain, and Japan those engaged in commerce are 16.2%, 16.7%, and 17% respectively, while in Holland, Hungary, and Palestine it is 9.8%, 15.9%, and 10.1% respectively.(19) Moreover, the effect of industry on commerce would naturally result in a higher foreign trade per capita. This fact is manifested in the case of Palestine as compared with other less industrialized countries. In 1938 Palestine's foreign trade per head was £P.11.4, while that of Egypt was 4.1, of Iraq 3.5, and of Syria 3.2.(20)

It is deemed necessary to mention at this point some important ways by which the growth of industry promotes trade. In general it can be said that the higher standard of living and the increased productivity which are caused by industrialization will be materialized in increasing the volume of exchanging some important articles of trade such as finished goods, fuel, building materials, impliments, and raw materials. A further effect of industry on trade is the development of the institution of specialisation, which is practiced to a larger extent as society grows to be more industrial; division of labor between the various classes and within the same class is enhanced by industries, the establishment of which results in demand for more quantity and larger variety of articles. Moreover, a higher degree of industrialization makes it possible to maintain a larger population, and this tends to increase the volume of trade. Finally it is to be observed that where industry is introduced foreign trade is relatively more uniform, that the bargaining power may be greater with better political conditions, and that transport facilities are improved.

C. Other Advantages:

1. The process of industrialization is identified with a number of changes in the social institutions, and in the various aspects of social life. One of its effects is that it quickens the movement from the country to the towns. The process of urbanization, which entails changes in social life, is greatly accelerated by industrialization which results in an increasing demand for workers. The class of industrial workers thus formed is partly created from those who were relatively simple poor peasants many of whom were mistreated by the land-lords. Moreover, as we have seen above, the growth of industry is associated with a rise in national income, and with further enrichment of the country. This especially when coupled with a more equal distribution of income would normally result in a higher standard of living, and better social conditions.

The stage of industrial development which a nation has attained affects the culture and character of its individuals. It does not require a keen observer to notice that the character of an individual living in an industrial society differs from that of an individual living in a merely agricultural society. As a matter of principle it can be stated that a worker in any one of the modern manufacturing countries is far more active, educated, and progressive than the simple peasant of an agricultural society. While the industrial people are characterised by the constant tendency for increase in mental and bodily achievements, the agriculturalists are characterised by "dullness of mind, awkwardness of body, obstinate adherence to old notions, customs, methods, and processes, want of culture,

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(19) Clark, op. cit., p. 178
(20) Statistical Abstract, 1943, p. 52

of prosperity and of liberty."(21) The peasants, forming a great portion of the Arab nations, are on the whole leading a backward life; in the great majority of cases they are ignorant, weak and sick; on their farms as well as in their homes they use the old traditional methods, which are learnt by imitation, and are rarely abandoned in favor of better methods.

An important reason behind these facts lies in the nature of the two occupations; industrialization brings about a relatively wider range of exchange in goods and ideas. The population of an agricultural nation live mainly in the country, where they are relatively separated, and where they almost produce the same things and go through the same processes in their business life. Consequently the incentive for mental intercourse and material exchange is limited because the agriculturalist has relatively little to do with his fellowmen. From his birth to his death he usually lives within a confined circle of men and circumstances. In contrast with this the manufacturers are relatively more attracted towards each other by their business; the industrialist usually gets his raw materials as well as his other factors and requirements from the market through exchange, and on the other hand he has to sell almost all what he produces. So his success depends on finding customers and retaining them, and thus he has to come in contact with them, understand them, and satisfy them. This contact is furthered as the establishment of industries brings about a useful variety in business operations, a variety which makes it necessary to the enterpreneurs to deal with each others, and out of the mental friction which arises there result "sparks of the mind".

The chances of promotion and progress are greater in the case of industry. The urge for profit, the desire to gain customers, the existence of changing conditions, and of keen competitors and rivals all act as strong stimuli for a further activity and towards a ceaseless progress. The manufacturer feels that by exertion and activity he can raise himself to a higher position; in his field he finds a good chance to utilize his talents, and to make use of his skill and ability. As a rule we notice that mental ability is prized relatively more in industry, and bodily strength in agriculture. Thus under conditions of developed industry there is greater need for thinking, and better chances for utilizing and promoting mental powers all of which are influencial factors in bringing about progress.

The value of time is recognized more by the industrial population. The agriculturalist works only a part of the year as between the sowing and the harvest there is a long time during which he does almost nothing. This is especially true about the land-lords or the absentee owners, who are usually idle all the time except for few days or weeks when each supervise the selling of his crop. Industrialization on the other hand creates a sense of time, which in turn is imparted to the agricultural class. The process of industrialization, which brings about a higher standard of living, and an increased demand for agricultural products, makes the agriculturalists feel that they should do their best so as to meet the higher expenses, and the increasing returns. Thus they find that their profits may be appreciably increased by a further exertion of energy and a better utilization of time.

Another way by which the establishing of a manufacturing power promotes the character of the individual is that it develops self-confidence and decreases fatalism to a minimum.

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(21) Friedrich List, The National System of Political Economy, P. 159.

The agriculturalist usually leaves the success of his work to God the mercy of a higher power, that of nature because He believes that the forces governing his activities are unforeseen and cannot be controlled. Consequently, as he feels that he is helpless, and behaves accordingly, patience, satisfaction, and negligence develop to be part of his character. The manufacturer, on the other hand, sees his products, and he feels that he is more or less creative in accordance with his energy and ability. Consequently he comes to believe mainly in his power and foresight, and not in fate or any other force beyond his control. The interaction of such factors as those shown above would introduce into the nation a better blood, and would modify greatly the moral, mental and physical stagnation which prevails among the agriculturalists.(22)

2. Industrial development and progress in sciences go side by side; they are inter-related, and they need and promote each other. Factories can be utilized most and machinery can be used best by applying scientific knowledge, and as a result of inventions and discoveries which follow upon the progress in sciences. On the other hand, the sciences themselves are supported by industries as the various tools and machines needed for experimentation are available through industrial establishments. The increased use of machinery in manufacturing contribute to the growth of science as it facilitates the securing of better facilities for experimentation. Moreover, the friction of the mind referred to above and which is intensified by industrialization is of great value to thought. Such facts led List to say that "manufacturers are at once the offspring, and at the same time the supporters and nurses of sciences and the arts." (23)

3. I have pointed out at an early point in this chapter that the social, economic, and political effects of industrialization are inter-related, in the sense that an improvement in one field usually causes advance in the others. Political power presupposes economic prosperity and social development, while at the same time it facilitates the promotion of the intellectual life and of economic prosperity. Thus as regards the Arab countries as a whole and those of the Fertile Crescent in particular we may venture to say that in general their political need is unity, and their economic need is industrial development, but the two aims are inseparable. So in trying to discuss the political advantages resulting from industrialization I am bound to state from the outset that the above discussed advantages, social and economic, all lead to betterment in the political situation, and that the political significance of industry is mainly derived from the achievements in the social, cultural, and economic fields.

Industrialization reduces dependence, and brings about more self-sufficiency, a thing which is of vital political significance both in war and in peace. The dependence of an agricultural country on foreign powers and conditions to which a reference has been already made involves serious defects because in the world of to-day, in which international cooperation has not been adequately developed, such a degree of

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(22) The following quotation from Earnest Barker, National Character 1927, P. 3, emphasizes the point in the above section; "It matters very greatly to the character of a country whether it is moderately populated, agricultural and rural, or is densely populated, industrial and urban.... A nation may almost revolutionize its character if it quadruples its population by industrializing its occupation. A dense population engaged in industrial pursuits will develop a new type, or to speak more exactly, it will write a new and bold script on the ancient palimset of the National Character."

(23) List, op. cit., p. 161.

dependence is bad economics, and unsafe politics. The various forms that this dependence takes, namely dependence on foreign countries as consumers of the crops, as exporters of finished industrial goods, and as exporters of some machinery, can be reduced considerably by the establishment of industries, and thus the country may become more certain of its economic situation, and political existence.

Industry makes it possible to maintain a larger population and to improve the character of the individuals. A country can have its population multiplied several times through the building up of industries and the establishment of the institutions that are associated with them. As industry engages more population, and needs a larger number of working body, the country can absorb more and more as the manufacturing power grows. Not only the number is increased, but also the character of the individual, which is also important in the struggle for independence and power, is improved and strengthened. The political significance of the number of individuals composing a nation, their moral strength, and their intellectual ability, cannot be over-emphasized.

Industrialization which promotes the wealth of the country would normally increase the strength and the income of the state. General prosperity, which is greatly enhanced by industry, is very advantageous for the development of political prestige, and the enhancement of the power of the state. Under conditions of developed industry the receipts from taxation can be multiplied because individuals may be taxed in accordance with their growing wealth and increased activities. Besides revenue from taxation and duties, the state can derive income from part or complete ownership of certain enterprises. Thus with the spread of industries the state becomes financially stronger, and more able to spend on the various public services like health, education, order, and planning; in other words its activities expand and it becomes more efficient. This contributes indirectly to increase the political power of the country. A more direct way is that with an increased wealth and revenue, more can be spent for armament and defence purposes. In brief it can be said that manufacturing is greatly valuable from a political point of view because it results in a more prosperous nation, and in a richer state, a state which can perform its social and political duties more fully and more efficiently as it will be better equipped to undertake productive enterprises, and constructive projects. The welfare of the nation as a whole can be promoted, and the strength and solidarity of the state can be furthered.

With such manifold and far reaching advantages as those shown above, it is no doubt right and good for a nation to fulfil its industrial possibilities. It is clear that a country can gain much by establishing the manufacturies it is suited for. Of course the degree to which a nation can be industrialized is limited by many considerations, and it is my concern to try in this thesis to point out these factors, and to describe as clearly as I can the degree of industrialization to which Iraq, Syria, Lebanon, Palestine, and Transjordan when composing a Customs Union are entitled.

Chapter II

IMPLICATIONS OF THE PROPOSED CUSTOMS UNION

A. Introduction

B. The Meaning of a Customs Union
   1. Definition
   2. Freedom of Trade
   3. Unified Customs Policy
   4. Unified Administration
   5. Movement of Capital and Labor
   6. Organization

C. Advantages to Industry
   1. In general
   2. Wider Market and Specialisation
   3. Protection

D. Obstacles to the Union
   1. Vested Interests
   2. Political obstacles
   3. An effective measure

E. The Problem of the Jewish Industry within the Union
   1. Its nature
      a. Zionist Motives
      b. Obstacle to the Union
   2. Considerations governing its future
      a. Limited Market of Palestine
      b. Conformity with the Union's Aims

Chapter III
IMPLICATIONS OF THE PROPOSED CUSTOMS UNION

A. Introduction:

The driving force in the present world is nationality. For some centuries in the past and for a long time to come the world has been and most probably will continue to be one composed of a group of nations each looking after its own interests, and all together promoting the civilization of mankind. The emphasis laid on national existence is great, and the unity of the nation has come to constitute an essential condition for prosperity and progress because the nation is the entity which standing between the single weak individual and the entire huge humanity makes it possible for a human being to develop himself and to contribute to the progress of mankind, a progress which is brought about primarily by the advance of nations. In brief, I say that in the world of today national existence, which is a positive virtue and a defensive necessity, is the best and the safest means for promoting the welfare of humanity and accelerating the growth of civilization.

The Arabs, who have since a long time aspired for national existence, have taken certain steps towards the realization of their goal, but still many others will have to be taken. For instance, it would prove of great advantage to the Arab national movement if the Arabs adopt a policy of unification in economic matters. Such unification would necessitate the establishment of a Customs Union, the meaning and significance of which are the subject matter of this second chapter. In my introductory word I intend to point briefly to two facts relating to the Union.

The first one is that the current of world politics has brought about circumstances which are favorable to the creation of the Union. There is an admitted British interest in a unified and peaceful Middle East; this interest results from the rather intimate relation between the imperial plans and the fate of this part of the world because it is clear that the welfare of British communications, trade, oil supplies, and strategic position are closely connected with the state of affairs prevailing in the Middle East. Being so much interrelated with the interests of the Empire, the Middle East has been and will be of vital significance to Great Britain, and thus it is no wonder that "there is no question of British withdrawal after the war," (1) and that the British government is so deeply interested in the future of the Arab countries, and in the growth of their unity. Nevertheless, such a situation should not be left without being fully utilized. It is good politics to gain from the present circumstances, and the Arabs, who should once for all adopt positive measures in their national struggle, should achieve as much as they can with the consent and cooperation of the British Empire bearing in mind that what ever is to be achieved in this way is liable to be a preliminary step in the realization of the Arab Unity.

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(1) The Economist, Jan. 27, 1945, p. 105.

The second fact that I want to point out in that I am limiting my discussion only to some of the Arab countries, to those of the Fertile Crescent. The reason for this is twofold; in the first place it was found that if all the Arab countries were to be included, the subject would become so wide that an adequate discussion would be too much for such a work. Moreover, if Arab unity is to survive, it should be built on solid grounds, and if it is to be so built it will have to grow by steps and in accordance with the plan of humble but sure beginning. Consequently, the process of unification should be gradual, and as the countries of Palestine, Transjordan, Lebanon, Syria, and Iraq are relatively more similar, it may be practicable and advisable to limit the Union at the beginning to them.

B. The Meaning of a Customs Union:-

1. A Customs Union is composed of countries between which there is freedom of trade, and which maintain the same policy of protection towards other foreign countries. A clear definition is given as follows:-" A Customs Union is an association of two or more independent tariff territories to form one customs area, involving the elimination of all interterritorial customs barriers and the adoption of a common tarriff policy."(2) The Customs Union representing maximum unity between independent units must be distinguished from other weaker forms of customs agreements such as the most-favored-nation treaties, or the reciprocity agreements. Moreover a Customs Union is not the same as Customs federation(3) in which the member countries retain internal customs, while they have a common tariff policy. Another different organization is that of customs annexation, where a territory is merged with a larger area without its having a share in setting the policy.

2. Naturally, the clearest implication of a Union is that it results in freedom of trade; all restrictions on the movement of goods between the countries of the Union will be removed. The article that is produced in Bagdad will be transferred to Damascus, Beirut, Jaffa, or Amman without paying any duty. Not only native but also foreign goods, when carried within the Union, will be free from duty; an Indian commodity after having entered through Basra will be transported to the various countries of the Union without being charged any payment as duty. Freedom of trade which means the absence of any hindrance to the movement of goods, may imply the absence of frontiers and customs houses, yet these may be maintained merely for administrative and statistical purposes.

3. The adoption of a unified customs policy which will regulate foreign relations and promote internal development of the Union, is an essential condition for its existence. In accordance with it, a foreign good whether coming in through the port of Haifa, Beirut, or Basra will be charged one same tariff, and an exported commodity from whatever place it is shipped to the outside world will have to pay the same duty. In other words, this unification in the policies to be followed in trade relations implies

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(2) Encyclopedia of the Social Science, 1931, Vol. V, pl 673.

(3) Such a federation is propagated by the Jews for the Arab countries. See Bonne, Op. Cit, p. 97

the adoption of the same system of protection, and the prevalence of the same attitude towards this or that foreign power. Such measures will prove useful for economic as well as for political considerations, and thus it is necessary to have one tariff schedule, and a common understanding as regards policies of commercial treaties, quota system, or any other form of regulating foreign trade.

4. The completion and effectiveness of a Customs Union require unification in administrative methods, and procedures. The use of the same methods of statistics will prove of value in trying to collect data in accordance with which common decisions are to be taken. The use of the same methods of valuating goods for purposes of taxation will facilitate, among other things, the carrying out of the same tariff policy or any other protective measure. There are various other administrative measures, the use of the same procedure in all of which is extremely useful for fulfilling the policy of unification.

5. A common policy facilitating the movement of labor and capital within the Union will accelerate econonic progress. Such a policy would redistribute the population in a more aconomic way as it will facilitate the mobility of labor between the different regions. At present, economic equilibrium within each country and between the different countries is far from being achieved. Thus there is a great variety in the density of population, and there has been many movements within and outside the countries of the Union. Migration has been on a relatively small scale because of the restrictions of migration, the removal of which will carry us along the road to equilibrium, and will help people to settle where they can earn best. There will be a similar movement in capital resources. As regards capital the tendency may be for less shifts because as between the countries of the Union there is not such a difference in capital as in labor. Still there will be some movement which will be to the advantage of the Union as a whole. The transfer of capital resources would be facilitated and encouraged when common currency agreements are drawn between the countries of the Union. Thus it would be advisable that the same financial policies be followed and that rates of exchange be regulated by a common organization. Still, the trade will expand immensely if a unification of the currency systems take place. Other movable factors such as managers, and raw materials connected with production, will find it easier to move from one locality to another within the Union. Consequently, they also will be distributed where they are of greatest value.

6. The establishment and maintenance of a Customs Union, involving serious problems and manifold interests, demand an efficient regulation of the affairs that are of common nature. Clear-cut agreements should be arrived at regarding the items that make up the economic policy of the Union. It is needless to say that it is necessary to draw out the customs policy that is to be followed with the outside world. The tariff, if any, that is to be collected on each of the import and export goods should be agreed upon by the members of the Union. Such an agreement may often prove difficult to reach, but nevertheless, it should be attained as

it is of the essence of a Customs Union. Moreover, an agreement should be arrived at regarding the division of revenue from customs houses; the sums of money received from both revenue and protective duties usually reach considerable amounts which are to be distributed among the member states; the principles in accordance with which the distribution is to be effected should be made clear from the outset. The methods and systems of taxation should also be planned by a common body because the economic development of the Union as a whole may be hindered by a tax which a member state may impose on its own accord. Moreover, the establishment of free movement of goods, of common currency agreements, of laws facilitating the mobility of labor and capital, the regulation of foreign trade, and the planning of internal development should all be agreed upom and carried in full understanding and cooperation.

These issues necessitate the existence of an organizing body which will set out the necessary laws and draw out the proper plans and policies that will ensure unification and development. The existence of such an organization is economically and politically advantageous. Thus the need arises for a Supreme Council wiich will be made from representatives from the various countries of the Union. The Council should have separate committees for the different economic matters, but the decisions and the activities of these committees should be in conformity with the general plan of the Council. In the light of the scientific studies and expert knowledge of its members, the Council should run the common affairs with a wiew to bring about the progress of the Union as a whole.

C. Advantages to Industry

1. The establishment of a Union can promote greatly the prosperity of the countries of the Fertile Crescent. The abolishing of the internal barriers that separated Germans from Germans and the protection of hand industries were important measures made possible by the German Customs Union, and through which Germany advanced in its industry in the course of ten years as much as in a century.(4) Thus in a way a Customs Union may be conceived of as a necessary means to industrialization; but the Arab countries of the Fertile Crescent are not united. On the contrary they are uneconomic small, and often competing units, which have emerged from the Ottoman Empire, and each of which separately has been trying to buy from the others as little as possible, and to sell them as much as possible. The device that has been used is "a protective tariff(5) which fractionalized the economic life of the Near East." Without being economically united these countries cannot hope for an appreciable degree of endustrialization and prosperity; without their unity they cannot prosper , and prosperity is the strongest bond for their unity. It is the purpose of this section to emphasize the fact that a Customs Union results in manifold advantages to industry.

2. The establishment of the Union will result in wider area, and an extended market. The removal

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(4) List, op.cit., p.313

(5) Norman Burns, The Tariff of Syria, Beirut, 1933, p.118

of barriers, by widening the internal market, will make it possible to enjoy more the advantages of large-scale production. The development in technique, and the consequent rise in the volume of production brings about a necessity for a wider market. Thus the extension of the area in which the goods produced can be more readily sold, and which make it possible to increase the turnover may result in lower costs and better qualities, and thus is of especial significance to native industry. Moreover, the extension of the area will make it possible to specialize in production because the size of the market determine to a large extent the degree to which division of labor can take place. This brings us to the next advantage, that of specialisation.

Specialisation is another thing which the establishment of the Union promotes and which constitutes an advantage to industry. The free movement of goods result in a flourishing trade between the different parts of the Union. Under such Customs System each locality or country will produce along certain lines, concentrating on the production of goods for whose manufacture it is naturally fit, and supplying the Union with goods of better quality at lower costs.

3. Moreover, a Customs Union is an efficient way of securing the adequate degree of protection. When the member states are not united, each may have its own protective tariff, but that would have to be at a higher cost, and the advantages that production would enjoy by protection will be much less than where there is the wider market of a Union. Thus, a unified policy of protection, which is afforded by a customs union, is exceedingly effective, if not necessary, for the development of production to an appreciable extent. Without such unification a Syrian industry, for instance, may not be able to compete with foreign goods in the other countries of the Union, and this means that its market will be limited and its expansion may prove difficult. By organising a union, the promising industries of its countries will not be freely exposed to foreign competition, and will be duely protected in the whole market. The Council, studing the conditions of the countries and determining what are the industries to be encouraged, will adopt whatever protective measures it deems to be necessary for the fullfilment of the possibilities revealed in the light of its studies. The significance of protection to industry cannot be overemphasized, but ~~at present~~ I do not intend to go into the details of the vitality of protection to the rise and growth of a manufacturing power because this intimate relation ~~will be discussed at length in the final chapter.~~ is already known and established.

D. Obstacles to the Union

Although the ~~case~~ need for the Union is great, and although the case for it is strong, yet there are certain factors which are, or may prove to be, obstacles to its formation. Some of these will be pointed out in this brief section.

1. The similarity in the resources and the conditions of the countries of the Fertile Crescent has brought about a considerable similarity in their ~~types~~ types of production. Many important crops and products such as wheat, barley, cotton, hides, wool, tobacco, grapes, and olives, are grown or raised, or used in industries in more than one locality or country. Consequently, there are at present firms working along the same lines, but which for such reasons as earlier start or a greater protection, are not of the same efficiency. Moreover there are firms which

have the monoply of their territory. Naturally, therefore, the owners of such firms, and even those of others who are after higher profits, will most probably object to the removal of barriers and the free movement of goods as this will increase the number of the producers competing in the market.

To meet this difficulty a transitory period may prove necessary. The authorities may find themselves bound to go through such a period, during which the infant promising industries will be protected by lowering the tariff gradually; also where there are huge investments involved it may be advisable to remove the tariff gradually. Subsidies may be granted to firms which have a temporary disadvantage. In other words the promising and sound firms should be allowed a fair chance to rise to a competing standard or to shift their resources to some other employment. Such and similar measures which may prove necessary should be provided, but the ultimate stage of free trade should remain in view because, as we have shown above, this will encourage specialisation, and will result in increased prosperity. So far the existence of barriers has made it possible for firms of relatively low standard to survive; in Palestine for instance, protection was considered and promised in advance of establishment for a ricemill at Haifa, and brewery at Pishon.... few, if any, of the protected industries can at present compete with imported articles as regards price and quality." (6) With barriers removed inefficient firms smay collapse and uneconomic production will be reduced.

The local governments themselves may have vested interests as they may think that the establishment of the Union will deprive them of the Customs revenue from their export, import, and transit trade with each other, and may reduce their revenue from taxes on producers. The Customs revenue of Palestine in 1939-40 amounted to L. P. 2,019,366 (7) that of Iraq to about 2,620,000, (8) and that of Syria and Lebanon in 1939 were equal £.S. 13,008,139 (9) (or £.P. 1,478,193). The respective governments may fear that these amounts will be reduced or that their share in the distribution of the Union's customs revenue will be unfair. But they should realize that this will be more than counter balanced by the rise in the volume of foreign trade which will take place as we saw in chapter I with industrialization. The foreign trade relations of these countries will on the whole be better as when united they will have a stronger bargaining power. Moreover the increased prosperity that the fusion of these countries in a Union will bring will increase the revenue of the state in many ways. Also, as regards selling natural resources or granting rights the countries of the Union will be in a better position to demand and get better terms.

2. There are some other obstacles which are more of a political nature. To start with there are certain groups and parties, especially in Lebanon, who are anti-Arabs, and who naturally do not favor the idea of a Customs Union which is in conformity with

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(6) Palestine Royal Commission, Report, London, 1937, p. 209

(7) Statistical Abstract, 1943, p. 142

(8) Statistical Abstract, Baghdad, 1942, p. 78. Out of these 2,578,120 were on imports.

This measure of arousing and directing public opinion will, I believe, prove helpful, if not indespensable.

A further obstacle is that of the Jewish problem in Palestine, which, due to its special nature, and manifold implications, will be discussed separately in the following section.

E. The Problem of the Jewish Industry within the Union:

If the Jewish settlement in Palestine is to follow the steps set for it by the Zionists, the idea of a Customs Union, in which Palestine is a member will never be realized. The Zionist plans are based on the insertion into Palestine of a highly industrialized Jewish sector, and on the securing of markets in the surrounding "agrarian countries" and thus a union which will further the industrialization of the whole territory, and which will expose some of the branches of the Jewish industry to keen competition is in straight opposition to the Zionist wishes. The success of their schemes is largely dependent on the existence of Customs relations different from those that would prevail under a Customs Union. This is why it has been deemed necessary to point out in this chapter the motives behind the Jewish industrialization of Palestine, to show how its development is a hindrance to the growth of general propperity, and to make clear the place that it can occupy within a Union including Palestine.

~~1. The Nature of the Jewish Industry:~~

a. To the Zionists industrialization, disregarding its being profitable or not, is a means to an end. The establishment of a manufacturing power in Palestine makes it possible to employ the Jewish labor and capital that are being sent away from Europe, and to absorb the maximum number of immigrants. So, an industrialized Palestine has been looked upon as the place which will solve the Jewish problem. There is no regard to the people of the country, to their rights, or to their future. The following, taken from the writings of a Pro-zionist, would manifest the Zionist ideas and intentions: " The desire to preserve their race, to prevent extermination through ghastly persecutions, has provided a powerful driving force for the Jews in Palestine, and they have concentrated the abilities of their most highly skilled engineers and technicians upon the problem of providing food and labor for a maximum population..... there is no place except Palestine where additional Jewish refugees can be placed at the close of this war, and can be rehabilitated physically, spiritually, and economically after experiencing a martyrdom unparalleled in world history." (12) As to the Arabs, they are free to leave the country. For this no less a convincing reason than that of their presumed, or rather proposed, dislike of industry is given. " If individual Arabs found that they disliked living in an industrialized land, they could easily settle in the great alluvial plain of the Tigris and Euphrates Vally where there is land enough for vast numbers of immigrants." (13) If you inquire whether the Jewish investment of capital and employment of labor in Palestine are yielding what they would yield elsewhere, you will be answered that they do not; but, it will be added, often, neither the capital nor the labor were attracted by economic motives, and thus they in many cases do not demand any return besides that of being employed.(14)

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(12) Lowdermilk, Palestine, Land of Promise, 1943,p. 220.
(13) Ibid.,
(14) The American Economic Review, September, 1944,p. 547.

The aim is to turn Palestine into a business land "whether the business were good or not",(15) and thus, the Zionists, maintain, it is not fair to judge Palestine economy by the sound principles of business.

b. The nature of the customs relations that the Zionists would like to prevail between Palestine and the other countries are evident in the writings of Dr. Alfred Bonne.(16) The mere reading of Bonne's suggestions would reveal the nature of the Zionist demands or rather requirements. He starts by exposing the fact that a Union of the Arab countries would "inevitably curb the growth of the Jewish industry". He points out that the Jews are interested in a customs system in accordance with which the "oriental" countries together form a unity against the outside world, while each keeps its own system. In other words there would be no freedom of trade between them, but there would be preferrential tariffs, which, it is clear, would make it possible to protect against a Syrian or an Iraqian product coming into Palestine. Importation and exportation are to be adjusted in such a way as to meet the Jewish desires, Protective and other measures should be adopted which will ensure, on the one hand, that the markets of the Arab countries will be freely exposed to Jewish goods, and on the other hand that the agricultural products from the "agrarian" surrounding countries will be secured at cheap prices. It is true that Dr. Bonne says that this arrangement is temporary, but he hastens to add that its duration is "without fixed time limit." ~~(17)~~

It is proper to state here that a matter of principle an incomplete Union has many defects, which no less an authority than Haberler proclaim as he says: "..... if the members of the group grant one another preferential treatment, the economic gain is questionable. The difference Between the two cases is not one of degree only..... It can be shown that preferential duty reductions are frequently valueless or positively injurious.... a partial duty reduction is not only not always better but frequently worse than no reduction at all."(17)

~~2. Considerations Governing the Future of the Jewish Industry.~~

(2) An adequate discussion of the defects of the Jewish industries in Palestine would be out of place in this work; it would be improper to show here at length how a manufacturing power aspired for by the Zionists would have to imply a violation of the principles of sound economic production. It is my intention, however, to dwell on the possibilities of the Jewish industry. I want to try to describe the position that the Jewish industry can occupy within a Union in which Palestine is included.

a. Nobody, not even the most ardent Zionist, would dispute the truth of the fact that the Jewish industry has a little chance of development or even survival within the limited market of Palestine. The extent of the market is of vital importance to the survival of manufacturing concerns, and the success of any industry depends on the quantity it can sell, but the number of the people of Palestine is too small to allow, in many cases, large scale production. The extent of the Arab market is further limited by the prevailing low standard of living, and the relatively small income of the

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(15) Jeffries, Palestine: The Reality, p. 431.
(16) Bonne, Op. Cit., pp. 97-100
(17) Harris, Post War Economic Problems, 1943, p. 331
Quoted in

population. Thus the market for Jewish goods in Palestine would have to be limited. (18) It is natural therefore that the success of the industry is greatly dependent on the securing of markets in the other surrounding Arab countries,

It is true that the Jewish industry has been able to grow, but it is also true that to a large extent, the success it has achieved has been due to certain other factors of a political nature, and not to its econmic feasibility. The British pledge of the Balfour Declaration was the main force behind the rise of the Jewish industry in Palestine. Government help took various forms, and "in 1927 the policy of protecting local industry was initiated, and the familiar phrase "infant industry" became part of the fiscal language of Palestine." (19) The immigration bringing an influx of Jewish labor, capital and skill was accelerated. The policy of the Mandatory power, which aimed at putting Palestine in such a situation as to facilitate the imposition of a Jewish National Home had a decisive influence on the establishment and survival of the Jewish industry. The example of the Rutenberg Concession for electricity will serve to illustrate the working of the British policy. Many Arabs applied for that concession but it was meant to be given to the Jews; in the "October Programme" of 1916 it was undertaken that a Jewish company would be empowered to acquire any electricity concession on the rivers of the Jordan which the sovereign government may grant.(20)

War conditions have had a further influence on the development of the Jewish industry. Because of the shortage of shipping space and man power abroad there has been great reductions in imports. Moreover, the British Government encouraged all attempts to produce the goods which are needed by the army or which are indispensable for civilian consumption. But the orders of the military have been of a temporary nature, and foreign goods of better quality and lower prices will soon be available. The post-war adjustments will imply many dangers. The Jews themselves have realized this; one of them wrote that the future of their industry is dark, he shows how ideas in Cairo (that is those of the British institution of the Middle East Supply Center) which sometime ago ran parallel to their industrial activity is believed to run contrary to it now.(21)

Moreover, it is hardly necessary to point out that the Jewish industry has been depending to a large extent on immigration. On the one hand, the new comers brought great amounts of capital and labor, and on the other hand, they needed residence places as well as other requirements. A great proportion of the industry has been producing building materials; one third of the industry was dependent on the building activity.(22) Therefore, the Jewish industry is greatly linked with immigration, and this would be clear if one realizes that while the total investments in the Jewish industries in 1935 were £ 1,800,000, in 1937 and because of less immigrants, they were £ 1,000,000. (23) ~~But is this inflow of immigrants to continue?~~

Thus an industrial development, such as that proposed by the Zionists, has many limitations. The incapacity of

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(18) The extent of the market will be further restricted by the fact that with more national awakening and consciousness there will be boycotting of most Jewish goods, and encouragement of foreign or Arab industries.
(19) Palestine Royal Commission, p. 209
(20) Jeffries, Op. Cit., p. 431
(21) Palestine Post, a newspaper, September 8, 1944.
(22) Himadeh, Economic Organization of Palestine, 1938, p. 298.
(23) Horowitz and Hinden, Economic Survey of Palestine, Tel-Aviv, 1938, p. 82.

the small market of Palestine can be realized from the fact that even in the past and inspite of the working of the said favorable factors, there has been over-expansion in production. There took place an intense internal competition which had detrimental results, (24) and there have been many acts of duplication which caused many bankruptcies; this fact is stated in the following quotation: "A number of recently established enterprises in Palestine-including some larger concerns well known outside the country-have in recent months found themselves in difficulties entailing either an actual closing down or curtailment of business."(25)

b. Naturally, the Customs Union is directed towards the requirement and welfare of its peoples as a whole. It is meant to raise the standard of living of all its peoples, by promoting industrialization wherever it is possible and economic, by facilitating the establishement of manufactures in the place or places best fit for it, and in general by providing its natives with greatest possible production at the least possible cost. Prosperity as well as political solidarity and national prestige are to be promoted through its mechanism and institutions. The development shhemes are to be planned by the Council, which will find itself obliged to suppress Jewish industries in as far as its nature is "national",(26) and in as far as it is subordinated to Zionist aims. The economic needs and conditions should be the ditermining factor in the rise of industries, and the allocation of resources, and this can be done best with a Customs Union, a thing which the Jews do not desire.

Thus it seems that the idea of a Union including Palestine cannot be realized without the abandonment of the Zionist ambitions. If the current of politics in an adequately short time does not bring about an end to Zionist power and expansion, the other countries of the Fertile Crescent may have to start towards their Union without Palestine. Meanwhile they should try to oppose Zionism in every possible way, doing their best to secure Palestine's independence and keep it an Arab country. It has already been pointed out that industrialization is a main, if not the main, means for such a large-scale Jewish settlement as that aspired for by the Zionists, but it has also been shown that the success of the Jewish industry is greatly dependent upon the extent of the market it can secure in the Arab countries. It follows that the development of the Jewish settlement in Palestine is to an appreciable extent dependent upon the attitude of the Arab states, as well as the Arabs within Palestine, towards Zionism, upon their willingness to sell the Jews food and raw materials, and upon their consumption of Jewish industrial goods. Thus I believe that the measure of refraining from dealing with the Jews in economic matters may prove to be a serious blow to their industry and cause as a whole.(27)

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(24) Ibid., p. 20

(25) Bulletin of the Economic Research Institute, Jewish Agency, Jerusalem, June, 1937, p. 11.

(26) Lowdermilk, Op. Cit., p. 177

(27) It is proper to state at this point that an all-out boycott of "Zionist" goods has been officially ordered by the Arab League. The league's decision as stated by the Eastern Times, on Dec. 4, 1945 says that the Arab countries found themselves obliged to defend themselves by peaceful means to maintain Arab sovereignty over Palestine, and thus Jewish goods manufactured in Palestine are undesirable in Arab countries as their entry helps Zionist political objectives.

If, on the other hand, political conditions will be favorable for Palestine to join the Union right from the outset, the Jewish industry will have to continue along certain lines only. Some of the goods that the Jews produce can be manufactured also by the Arabs. They are agricultural and other industries which the resources of the Union permit. An important part of these may be produced by the Arabs at lower costs as the Jewish wages both on the farms and in factories are higher than Arab wages in and outside Palestine (Table II compares Arab and Jewish wages in Palestine). Of course, this factor of lower

Table II
Wages of Arab and Jewish Labor in Palestine, 1937 (28)
(in Mills)

	Arab Labor	Jewish Labor
Agricultural Laborers	100- 120	150- 200
Skilled Masons	300- 350	450- 800
Metal Workers	150- 200	300- 400
Weavers	50- 100	350- 450
Cigarette Packers	65- 105	170- 250

costs may be more than counter balanced by Jewish experience, skill, and capital, and thus some Arab industries may not be able to withstand at present Jewish competition. But I have already pointed out the necessity of a transitory period which will give the promising industries the chance to grow and rise to a competitive standard.

We may conceive of two other important categories of Jewish goods. The first is made up of those that cannot be produced at home except at a disadvantage; the foreign products of this group are in general superior to the locally produced both as regards quality and cost. The transfer to peace production is taking place, and foreign goods will be available in sufficient quantities. As regards this category it is needless to say that it is to the interest of the people of the Union to consume foreign goods. Another group is that where the Jews has acquired special talent or in connection with which they have concessions. The continuance of Jewish industrial production will be mainly along these latter industries, whose existence is advisable, and which may be encouraged and become prosperous as their production is in conformity with an important aim of the Union, that of providing goods to the consumers at the least possible cost.

(28) Compiled from Statistical Abstract, 1937, p. 98

Chapter III

FACTORS FAVORING INDUSTRIALIZATION

A. Introduction

B. Minerals and Water-Power

C. Agricultural and Animal Raw Materials For Industry

D. Labor: 1- The Present Conditions

2- The Prospects

E. Capital: 1- Capitalistic Equipment

2- Free Capital

a- Native

b- Foreign

c- Balances Abroad

F. Markets:

1- Internal Markets

2- External Markets

Chapter III

FACTORS FAVORING INDUSTRIALIZATION

A. Introduction

The present chapter is a brief discussion of the important factors that would help to promote the industry of the Fertile Crescent. I do not propose to say that any one of them alone is all important; nor do I want to imply that they all once present will automatically result in industrialization; but I mean to say that they together, when developed and improved, will tend to bring about a situation which is favorable for carrying out an industrial policy. The significance of one may increase, while that of the other may decrease, but under the present technique they remain to be factors of importance for starting industries that are to be built in accordance with sound economic principles. The existence of mineral and agricultural raw materials for industry may in certain cases, such as where the products are perishable, bulky, or are of a relatively lower quality, be considered of importance in establishing industries. The availability of fuel and water resources as sources of power, of capital in the form of means of production and capital investment, the existence of trained efficient labor, and of a sufficiently wide market are almost fundamental for the rise and success of a manufacturing power.

B. Minerals and Water-Power:

1. The mineral wealth that the Union possess is of some value to its industrial development. It is commonly believed that with the exception of their Dead Sea and petroleum minerals, the countries of the Union are rather poor in useful minerals. Some metal and minerals may occur in certain places, but the hitherto discoveries have shown that in the great majority of cases they are in uneconomic quantities or of a poor quality. Nevertheless, among the existing ones especially the oil and the Dead Sea minerals, there are minerals that are useful in manufactures.

In general, the construction of the rocks in Iraq is (1) such that there are no valuable metals in large quantities. However, there are minerals which can be exploited economically if the costs of transportation are reduced. For instance there is coal in the north, but it can be used only on the spot. The quantities of sulphur are not known exactly, but it is believed that they are large. Salt exists in abundance both in the north and the south in salty swamps and in lowlands. Iraq is fairly rich in building materials; limestone is found in large quantities; marble, especially of the beautiful kind exists; moreover, there is clay. Gypsum is abundant, it is used for making stones, for artistic purposes, and in painting. Copper, iron, mercury, gold, and chromium occur in small quantities.

Iraq's mineral wealth lies predominently in its oil deposits which are utilized by foreigners. The abundance and

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(1) Data about Iraq minerals is taken from

"الدليل العراقي الرسمي لسنة ١٩٤٦" ص ١٥١

density of its prtroleum have placed Iraq among the world's most important prtroleum producing countries. The Iraqian oil basins, which are in the north, exist largely in three deposits which are exploited by three foreign companies. The utilization of this important natural resource is enjoyed by foreign powers and institutions, while the country of origin receives a share which is very small in relation to the total value of the product. This compensation is mainly in the form of royalties and reductions in the prices of the petroleum products.(2) The significance of petroleum for industry is so great, and its part in industrial supremacy is so vital that the powers are competing for it, and monopolizing it wherever they find it. Inspite of this significance, Iraq is denied the fruits of its lands and the three companies, Iraq Petroleum Company, the Khanaqin Oil Company, and the British Oil Development Company, derive the advantages from Iraqian petroleum. In 1939 their respective production was about 4,440,000 tons, and 144,000 tons, and 30,000 tons.(3)

Petroleum is also believed to exist in Syria, which has other minerals. There have been investigations, but no details are still published. The country is believed to hold much of it especially near Lattakia, and Deir-ez-zour. There are in Syria various kinds of building stones; good limestone for cement is found in many places. Syria can produce more than its needs of salt, which occurs in abundance near Aleppo, but the output of which is limited because of the transport difficulties. Some thin beds of lignite are found in the Lebanon. Mercury, copper, and chromium also exist, but they seem to have no commercial value; iron has better possibilities. In general, the existence of metals in Syria and Lebanon is not satisfactory.

Palestine is rich in mineral resources. The Dead Sea can be said to be a concentrated solution of the chlorides of sodium, potassium, and magnesium, and it "is the largest source of potash and bromine in the British Empire".(4) Potash is produced in increasing quantities; while in 1937 only 9,009 tons were extracted, in 1938 the quantity was 47,496 tons.(5) The main use of potash is in the manufacture of fertilizers; it is also used in the making of gun-powder, drugs, painting, and soap. Bromine is also of industrial value, as it is used in photography, for medical purposes, and is added to petroleum in the making of lubricating oils; it is further used in the production of certain gas bombs and dyes. Magnesium can be employed in the textile industries for softening the woollen fibers, and in the production of chemical compounds. Salt in a practically pure state is found in the Dead Sea and near it at Jebel Usdan; the bulk of the supply is taken ffom Athlit, where salt is extracted from sea water by evaporation. Besides its use in food, sodium chloride is used in the manufacture of soap, hydrochloric acid, soda, and chlorine which is a bleaching agent used in various industries. Sulphur exists near the Dead Sea, and is abundant near Gaza where good quality sulphur was being extracted since 1939. Deposits of phosphates,

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(2) Iraq Petroleum Company, for instance, undertakes to pay in the first twenty years a royalty of four shillings per ton; another company, that of the Anglo-Iranian Oil Co., supplies the Iraqian market with petroleum products at prices agreed upon by the government.

(3) "مجلة غرفة تجارة بغداد" تشرين اول ١٩٤٠ ص ٩١٥

(4) Lowdermilk, op.cit., p. 118

(5) Blue Book, 1938, p. 176.

covering an area of 100 square Kilometers near the Dead Sea and in Nabi-Mousa, are estimated to contain one million tons.(6) There are indications of the presence of oil deposits in Palestine. It is believed that the Ghor and the Coastal Plains contain petroleum. The Hills also offer a possibility for the existence of oil. As in the case of the other Arab countries, in Palestine several oil companies undertook investigations near Gaza and elsewhere, but their findings were never made public. Limestone is of importance to Palestine as it is used in making cement; among other places, it is found near Haifa. The metallic minerals that are known are of little or no commercial importance. They include manganese, iron, chromium, and copper, which is still possible to exploit near Aqaba.(7)

Transjordan shares with Palestine the ownership of the Dead Sea minerals, and has other minerals. There is a phosphate area between Zerka and Amman; extensive deposits of gypsum have been discovered mainly near Wadi-Karak. Petroleum, it is believed, exists in many places. Manganese and copper are in small quantities. Deposits of iron occur in the Ajlum district; there are also important beds of marble. At the beginning of this war, at the request of the Imperial power, a foreign geologist examined Southern and Western Transjordan; his results were most fascinating. In the light of his and other investigations it is possible to say "that there are ample proofs of the natural resources of Transjordan and of its richness in petrol, phosphate, manganese, copper, and even gold. Rich mines of iron are only awaiting to be exploited. What is needed is capital."(8)

2. Water-resources in Iraq can be developed. I am in no position to point out clearly the potentialities of Iraq, but the general belief is that the water falls of the north can supply all the electricity that Iraq needs, and that the white coal of the north can result in appreciable economic advantages.(9)

The sources of water-power in Syria and Lebanon are summarized in Table III, which shows that the potentialities of these two countries are greater than the present quantities.

Table III (10)

Hydro-Electric Potentialities in Lebanon and Syria.

	Potential Capacity in Horse Power	Developed Capacity in Horse Power
Central Lebanon		
El-Safa (near Damur)	12,000	9,000
Nahr-Ibrahim	60,600	-----
Nahr-el-Kalb	1,550	200
Northern Lebanon		
Kadisha	3,600	2,400
Blouza	8,100	-----
Abu-Ali	12,000	8,000
Mar-Sarkis	4,000	-----
El-Barid	800	800
Southern Lebanon		
El-Litani	20,000	-----
Miscellaneous	520	520
Syrian States		
Yarmouk	20,000	-----
Barada	13,000	5,000
The Orontes	33,000	1,500

(6) Crunwald Kurt, The Industrialization of the Near East, 1934, p. 7.

(7) It was reported lately, in the issue of August 31, 1945

It appears from the table that there is at least a total of 189,170 H.P. which are possible to be generated, while only 27,170 of them were actually developed. When fully developed these resources can supply annually 200,000,000 Kwts. as compared with less than 20,000,000 sold in 1934.(11) A great disadvantage in water-power utilization in these two countries has been that the important cities are widely scattered, and thus a network connecting the power plants has been impossible due to the great distances between the centers using the current. Consequently each locality has used the nearest source, and the advantages of a large scale power house have been impossible. It would prove of great value if concessions are granted according to which large rivers are used. The Orontes can be enough for the north; Nahr-Ibrahim can provide Beirut, Tripoli, and the resorts. The Litani can supply electricity to the regions in the south of Lebanon. Southern Syria as well as northern Palestine can benefit from the water power of the Yarmouk, which is the most important potential source of power in Syria.(12)

For Palestine and Transjordan, the Jordan and its tributaries, the Yarmouk, are the main sources of water power. Any important project for generating hydro-electric power has to be connected with the Jordan River, which descends about 400 meters between Lake Huleh and the Dead Sea; along this distance a number of projects can be established with an estimated potential power of 300,000 horse power. This can give an annual supply of 160,000,000 Kilowat/hours, which is more than four times the present needs of the market.(12)

The utilization of water resources of Syria and Palestine as a source for power should be encouraged greatly. Besides its being an economical way for making use of the country's natural wealth, it will diminish considerably the imports of fuel. But an important question to be borne in mind is that this white-coal, if it is to continue in use, should be able to compete, as a source of power, with the crude oil which is produced locally.

C. Agricultural and Animal Raw Materials for Industry:

1. The variety in the fertility and kind of the soil of the Fertile Crescent, and in its climatic conditions is of significance for securing industrial raw materials. The lands of the Union are of varying fertility as there is a range from the most to the least fertile lands. A further variety exists in the kind of the soil; large areas of heavy clay alternate with light sandy land, while there are also varieties of loam, sandy-loam, loess, and of lands containing lime. Moreover, the geography of the Fertile Crescent

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of Al-Difa' newspaper, that deposits of iron and copper were discovered near Tul-Karem.

(8) Arab Industrial Exhibition, Palestine United Press Company, Jaffa, 1945, p. 8.

(9) "مجلة غرفة تجارة بغداد" ، تشرين اول ١٩٤٨ ، ص ٢٥٢

(10) Faris, op. cit., p. 299.

(11) Ibid.

(12) Ibid. p. 286, p. 280-282 .

offers serious variations in climate, and results in distinct climatic regions. Such variety in soil and climate makes it possible to secure a large variety of industrial raw materials. The different products available by virtue of such variety, and the most important of which will be shown in this section, facilitate production along a series of lines, and renders it possible to specialize in producing industrial raw materials.

2. Cotton is an important raw material for industry which can be grown in some parts of the Union. Its fibers are used in weaving industries, and its seeds can be used to produce oils which can be used for lighting, for machines, and in the soap industry. In Syria, where cotton is grown in the districts of Lattakia and Aleppo, and near Damascus, 38,639 hectars were planted with cotton in 1940, with a production of 7644 tons of ginned cotton. (13) In Iraq, cotton can flourish especially in the district of Baghdad, and its cultivation has undergone considerable progress; while in 1935, 5,000 bales were produced, in 1939 Iraq produced 15,359 bales which weighed about 3,000 tons.(14) Both in Syria and Iraq larger quantities and improved varieties can still be yielded. The Jordan valley also has possibilities.

Silk: Syria and Lebanon have been the most important centers where silkworms are reared and silk produced. Lebanon is of primary importance, but the Lattakia district is also important. In 1938 the silk cocoons produced in Syria and Lebanon amounted to 1215 tons,(15) while the figure reached as much as 3575 (16) tons in 1930, when the competition of artificial silk was not as keen yet. The mulberry tree grows also in certain places of Palestine and Iraq, but the rearing of silkworm can be undertaken on a small scale only.

Another important industrial crop which can be grown in Iraq, Syria, Palestine, and Lebanon is tobacco. In Iraq it is planted in many places especially in the Sulaimanieh and the Mosul districts. Its quality has been greatly improved, but still its cultivation can be further developed. Iraq whose production of improved tobacco in 1941 reached 1,631,326 Kgs. as compared with 705,848 Kgs. in 1934,(17) is believed to be of special significance. In Lebanon and the Lattakia district there are important centers for tobacco production; in 1937 the amount produced in Syria and Lebanon was 5179 tons, with 6152 hectars used.(18) The production of Palestine in the same year was 2371,(19) but the country has been quite self-sufficent. Every possible extension and improvement should be undertaken because besides the use of tobacco in making cigarettes, cigars, tombac and snuff, there are various industries which can be undertaken in connection with the production of tobacco and to which a reference will be made later.

The livestock of the Union can be used as a source of some important industial products. The sheep and goats giving wool are raised in Palestine, Transjordan, Syria, and in Iraq where different qualities of wool are yielded. The native livestock can still be increased in quantity and improved in quality; better care would make it a valuable source of leather and wool. It is believed

(13) Rapport sur la Situation Economique de la Syrie et du Liban, 1940-41 , pp. 37-39

(14) Annual Report of the Chamber of Commerce, Baghdad, 1939, p. 274.

(15) Bulletin Economique Trimestriel, 1938, p. 856.

that much can still be accomplished along this line as there are sufficeint lands for pasture. (Syria alone has about 331,000 hectars of meadow land),(20) and as the breed can be improved through cross-breeding and proper care. Dairy products can be produced on a larger scale, and the blood of the animals can be used in making fertilizers.

Flax, sugar-canes, and sugar-beats are other industrial crops. The cultivation of flax has assumed some importance in Iraq, which produced in 1939 3807 tons of flax.(21) It is possible to grow it in Transjordan, Palestine, and Syria especially around Damascus. Both its seeds and fibers can be utilized. Sugar can be made from sugar-canes and sugar-beats, both of which can be grown in various regions of the Fertile Crescent. Considerable areas in the alluvial plains of Iraq, in the internal plains of Syria, and in the Jordan valley are especially favorable for the cultivation of sugar-beats.

Considerable quantities of olives and other products for oil can be yielded in the Union. Olive plantation belongs to the Mediterranean climate, and has been always flourishing in Syria, Lebanon and Palestine. Its oil is a source of wealth, being used as food and in industry. In 1938 the produce of olives in Syria and Lebanon was 89242 tons, and that of olive oil was 16817 tons;(22) the production of Palestine in the same year was 38,572 tons of olives, and 7,714 of oil.(23) Sesame is also common, and is used in the soap industry, in food, and for lightning. In 1938 the produce of Syria and Lebanon was 5,312 tons,(24) while that of Palestine was 6,441 tons.(25) There are various plants which can be grown in the lands of the Union and from which different kinds of oils can be extracted such as Sudanese nuts, castor, flax and cotton seeds, and sunflower.

Some of the fruits of the Fertile Crescent can be used in industry. Grapes, which is planted on a large scale in certain mountains and plains of Palestine, Lebanon, Syria, and Transjordan, can be used for making raisons, Jams, and molasses, but its main industrial value is in the manufacture of alcoholic liquors. In 1938 the grapes produced amounted to 200,884 tons(25) in Syria and Lebanon, and to 46,784 tons(26) in Palestine. The citrus fruits thrive best in Palestine where the investment in this kind of production plays an important part in the country's economy. In 1937 the area under citrus plantation in Palestine was 29,950 hectars.(27) Different kinds of juices can be made from the citrus fruits, from whose peal alcohol also can be produced. Such and other less important industries should be encouraged so that the dependence of this important source of wealth on foreign markets can be decreased. The dates grow best in Iraq, but it is also planted in the plains and the deserts of other parts of the Union. The dates can be used to produce sugar, while the wood of the palm tree can be used

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(16) Burns, op.cit., p. 144
(17) Statistical Abstract, Baghdad, 1942 p. 96, 1938, p.99
(18) Bulletin Economique Trimestriel, 1937, p.782
(19) Statistical Abstract, 1939, p. 41
(20) S.Himadeh, Economic Organization of Syria, 1936,p.31
(21) Annual Report of the Chamber of Commerce. 1939, p.275
(22) Bulletin Economique Trimestriel, 1938, p.862
(23) Statistical Abstract, 1939, p.41
(24) Bulletin Economique Trimestriel, 1938, p. 856
(25) Ibid., p. 862
(26) Statistical Abstradt, 1939, p.41
(27) Ibid., p. 43.

in building, and its fibers can be utilized for making strings. Efforts in Iraq are made towards the utilization of every part of the tree. The pears, the apricots, the apples, plums, and peaches all can be used for jams and in the preserving industries. Cherry can be used for brandy and its wood for musical instruments. Pomegranates can be used to produce dying materials, juices, and in tanneries, in which walnuts, also, can be used besides its being a source of edible oil. Besides its value for sericulture, mulberry can be used in certain medical compositions. Figs enter in medicine for the production of ointments and digestive materials, and bannanas can be used to make alcohols. Almonds, which are common in the countries of the Union, can be used for juices, in making perfumes, and in certain medical preparations.

There are other agricultural products which are useful for industrial activities. The hemp is produced mainly in Syria where 3,464 tons of hemp were produced in 1938(28). It is mainly found near Damascus, and is used to make strings, bags, and ropes. Certain kinds of barley can be used in making beer; in 1939 Iraq produced 624,911 tons of barley that is suitable for beer.(29) Wheat, corn, and potatoes are three crops which are grown in large quantities and which may be used for making starch.

D. Labor:

1. On the whole the industrial laborers are still unorganized and backward. The countries of the Union are in a transitory period from a merely agricultural state to a one of developed industry and agriculture. The old industries have not yet completely disappeared, while new methods have not been adopted on a large scale. Thus in the majority of cases the native laborers still follow the traditional ways of living, and working; they still suffer the evils of a low standard of living, and the miseries of sickness and poverty. What makes things worse is that in many cases they are ignorant even as regards their rights or as to the ways by which they can attain them. In general it can be said that industry has not yet grown and developed so as to absorb a good part of the working population, and so as to result in the improvement of the conditions of the industrial labor.

The countries of the Fertile Crescent have known technical education on a small scale only, and the present degree of skill is still inadequate for a higher degree of industrialization. Only the beginnings of high technical education are touched upon, and the degree of skill in industry is still in its infancy while the number of skilled workers, as compared to the demand is almost inadequate; thus we notice in Iraq for instance that while the wages in the handicrafts were between 65-85 mills, the techniciens took about 400 mills.(30) In Iraq the level of craftsmanship was improved by the two government technical schools which were established at Baghdad and Mosul, the latter was attached to the former in 1940. In 1941 the students were 187 with 25(31) in the graduating class, but their training is primary in nature. Another effort of the government is to send students

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(28) Bulletin Economique Trimestries, 1938, p. 857
(29) Annual Report of the Chamber of Commerce, 1939, p. 275
(30) عقراوى, op.cit., p. ص ١٠٠
The monetary unit to be used here is the Palestinian pound, which is divided into 1,000 mills and which is equal to the Iraqian dinar, and the English Sterling. It is also equal to 8.88 Syrian pounds.

abroad; between 1930-1937, 35(31) were sent. In Syria and Lebanon technical education is almost non-existent. In Transjordan the "Government Arts and Crafts School in Amman" gives elementary technical education.

Technical education in Palestine has received better care. The government in 1930 appointed a supervisor for technical education, and in 1936 a Government Trade School in Haifa was opened, which provides training over a three years course in a variety of trades. Manual work as a part of the curriculum was developed in the government schools in the towns and the villages of Palestine. There is also a christian Arab institution in which trades are taught and which is known as the Syrian Orphanage. In Jerusalem there is a Moslem Orphanage where trades and handicrafts are taught. Another school is that of the Salesian School in Bethlehem. In the Jewish sector conditions are better. Over and above the flow of skilled laborers, techniciens and engineers that have entered the country, the Jews have many schools, most important among which are four, two in Tel-Aviv, one in Haifa, and one near Haifa; four of them had a total of 886 students in 1942.(32)

2. The process of urbanization results in manifold advantages as regards the native workers that can be employed in industry. The supply of industrial labor has been and can still be increased by the movement of population from agriculture to industry and commerce, a movement which is associated with developing countries. The countries of the Union have experienced a number of shifts, but they have not been as rapid and efficient as they should be. Nevertheless, there is a notable tendency of shifting from rural to urban occupations. This tendency, coupled with that of a high birth rate, will provide us with the labor force that the industrial development needs; of special significance is the relative low wages that the workers thus formed are liable to receive. The age of infancy through which most native industries are or will be passing is difficult and critical, and thus the lowering of the costs of production by paying low wages to workers coming from the farms and accustomed to a low standard of living tends to make it easier to native enterprises to pass this stage sagely. Another fact that is to be noticed in this respect is that the productivity of these workers will tend to be raised as they shift to industry; we have seen this fact in the first chapter.

There are other considerations that make the position of the industrial labor favorable. The potential efficiency of the native body of workers to develop industry is rather promising. The workers in many parts of the Union are adaptable for skilled work, and have the readiness to learn new methods; in many places they are known for being able to endure, imagine, and imitate; what is more there is in some cases a good initiative. In Syria for instance, "the people of the region were termed by the French Report to the League of Nations as having the ability, ingenuity, and intelligence to develop industry."(33) Moreover, the climate in many places of

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(31) Statistical Abstract, Government of Iraq, 1941, p.108
(31) Ibid.,
(32) Statistical Abstract, 1943, p. 42
(33) Faris, op.cit., p. 23

the Fertile Crescent is favorable for industry; places with temperate or moderate climate are convenient for factories and manufacturing; such climates help the development and exertion of energy.

It is almost needless to say that the native workers should receive training and instruction, and that technical education should be raised in level and increased in quantity. It is only through adequate training and care that the necessary operatives for the industrial processes can be derived from the native body of laborers. If such a skill is to be acquired new schools should be started, and young men should be sent abroad. The knowledge of business administration is not sufficient; the experts of the modern factories with business ability and foresight are quite rare. All these aspects should receive a better care, but for such an undertaking some dependence on foreign experts will prove beneficial, and may be necessary. The following quotation will serve well to emphasize this last point: "Even in the relatively autonomous new Turkish industrial development, where great stress is laid on independence from any foreign influence, the foreign expert was absolutely necessary as either factory engineer, foreman, or specialist worker, to whom specific duties were entrusted or who must train the native workers. This reliance upon the experience of the West, an experience which constitutes the fruit of accumulated Western thought and knowledge, will certainly continue during the near future."(34) Two things have to be noticed in this respect if the Western help is to bear the expected fruits. First, the foreign experts should be temporary employees receiveing salaries and engaged in the spirit of true cooperation, and in accordance with native needs and not foreign interest. Next it should be arranged for them to work side by side with native workers who will benefit from them, and will, in due time, be able to replace them.

E. Capital:

1. Capital in the form of means of production is necessary for a productive power, and the importation of machinery is important for industrial development. The investment of capital in such things as machinery, laboratories, and means of transport makes it possible to utilize the native resources, and to promote native industries. As the conditions for the production of machinery are not found in these countries, their importation is of special significance. This need has been felt, and there has been some imports which were encouraged by exemption from duties.

Table IV
Imports of Machinery
in £.P.

	Iraq (35) (Machinery)	Syria & Lebanon (36) (Industrial Mach.)	Palestine (37) (Industrial Mach.)
1928	393,744	160,909	141,590
1934	332,070	141,481	966,749
1938	995,838	173,435	185,014
1928-1938	5,015,746	2,070,971	4,565,863

(34) Bonne, op.cit, p. 66
(35) Compiled from Statistical Abstract, 1942 & 1938, p.126
(36) Statistiques Generales du Commerce Exterieur, 1928-1938
(37) Extracted from Memoranda for Palestine Royal Commission, p.178 and Blue Book, p.107

2. Industries need capital mainly for technicians, workers, materials, and machinery. Free capital may be used to pay for producers' goods from the country itself or from the outside, and thus its availability is important for large-scale importation of machinery.

a. The free native capital resources have not been adequately available for industrial development. In every one of the countries of the Union there are rich people with thousands of pounds which are not fully utilized as in many cases they are hoarded. The practice of hoarding is largely due to conservatism, and in some cases it is furthered by the unequal distribution of income as those receiving a much greater income than they need would hoard large savings. In Syria the practice of gold hoarding was further encouraged by the lack of confidence in the franc on which the Syrian pound is based; also because of some bank failures, the feeling towards the banks has often been one of suspicion. The fear of risk has made investment in such assexts as buildings appealing to many of those having capital resources. Moreover, quite a number of native capitalists have been investing huge sums in foreign securities, which though of small yield, yet were preferred for being more safe than native securities. There are further those who were able to save only small sums, and whose savings, each alone, cannot finance an enterprise. As they have not yet believed in companies, they do not invest their resources in stocks and bonds. If their attitude were different, their resources when collected would finance large enterprises, and their investments would therefore benefit them and society as a whole.

An important source of free capital is that of remittances from emigrants. Both for economic and political causes emigration from Lebanon, Palestine, and Syria took place on a large scale since 1860. Those who left first succeeded and earned money; they sent for their friends and relatives encouraging them to follow the same steps. Thus the volume of emigration increased considerably; in 1926 the emigrants from Syria and Lebanon alone were 14,288.(38) Many of them have made good fortunes, and they have been sending large amounts of remittances, a part of which has gone to increase the working capital of the country.(39)

On the whole, it has been found difficult to finance properly modern industries of considerable size. The volume of investments has been small, and bank credit for long periods has been limited and costly. In Iraq, for instance, there is an "Agricultural and Industrial Bank", but its loans for industry in 1939-1940 amounted to 3,225 as compared to £ 59,667 of agricultural loans.(40) In Palestine it may be that there is much capital in the Jewish sector, but inspite of the great influx of capital, the financial structure is weak; thus while some industries are over-capitalized, others are under-capitalized. This is because in the case of capital for investment there is need for a proper banking mechanism which will know how to collect and distribute the capital.(41)

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(38) Economic Organization of Syria, p. 16

(39) Ibid., p. 18. In 1924 the remittances were estimated to be nineteen million dollars. In 1939 the figure as given by Banque di Syrie et du Liban was 27,200,000 S.P.

(40) مجلة غرفة تجارة بغداد ، قانون ثاني ١٩٤١ ، ص ٢٨

(41) S.Himadeh, Economic Organization of Palestine, 1938. p.298

There are many ways in which the volume of investments can be increased. Borrowings would expand if we develop, more than we do new, the practice of using our fixed capital, such as land and building, as security for loans from mortgage banks and other financial institutions. Moreover, there should be a considerable reduction in the rate of interest on borrowings. There is a great difference between the rate of interest prevailing here and that of the West. Lack of stability in public affairs has been an effective factor that kept the rate high, and existence of the usurer has had its influence also. The practice of saving, through which capital accumulates and reaches considerable amounts, is of great significance to the establishment of a manufacturing power. At present there is no proper banking mechanism by virtue of which capital resources are pooled on a large scale and distributed efficiently. Thus with the available capital resources, and with the limitations of income and savings, extensive industrial development has not been possible. However, with a better banking system, it may be possible to increase the volume of investments. It is also hoped that the natives will get more acquainted with the uses and advantages of limited companies through which large enterprises may be undertaken, and idle capital resources utilized. It is important to mention at this point that the amounts of these resources have been increased in the last few years. The rise in bank deposits that is shown in Table V may give an idea about this increase in free capital, which has been caused mainly by the army expenditures.

Table VI

The Increase in Currency in Circulation and in Bank Deposits during the War.
(Amounts in L.P. at end of each month)

		1939	1943	1945
Palestine. (42)	Currency in Circulation	January 5,574,134	December 35,978,824	August 46,547,790
	Bank Deposits	15,979,673	45,884,955	July 64,419,799
Syria (43)	Currency in Circulation	April 1,817,955	December 18,815,341	November 24,204,505
	Bank Deposits	December 698,864	5,946,250	June 9,169,205
Lebanon. (43)	Currency in Circulation	April 2,336,136	December 12,988,523	December 19,176,136
	Bank Deposits	December 6,015,113	19,000,682	June 22,109,432
Iraq. (44)	Currency in Circulation	December 6,013,357	December 36,085,208	July 41,405,616
	Bank Deposits	2,018,355	15,468,526	21,145,926

(42) Compiled from General Monthly Bulletin,
(43) Figures for 1939 and 1943 are taken from Recueil de Statistiques, De la Syrie et du Liban, 1942-45, Beirut, 1945
Figures for 1945 are taken from Elements des Etats de

b. ~~Balances Abroad~~: In giving a brief survey of the capital resources of the countries of the ~~Union~~ F.S., it is necessary to mention the private, bank, government, and currency reserve credits abroad. It is rather impossible to know the exact total amounts making up these balances, but they ~~these balances~~ are roughly produced in Table VI ; as some of the items of which the balances are made are not available or cannot be known, the actual amounts are no doubt greater than the totals arrived at in the table below. These balances have been greatly increased during the war, and thus it is deemed necessary to show how this has taken place, and to explain how they have been greatly inflated.

The army expenditures gave rise to huge abnormal war balances. The countries of the ~~Union~~ F.S. have supported tens of thousands of Allied troops, and have furnished large quantities of supplies to the military authorities. The troops were in need of local currency to pay for workers and purchases. These needs were met by the issue of notes against balances abroad, and the cover for the increase is represented by a sterling or a franc account in London or Paris. These balances are thought to be like short-term loans granted to the Allied Powers. Thus each of these countries ~~of the Union~~ holds large balances, the magnitude of which can be realized by looking at Table VI in which the inflationary increase of the currency in circulation is demonstrated.

During the War, and due to the restriction of imports these abnormal balances could not have been liquidated, and the problem of liquidation is an outstanding problem of post-war settlement. The only apparent way seems to be exports to the creditor countries, who will be allowed to settle their balances in financing their imports. The British Government has tried to meet some of these debts,(45) but the amounts liquidated are relatively insignificant, and huge balances are still to be settled. The Chancellor of the Exchequer said on April 24, 1945, to the House of Commons: "Our liabilities to overseas creditors now exceed £ 3,000 millions, and the total is likely to reach £ 4,000 millions before we are finished. This takes no account of the overseas assets we have sold."(46)

The very importance of these debts to both debtors and creditors raises many questions. The significance of these balances to the Union cannot be over-emphasized, but on the other hand, it is not likely that the debtors will be able to discharge their debts as quickly as may be demanded, or in the manner that may be required or expected. Thus it is not certain whether they are to be settled in part or in full, and if the former what is the part that the creditors may be asked to give up as their contribution to the war for world peace. One would wonder if the nominal value will be paid, or whether the creditors are to receive the goods that their credits could have bought. Over how long a period will they be paid? To what extent will it be possible to turn these debts into actual goods, and to what extent will dollars be available? What kind of goods will be given? The answers to these questions lie in the future, but it is hoped that the so much talked of "principles of justice" will be observed, that the debts will be duely and justly settled, and that the creditors will be able to get their requirements of goods. These

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Syrie et du Liban, Sept. 1945, p.14, and from the

(44) Figures for 1939 and 1943 are taken from Statistical Abstract, 1943, p. 184. Figures for 1945 are from

(45) Great Britain sold some securities in India; it has given Egypt dollars.

balances are of great value to the industrial development of the Union. Any attempt towards industrialization will prove that the Union needs machinery and other equipments. These capital goods that are needed will be demanded, and the people of the Union should see to it that they are not deprived of the best use of these resources. Their requirements of capital goods from outside should be secured among the goods that are to be received in exchange for the debts.

c. Foreign capital: It has been shown in an earlier section that native capital has been inadequate for considerable development of industry. The amount of native capital may have been increased, but still, most probably, foreign capital will be needed.

Material progress will depend to an appreciable extent upon some capital being provided by foreigners, preferably in the form of borrowings, possibly in the form of foreign investment in enterprises, but not in the form of permanent transfers of foreign capital through immigration. Thus loans from foreign circles at reasonable costs should be welcome. It is hoped that the reconstruction plans will entitle these, and other countries of cheap and large labor resources, to international credits in the form of capital goods and means of production that they may need.

Table VI[$]
Estimate of the Available Balances Abroad
(Amounts in Sterling)

	Palestine	Syria	Lebanon	Iraq
Currency Reserves (in 1945)	Sept.30 (47) 47,067,290	Nov.15 (48) 24,204,505	Dec.15 (49) 19,176,136	Sept.10 (50) 42,705,097
Less: Estimate of normal post-war currency reserves (51)	13,723,518	6,626,161 (58)	5,259,326 (58)	10,415,332
Surplus Currency Reserves	33,343,772	17,578,344	16,916,810	32,289,765
Banks' Balances Held Outside (in 1945)	August (52) 28,649,047	June (53) 7,313,627	June (54) 17,697,283	(55) ?
Government and Private Credits	Aug.1943 (56) 15,000,000	?	?	?
Total Available Balances	76,992,819	?	?	?

[$] given Egypt dollars.

(46) The Eastern Times, Beirut, April 25, 1945, p.1.

As to investments of foreign firms in native enterprises, they should, as a rule, be discouraged. If, however, it is found that only a foreign company can undertake a certain project, then the preference should be given to a country which has no imperialistic interests; or at least we should derive the maximum gain from any concession we grant.

Foreign investments of the kind that was granted in the past should be guarded against. As foreign capitalists have come to employ their funds, they demanded and acquired certain rights which have served well their economic interests, and political ends. The terms of the bargain were fixed ~~through pressure and not~~ on the basis of free agreement. Moreover, the kind of enterprises undertaken have been those that would meet the needs of the foreign powers such as means of transportation which is to facilitate the distribution of foreign goods, and soldiers. Thus in brief it can said that the foreign investments which could have benefited the countries of the ~~Union~~ E.C. have stood in the way of real social and economic progress because there have been ~~always~~ political aims and selfish objectives. So, if foreign investments from now on are to prove inevitable for certain projects, the bargain should be based on mutually advantageous economic relations.

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(47) Monthly Bulletin, Oct. 1945, p. 624.
As the 1945 figures for currency Reserve Fund are not available yet, I took the amount of currency in circulation.

(48) "المجلة المصرفية للجمعية اللبنانية" ٦ ٨ نون اول صفحة

(49) "المجلة المصرفية للجمعية" ٦ ٦ حزيران اول صفحة

(50) مجلة غرفة تجارة وبغداد ٦ ٦ حزيران اول ١٩٤٥ ص ٦٧

(51) These rough estimates are arrived at by adjusting the currency in circulation in 1939 to the rise in price level, and the increase in population. The price level in the countries of the Union will tend to be like that of England; since 1939 the wholesale price level in England increased by 76%, and the retail price level by 37% (Royal Economic Society, Memorandum No. 103.p.11) But as the price level in these countries before the war was lower than that of England, the rise here will be proportionally more, and the percentage of increase in currency will be more. Thus it is reasonable to say that the price level that will prevail in normal conditions will require 200% of the currency that was circulating in 1939. As to population, the following are rough estimates of the increase that has been taking place in the seven years that follow 1939:-

Palestine 23.1% (based on the figures of increase for the years 1939-1944, as given by the Monthly Bulletin, Oct., 1945, p. 573).

Syria and Lebanon 13.93% (The increase is taken for both countries together as they use the same currency. The percentage of increase is based on the increase in the year between 1942 and 1943. The 1942 figures are given by Rapport Sur la Situation Economique, p. 39, and those of 1943 by Recueil de Statistique p. 9

Iraq 9.1% (based on figures of 1932 and 1934 as given in "النظام الوحدوي في العراق" ٦ ص ١٢

(52) Extracted from Monthly Bulletin, Oct., 1945, p. 627. This figure is the difference between the banks' assets outside Palestine, and their liabilities outside Palestine. A small part of this amount may be within the Union. The actual amount of banks' assets outside Palestine are no doubt much more as an appreciable part of the banks' investments (whose total is £ 27,926,567) is invested outside, and there is no way for telling how much this part is.

F. Markets:

The significance of the extent of the market to industry cannot be over-emphasized. The existence of a sufficiently wide market is a fundamental condition for the growth and success of industry. The larger the volume of production, the tendency is towards a better position as regards costs and quality. Large scale production is important for the profitability of industrial production.

1. Internal Markets:

The internal market is more important and more dependable than the external one. A wide home market is a better assurance for a reasonably constant effective demand which is essential for industrial development. The following quotation serves well to emphasize these facts: "When he is free to choose between them, almost any manufacturer will prefer to sell in the home market, where turnover is much quicker, and there are fewer annoyances of language, shipping, credit and trade".(59) The fact of a quicker turnover is of special significance, but the quotation would have been more complete had the "annoyances of politics" been added to the statement.

The internal market of the Union is made up of the demands of the people of Iraq, Syria, Palestine, Lebanon and Transjordan. The number of population in these is shown below, but mere number cannot indicate the extent of the market because what is important is the purchasing power.

Table VII
Population of the Countries of the Fertile Crescent

Palestine (end of 1944)	1,739,624 (60)
Syria (1943)	2,860,411 (61)
Lebanon (1943)	1,047,745 (61)
Transjordan (estimate)	320,000 (62)
Iraq (1935)	3,353,777 (63)
Total	9,321,557

(53) This is the difference between the deposits and the loans of the principal banks in Syria as given in Elements Statistiques des Etats de Syrie et du Liban, Sept. 1945, p. 14
(54) Ibid.
(55) The deposits of the banks in Iraq are £ 21,145,926 (Table V, supra, p. 86), but there are no figures to show what deposits are held outside.
(56) Bulletin of the Jewish Agency, No. 3, 1943.
(57) The total of the figures that appear in the table is £ 168,798,658, out of which £ 24,891,981 are for Syria, 34,614,093 for Lebanon, and £ 32,289,765 for Iraq. The actual aggregate amounts are no doubt greater than this rough estimate because some figures are not up-to-date, while other important items are altogether unobtainable, and have not therefore been included in the total above which may reach as much as £ 200,000,000 or more.
(58) The total normal currency demands for Syria and Lebanon is estimated, in accordance with footnote No. 60 to be £ 11,985,487; this total is divided among them in proportion to the currency circulating in these two countries in Nov., 1945 as this may represent more accurately, than that of 1939, their post-war normal need of currency reserves.
(59) "The Economist", Jan. 27, 1945, p. 102
(60) Monthly Bulletin, May, 1945, p. 236.

In general, the standard of living is still low, and the volume of the consumption of industrial goods is still inadequate for a manufacturing power. A great part of the population of the Fertile Crescent is made up of nomads and primitive peasants whose demands are mainly the mere necessaries of life which are usually unmanufactured. The percentage of rural to total population in Syria and Lebanon, Palestine, Iraq (excluding nomads), and Transjordan according to one available estimate is 68%, 53%, 72%, and 80% respectively.(64) Of course, among certain sections of the people the demands have risen to considerable levels, and the market for industrial articles has consequently been growing, but still, on the whole, it can be said that the prevailing low standard, and the limited purchasing power are restricting the size of the market. The per capita income in Syria and Lebanon in relation to that of Germany, for instance, is in the ratio of 13 to 60,(65) while Germany's to the of the United States of America is in the ratio of 2:3.(66) The per capita income of Palestine may be higher, but is not much higher, while that of Iraq is no coubt lower,(67) and it is still much lower in Transjordan. The demand for industrial goods is further decreased by the inequality in the distribution of income. The bulk of the population, the consuming public, receive a low share of the national income; in Syria and Lebanon, for instance, according to one estimate, three quarters of the population receive less than one third of the income.(68) A more equal distribution of income would no doubt result in greater demand for some manufactured goods as with the increase in the income of the greater part of the population relatively more will be spent on manufactured goods.

Moreover, the removal of the customs barriers will evidently bring about a wider internal market. So far the internal market of an industry in Baghdad was only the state of Iraq, but with the Union realized the home market will be made up of the five Arab countries. In 1938 Palestine imported from Iraq goods to the amount of £.P. 172,835 and from Syria £.P. 1,014,953 which were 1.52%, and 8.94% of its total imports; its exports to these countries were £.P. 8,326, and £.P. 412,825, which were 0.16% and 8.22% of its total exports.(69) Iraq in 1939 exported to Syria goods to the value of £.P. 98,933

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(61) Recial de statistiques, p. 9
(62) Lowdermilk, op.cit., p. 207
(63) ص ٩٢ ، "النظام الاقتصادي في العراق"
This does not include some of the Bedoiuns. Moreover, this is an old figure;a more recent one is not available, but a reasonable estimate would be above 5 millions.
(64) Bonne, op.cit., p. 61
(65) Le Commerce du Levant, Jan, 18, 1938.
(66) Sikes, op.cit., p. 450.
(67) Bonne says that if it is 13 to Syria and Lebanon it is 10 to Iraq.
(68) Le Commerce du Levant, Jan, 18, 1938
(69) Extracted from Statistical Abstract, 1939, pp. 73-76.

which were 2.8% of its total exports, and imported therefrom goods to the value of £.P. 155,970 which were 1.9% of its total imports,(70) Thus at present there is a considerable movement of goods which under the Union will move in one large market, and will be further expanded as trade will flourish when restrictions are removed.

There are other factors which will work to expand the internal market. Agriculture has immense possibilities of improvement and development; various measures, that shall be discussed in chapter five, can be done which will raise the level of the agricultural classes. The process of urbanization that has been taking place will increase the purchasing power and will result in a greater demand for industrial goods; in 1935 in the U.S.A. the purchasing power of the income per head employed in primary and secondary occupations were 688, and 1,728 I.U. respectively.(71) Moreover, as this process takes place, and as industrial possibilities are realized, there will be change in the occupational structure in favor of industry, a change which is closely associated with the level of economic advancement; thus in Holland where 39.2% were engaged in secondary occupations the average real income over 1924-35 was 855 IU., while in Denmark where only 27.5% were engaged in secondary occupations the income was 680.(72) As income rises, the consumption of industrial goods will rise more rapidly than the income because relatively more will be spent on luxuries. Thus, the capacity for increasing the consumption of manufactured goods can be considered as being great; with rising income there is a tendency to increase the consumption of manufactured goods such as clothing, furniture, cultural and in other requirements; moreover, with the development schemes and processes there is a rising demand for industrial products which are to be used in such things as building activities, farming, and public works.

The internal market will tend to grow further because of the increase in population. The rate of increase in the Arab countries in general is known to be high; the birth rate being exceedingly high. This will naturally lead to new demands for additional means of subsistence and for more consumption of goods, and a further expansion of the internal market. The following table shows this high rate of increase.

Table VIII
Growth of Population(73)

Country	Growth in % between 1900-1938(1900=100)
England and Wales	126.9
Germany	137.2
Iraq	175.0
Syria	145.8
Palestine	250.0

However, it is only proper to point out here that unless we are awakened to the value of a manufacturing power, the increase in purchasing power will be of no value to the

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(70) Based on figures given by Statistical Abstract, 1942, p.118
(71) Clark, op.cit., p. 342
(72) Ibid., p. 179.
(73) Bonne, op.cit., p. 8

native industries. The market will expand, but the increased expenditure may be spent on foreign goods. Without an industrial policy which will undertake the education and awakening of the public, and which will imply the necessary protection, the rise in the income of the people ~~will of no~~ may be of no avail to their industry.

~~2. The External Market~~

2. Ability to compete is essential for gaining external markets. In general, goods which are to secure a foreign market should be able to withstand international competition, their prices and qualities should be absolutely competitive with other standards. As the great part of the native industries is not yet of such a high standard and of such a competitive ability, there is great need for improvement.

However, there are possibilities of exporting manufactured goods. The surrounding countries of Iran, Turkey, Hejaz, and Egypt will, especially if tariff restrictions are reduced, make up a wide external market for some goods of the Union; Egypt is of special significance; in 1938 1.5%(74) of the exports of Iraq, 2.03%(75) of those of Palestine, and 5.6%(76) of those of Syria and Lebanon were to Egypt. The Union may in the future be able to export such products as leather goods which can be successfully made in more than one center, and which may be produced in greater quantities than those needed for home demands. The countries of the Fertile Crescent are in a position to export articles whose raw materials are in a way unique or specially flourishing such as olive oil, soap, date products, citrus and fruit juices and preserves, and Dead Sea minerals. Palestine, for instance, exported in 1937 edible olive oil to the value of £.P. 77,733 other oils of £.112,400, laundry soap £.P. 74,262, Potash of £. 174,672, and bromine of £. 42,026(77); Iraq in 1939 exported dates to the value of £.P. 963,224 out of which only £.P. 8,221 were to countries of the Fertile Crescent.(78) Of course some of the above exports may have been to countries which are to be members in the Union; nevertheless, a part was to foreign counties. Moreover, the countries of the Union can export considerable quantities of goods with oriental character such as laces.

In brief, there are at present limited export possibilities, but these may be increased. This will take place as the industries grow to be more compatible, and to produce more than the needs of the internal market. Moreover, the establishment of the Union ~~internal market~~ with a common tariff policy, will place its countries in a better bargaining position to gain export markets by means of trade agreements. It is important, however, that the manufacturers be instructed as to competitive foreign samples and price lists, and that special exporting agencies should be established to advertise and make cantracts on behalf of small exporters; moreover, there should be government encouragement in the form of export bounties.

(74) Statistical Abstract, 1943 p. 120
(75) Statistical Abstract, 1939, p. 75
(76) Statistiques Generales, 1938
(77) Statistical Abstract, 1939, p. 73
(78) Statistical Abstract, 1943, p. 144

Chapter IV

THE INDUSTRIAL POSSIBILITIES

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Chapter IV

THE INDUSTRIAL POSSIBILITIES.

A. Introduction

I. Modern industry in the countries of the Union is still in its infancy (1). A considerable degree of industrializaion cannot be talked of, and the stage of industrializaion that has been achieved is largely of recent origin. Prior to the first World War and in the years that followed it, there were almost no factories; the large manufacturing concerns are a new phenomenon and are relatively few. Thus a large part of the natural resources has been utilized by foreign powers, the native raw materials for industry were exported, and foreign capital was exploiting the countries' wealth. On the other hand, the demand of the population for industrial products have been met mainly by imports, the purchase of foreign goods has been a drainage on the wealth of the natives, while profits have to accrued to the foreign exporters.

However, an awakening has taken place in recent years. Some of the economic activities and political movements that are being undertaken seem to be based on the understanding that a manufacturing power is a great source of riches and that a state should establish as many industries as its resources permit. There have been some attempts to introduce new methods of production and the governments, inspite of political instability, have often tried to adopt measures and issue laws in favor of industry. On the whole it is possible to say that there has been a drift towards industrialization, that certain results have been achieved, and that the progress, though slow, has in some cases been along reasonable and rather promising lines. This growth can be seen in the fact that in Iraq, for instance the manufacturing concerns benefiting under the encouragement of Industries Law were 8 in 1929, 53 in 1935, and 71 in 1939.(2) The sale of electricity for industrial purposes in Baghdad was increased from 2,483,587 KWH in 1938 to 3,549,480 KWH. in 1939.(3) In Palestine the value of industrial exports was L.P. 354,493 in 1928, and L.P. 639,604 in 1939, the sale of electric powerfor industry in Palestine was 1,870,886 KWH. in 1928 and 20,180,322 KWH. in 1938.(4) This tendency towards industrial development can be further realized by examining the import of industrial machinary.(5)

The industrial development has not been to the same extent in the countries of the Fertile Crescent. This may be because of differences in natural resources, or because they have been going through different political situations, or because foreign capital has invaded them at different times, or because of a combination of such and similar factors. In the case of the Iraqian industry the year 1929 is a turning point; since that year, in which the Encouragement of Industries Law was issued, a shift towards factories and mechanized plants has been taking place, and various protective measures like exemption, subsidizing, and regulation of customs duties were adopted. The government undertook many activities and finally an agricultural industrial bank was established. In Syria and Lebanon also a tendency to leave the traditional handicrafts and to start modern mechanized industries is felt. As early as 1933, and even before, there has

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(1) The industrial development during the War-Period cannot be considered to be wholly normal, and thus the reference is to the years before the end of 1939.
(2) Statistical Abstract, Baghdad, 1941, P. 193.
(3) Ibid P. 185.
(4) Statistical Abstract, 1939, P. 73 and P. 158
(5) See table, in Chapter III (P. 33)

been a noticeable advance in the volume of production. It is quite safe to say that industry in the modern sense has been introduced into Syria and Lebanon and developing at a rapid rate.(6) The low cost of labor and the availability of cheap r raw materials were two important factors that promoted the process, but the government contributed to this advance through protection. Another factor that was of influence, especially in the case of Lebanon, is the return of many emigrants, who having the required skill and capital, helped to promote the establishment of factories. The development in Palestine has been more rapid; great improvements have been introduced in the structure of the firms, and in the methods and volume of production. The main factor for this has been Jewish immigration which brought with it capital, labor and skill, and which also led to expansion in the markets through the immigrants' increased demand for goods. As to Transjordan, industries in the modern sense are practically non-existent; very small scale industries and handicrafts have arisen here and there

2. War Conditions have promoted the industrial development in the countries of the Fertile Crescent especially in Palestine, Syria and Lebanon. Table ~~IX~~ shows this progress in case of Palestine; no such figures are available for the other countries, but some figures about Syria and Lebanon are given in Table IX , which may show what has taken place. The lack of shipping space and man power almost have caused great reduction in the imports; thus the share of the local industries in supplying the needs of the internal market has grown.

Table IX

Growth of Industry During the War

		1939	1942
In Palestine; (7)			
Gross Output	£.P.	8,842,000	£.P. 36,830,000
Net Output	"	3,815,000	" 14,844,000
Number of establishments		1,217	3,470
Persons Engaged (Dec)		20,414	49,977
In Syria and Lebanon: (8)			
Production of cotton textiles m.		5,417,500	13,717,500
Production of olive oil.	tons	10,310	28,000
Imports of textiles	"	10,089	2,896
Imports of woollen cloth	"	764	123
Imports of Hosiery	"	183	19
Exports of Cotton textiles	"	142	98
Exports of woollen cloth	"	22	0
Exports of Soap		832	374

The demands of the army have further helped to increase production; thus the production of cement in Syria and Lebanon was increased from 91,653 tons in 1940 to 451,905 tons in 1943(8). Thus in general the volume of production expanded, many existing industries flourished and many new ones were started. However, the conditions that helped these industries are coming to an end; foreign goods are being available, and foreign competition

(6) Faris op.cit., P. 25
(7) Compiled from Monthly Bulletin, April, 1945, pp. 178-191
(8) " " Bulletin Economique Trimestriel, and Recueil De Statistiques 1942-1943
(9) ~~Edible oil is to be discussed with the second group of~~ industries.

will be keen; consequently some of the newly born industries will have to collaps. Those that are economically sound and justifiable will most probably, with the experience they have acquired, and with the necessary protection, be able to survive and flourish.

On the other hand, the War has had bad effects on industry. It caused a shortage of raw materials and machinery; the costs as a whole were much higher; the export trade as shown in the Table IX above was reduced; there has been a fall in the purchasing power of some classes in the population. Whether the balance was in favor of industry or not is difficult to say.

B. Enumeration

The following is a brief discussion of the important industrial possibilities.

1. Food and Similar Industries: (9)

The future of this group of industries is promising. Its raw materials are found in abundance, and the market for their products will be expanding because as the standard of living rises, and as the population grows, new demands are being created for products which previously were consumed by some classes only. The goods made can also secure and external market especially in the surrounding countries. Thus the food and similar industries will tend to grow in significance. They already occupy a favorable position, but they still can prosper further. The chief industries of this category are discussed below.

a. The milling industry can be promoted. The flour milling industry is getting to be mechanized. The old water-mills are being replaced by power-mills. Palestine as well as Syria has quite a good number of modern mills. In Iraq also there were four big mills in 1939, all of which were subject to the Encouragement of Industries Law. (10) The possibilities of expanding the industry are appreciable; the number of modern mills should and can be increased, and the methods used improved, so as to supply more quantities and better qualities of flour. The same is true about the rice-milling, industry, which has already been started in a factory in Haifa. But the possibilities of the industry are greater in Syria and Iraq where rice is grown.

The two branches of the dough industry are the manufacture of biscuits and of macaroni. Though most of the bakeries are still old, there is a number of new modern ones. In Lebanon the most important is that of Jabre for biscuits and macaroni; in Palestine the factory of Pronmine and Sons stands first for the production of biscuits, and that of Starkman for macaroni. In Iraq too some factories exist for dough products. The industry can still grow, and new firms started because the internal market is not fully supplied, and there are some imports.

b. The existence of good quality crops in large quantities makes the fruit and vegetable industry a flourishing one. The manufacture of juices, jams, marmalades, and tomato products has been growing and it should be further encouraged and improved as it is a good means for disposing with the perishable products, and for keeping their prices from falling to unprofitable levels.

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(9) Edible oil is to be discussed with the second group of industies.

(10) Statistical Abstract of 1941, Baghdad, P. 193.

A number of important undertakings have been working in Syria, Lebanon and Palestine; Damascus with its favorable situation and good fruits has many big factories, the most important of which is that of the "Societe des Conserves et Legumes" whose production of preserved fruit and vegetables, tomato juice and apricot pulp reached 2440 tons. (11) In Palestine the " Assis Ltd" is the most important firm for this line of production. Moreover, there are various industries connected with the palm tree which is of primary importance in Iraq. The packing and pressing activities employ a great number of workers. The date juice can replace the sugar's juice; this replacement has economic aspects as it is an outlet for the dates, and as it provides a cheaper liquid; besides, the date juice is more healthful as it contains more vitamins and metallic elements; dates of low grade can be used to make molasses from which alcohol can be made, and to produce honey as good as the ordinary one, while oil can be extracted from the seed of the fruit which is usually thrown away. (12)

c. Sugar is made from sugar-canes and sugar-beets. The former grows best in a tropical climate, and the latter in a moderate one. Similar climates occur in some places within the Union. Actually the two crops are being raised, but still greater areas can be devoted to their plantation, and the sugar industry can be developed. In Iraq, where imports of sugar in 1939 amounted to 45,189 tons (13) studies and experiments of the Government's Industrial Research Bureau have revealed the facts that sugar-beets of good quality and suitable for the industry can be grown successfully in certain places, and the district of Shahr-Zour has been proclaimed as the best place for establishing a large factory. (14)

The making of the confectioneries can be developed. In many places it is manufactured in small-scale enterprises. However, there is at present a number of big factories manufacturing sweets and chocolates in Palestine(especially that of Elite), in Lebanon and in Syria. The production in Iraq is on a small scale. The success of the industry requires that the kinds of flour and sugar needed be produced locally. Cocoa will have to be imported, and thus where it is involved the success is questionable and it will depend greatly on the improvement of the methods of production.

d. The making of cheese, samin, butter, and cream from fresh milk has not progressed as it should or could have done. The number of modern factories for dairy products is too small for the countries' possibilities, and dairy farming on a modern basis is seldom undertaken. Thus on the whole the amounts of milk yielded have not been sufficient to meet the requirements of all the dairy products, and there have been some imports; Palestine for instance used to import three quarters of its needs of butter and cheese. Great improvement are needed. The animals should be raised in the best ways known in countries that have advanced in the occupation such as Denmark; modern methods of making dairy products should be introduced with the proper machinery, buildings, and transport facilities used; the use of the by-products would add to the profitableness of the industry.

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(11) Industry in Syria, a B.A. thesis by Suhayle Shammiyah, A.U.B., Beirut, 1943. This work is referred to in connection with private information which Mr. Shammiyah got from Damascus.

(12) الدليل الى معامل الصناعية، بغداد، ١٩٤٧، ص ٦

(13) Statistical Abstract, 1942, P. 126

(14) « الدليل الى معامل الصناعية، بغداد، ١٩٤٨، ص ٨

The establishment of modern villages devoted to this kind of production, and situated in the vicinities of large cities, would be advisable. The necessity of improving the industry can be seen if we realize that in Iraq alone the sums spent on the purchase of cream amounted to L.P. 56,000 anually. (15)

e. Salt has many possibilities especially in Palestine ~~(15)~~ and Iraq. The production of salt in Palestine in 1939 amounted to 7888 tons;(16) there the salt can be extracted mainly by evaporating sea water in pans, also by quarrying rock salt in Jebel Usdom and South of the Dead Sea, and as a by-product in the extraction of potash and bromine from the Dead Sea. In Iraq there are special basins for its production in the Persian Gulf near Alfaw. The by-products of common or food salt can be utilized for the manufacture of certain chemical compounds.

f. The industries using tobacco as their raw material rank among the important possibilities. The main products are cigarettes, pipe tobacco, tombac, and cigars.(17) In 1938 Palestine had ten factories for cigarettes and pipe tobacco, one for tombac one for snuff, and two for cigars; the total quantities of tobacco used was 649,153 Kgs., 619,259 of which were used for making cigarettes.(18) In 1939 the number of cigarettes factories which were benefiting from the Encouragement of Industries Law in Iraq were 10. (19) The industry offers great possibilities for improvement. Iraq seems to be quite fitted as its tobacco has a special flavor, color, and taste, but the industry can also be developed in the other countries of the Fertile Crescent. It may be that some foreign blends are still inevitable, but with such measures of giving instructions, and of rendering services as those which the government in Iraq undertook in order to improve the crop, the industry will progress, and may in due time be able to compete with the best kinds of imports. The abolition of the monopoly in Syria and Lebanon is necessary for raising the standard of the industry.

g. The manufacture of alcoholic drinks is an established industry which can flourish. The important element needed is the sugar or rather the glucose which is found in fruit juices and molasses; crops containing starch such as potato, barley, and corn can also be used. The main items of intoxicating liquors are araq, beer, wine, and cognac; there are other less important drinks such as gin and vermon. In Palestine, where the industry is well established, the grapes contain a high percentage of sugar and thus are especially suitable for drinks. In 1938 the production of beer, wine, araq, and cognac respectively was 1,723, 3,053, 59 and 173 hectoliters; other spitits amounted to 858 hectolitres.(20) In 1939 Palestine had a total of fifteen factories for alcoholic drinks.(21) In Syria and Lebanon araq is manufactured almost everywhere; it prospers most in the districts of Zahleh, Beirut, Aleppo, and Damascus; its production in 1937 reached 2346 tons.(22) The other drinks are also manufactured on a large scale; beer production in Lebanon was started in 1933, and at present is produced in two important factories. The most important factory for drinks in the two countries is that of "Ksara" of the "Peres Jesuites" near Zahleh; its plants are modern and its cellars are huge. The alcoholic industry is relatively new in Iraq. The grapes in the north are suitable for araq and wine; Karkook has several wine and araq factories, and in Mosul araq and beer as well as champagne and other wines are made.

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(15) Ibid. P.5
(16) Blue Book, 1938, 165
(17) The by-products' of these processes have industrial uses which are discussed later on
(18) Ibidl, P. 167
(19) Statistical Abstract, 1942, P. 190
(20) Blue Book, 1928, P. 170.
(21) Monthly Bulletin of Current Statistics, April, 1945.
(22) Bulletine Economique Trimestriel, 1937.

In the south and the middle dates are used in the manufacture of araq. Baghdad has a modern large factory for alcoholic liquors. Transjordan also produces liquors; in 1937 there were three factories, one for cognac, produced 10,708 litres, another for wine, produced 5624 litres, and a third for araq , produced 26,264 litres.(23) There are two other branches of beverages production. The methylated spirits can be made in Palestine, which in 1937 had three factories whose producion was 5320 hectolitres,(24) and in Lebanon which has three factories and whose production of pure alcohol was 665 tons in 1941.(25) Moreover, aerated water can be made, and is being made in Iraq, Palestine, Syria and Lebanon. In 1939 Palestine had 19 factories making aerated water.(26)

2.Oil and Soap Industries:

The production of olive oil and the making of soap rank among the leading industries. The existence since the old days of extensive olive groves is the basis of these two traditional industries.

a. The oil that can be produced is of two types, edible and inedeble, the former is used in food and cooking, the latter in industry. The main use of the inedible oil is in the manufacture of soap, but it can also be used in making varnishes and vegetalin,and for machines; its importance is increased by the fact that through hydrogenation it can be transformed into edible oil. Better methods are being introduced into the olive oil industry, and a number of large modern presses exist by now. In Syria and Lebanon, where there are few large concerns such as that of Sa'da Brothers in Lattakia, the two companies of "Societe des Conserves" and the "Companie Industrielle des Produits Agricoles" established many of these important factories, and the production of olive oil in 1940 amounted to 21,000 tons. (27) Palestine has many primitive presses, which are quite numerous in Nablus, but there are some modern firms, whose number in 1939 was twenty-four.(28) Of special significance is that of "Shemen Ltd." and "Izhar Ltd." In Iraq, where olive oil is produced mainly in the north, and the presses are still old, there was only one large factory for vegetable oils in 1939.

The need for improving the industry is great. Modern technique should be introduced to a greater extent in the methods of pressing, and the product, after being well refined, should be filled in tightly closed bottles. Olive oil being the main oil used as food and in the soap industry, has a large internal and external market, and thus its industry can be a source of greater wealth. The olive seed, the kernel, can give oil;11,500 tons of this by-product gave 1100 tons of olive oil. (29) The significance of good oil refineries can be realized from the fact that Syria and Lebanon alone exported to Europe in one year an amount between 7000-9000 tons of crude oil to be refined, and that they imported in that year 1000 hectolitres of edible vegetable oil.(30) Iraq imported in 1937 oils to the value of L.P.217,216.(31)

Oil can be extracted from several other sources besides olives. Sesame, which has Tahina and feeding-cake as by-products, is an important crop which has been used on a large scale in the production of oil. Edible and inedible oil can also be extracted from ground nuts, and sunflower seeds; ground nuts can be grown locally, and it would be especially successful in Iraq. Cotton

(23) Report to the League of Nations, 1937, P. 349.
(24) Blue Book, 1938, P. 170
(25) Rapport sur la Situation Economique, 1941-1942
(26) Monthly Bulletin, April, 1945, p. 184.
(27) Recueil de Statistiques, P.P. 90-92
(28) Monthly Bulletin, April,1945, P. 184.
(29) Le Commerce du Levant, Nov.4, 1938
(30) Ibid., Oct. 11, 1938, p.1
(31) Statistical Abstract, 1938, P. 126

seeds, date seeds and flax seeds can be used also; their use as a source of oil should be encouraged as they are by-products. Castor oil and soya bean oil are two other kinds. Oil can be further extracted from fish, and its extraction would be profitable if it is undertaken in connection with fish tanning. The industry can flourish in the Arab Coast as the Persian Gulf is one of the seas where fish suitable for oil extraction is abundant. The Aqaba fish may also prove to be a possibility.

b. Olive oil, as well as other oils, is used in the manufacture of soap. The greater part of the soap produced is laundry soap as toilet soap in considerable amounts is produced only by Shemen and Izhar in Palestine. Laundry soap industry is well established in Palestine which had in 1939 about 40 establishments; Nablus which is especially important, had in 1936 as many as 24 soap factories. (32) In Syria and Lebanon, as I have pointed out when discussing the oil industry, new factories for oil and soap have recently been erected, and new establishments have been built in Damascus and Aleppo. The soap industry in Iraq is newly introduced, and it is still in a backward state. In 1936 the number of factories was eight; one of them which was large and well equipped, and which extracted its own oil, produced 12000 boxes annually.(33) In 1939 the factories that produced both oil and soap became four.

The industry, which is an important occupation, should receive greater care. Its revival and flourishing will depend on the erection of modern factories with machines and experts, and with a product of better quality, more purity, nicer shape, and a richer foam; standardizing these improved kinds will facilitate their marketability and will extend their market. Moreover, with better methods, the production will not be confined to laundry soap; toilet and other kinds of luxury soap will be produced. Thus the native resources will be better utilized, and the imports will be reduced.

3. Textiles and Allied Industries:

The textile industries are established already, but they can still make many steps ahead. The natural resources of the Fertile Crescent have been favorable for planting the crops and raising the animals that yield the necessary raw materials. Many places in the Fertile Crescent have been known as important centers for spinning and weaving. But the old hand-driven looms which were used, and the primitive methods that prevailed could not meet foreign competition. Moreover, the westernization of dress and the change in habits created demands for certain new materials which the primitive looms could not produce. Consequently, the industry has progressed, and modern factories, with greater yields, are replacing the hand looms. In Iraq, for instance, more than half a million of square yards were woven in one year. (34) Nevertheless, the industry, which ranks among the important possibilities, has not reached the level to which it is entitled. The quantities of raw materials that are produced locally are below what can be grown or raised on the lands of the Union. Not only the quantiry can and should be increased, but the quality also should be improved; the existing crops and breeds should be better cared after, while new ones introduced. The advantages that this line of productions can confer are many, and thus greater attention after its affairs on the part of the governments and the public is important to the economic development of the Union.

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(32) Monthly Bulletin, April, 1945, P. 180
(33)
(34) الدولي العراقي لرسمي ، ١٩٣٦ ، ص ٧٩٦
مجلة غرفة تجارة بغداد ، شباط ١٩٤١ ، ص ١٠٠

a. 1. The Silk Spinning Industry, which has undergone considerable decline, should be modernized and revived. It is found mainly in Syria and Lebanon both of which had nine modern factories at the beginning of the war. In Palestine two factories with a total capital of 120,000 were established, but their survival was due to protection.(35) In Iraq the silk industry, especially in the Diwlah District and Baghdad, is a traditional one, but it is on a small scale and it uses primitive methods. The employment of simple old methods, and the lack of dyeing facilities have placed the industry in an unfavorable position; moreover, there was the competition of foreign natural and artificial silk, a competition which will soon reappear. Thus the introduction of modern methods of spinning and dyeing and the provision of protection will prove inevitable for the ultimate success of the industry. The existence of well established weaving industries with a rather stable demand is also an important consideration, while on the other hand, the promotion of spinning may contribute to the weaving industry. About half the silk produced in Syria and Lebanon used to be exported to Europe, while there were imports of silk thread which amounted to 1078 Kgs. in 1936; in 1938 the total cocoons produced weighed 1,515,000 Kgs., about 53% of which were exported to be cleaned and spinned. (36) Such exportation, which deprives the country of origin of many gains, should be reduced to minimum

2. The position of the silk weaving industry has been more favorable than that of silk spinning. The reason behind this is that while spinning is restricted to natural silk, the weaving of artificial as well as natural silk is taking place. As a matter of fact the production of artificial silk cloth forms the greater part of total production, and in Aleppo almost all what is woven is artificial silk. (37) In Syria and Lebanon the industry has made progress, with improvement in the methods of productions; the necessary protection was granted, and the material manufactured was adapted so as to meet the changing tastes and demands. In 1937 the number of power looms was nine hundred with a daily production of 27,000 meters.(38) The extent of the progress can be judged by examining the following facts; between 1933 and 1939 the imports of artificial silk thread increased more than 200% to meet the increasing demands of the weaving industry; within the same period the export of artificial silk cloth was increased by about 500%, the production of crepes rose to 309%, that of poplin to 742%, that of aghabani (in Damascus) to 270%, and that of pure and mixed silk to 445%. (39)

The dependence on imported raw materials, the inadequacy of the spinning activity, and of the dyeing facilities, and the use of primitive methods are serious hindrances which have to be overcome. The gradual spread of western dresses, and the constant rise in the standard of living will tend to increase the demand for silk products, and provide a better chance for new weaving factories. Thus the production of silk should be increased, and the industry should be mechnized, while dyeing should be provided for locally. In the case of artificial silk there is considerable dependence on foreign threads, but such dependence may in the long run be reduced and its effects modified. This may take place if the authorities start planting the kind of trees whose wood can be used in this branch of production. The raw material, the cellulose, is found mainly in the pulp of certain woods, but it is also found in the peal of rice, in the crashed straw , and in the residium of sugar-cane.

(35) Economic Organization of Palestine, P. 286
(36) Bulletin Economique Trimestriel 1936 and 1938
(37) Le Commerce du Levant, Aug. 18, 1934
(38) Ibid., Dec. 14, 1937
(39) Based on figures taken from Statistiqud Generale Abstract, and Recueil de Statistiques.

The utilizationof such by-products and the plantation of forests would contribute to the progress of the silk weaving industry.

b. 1. Cotton Ginning has been developing with cotton cultivation. The area under cultivation was extended; in Syria, for instance, the area was increased from 8255 hectars in 1928 to 35,000 in 1938,(40) and the quality was improved; the experiments with the Egyptian and American "Lone Star" varieties were successful; until 1929 there was only the baladikind, but now better varieties, which also have larger yields, are being cultivated, especially near Lattakia and Idlib. It is believed that greater areas can still be devoted to the cultivation of cotton both in Syria and in Iraq. In Syria, modern ginning and pressing is being practised, and there are many ginning factories, the largest of which is that of Sa'd and Sons, which has large machines for removing the seeds and pressing the bales. In Iraq there were only two ginning factories in 1936, but the industry has developed, and its progress has had a great influence on the cotton weaving industry, by 1939 there were three factories, which produced over fifteen thousand bales, which weighed, about 2,929,404 Kgs. (41) However the occupation is not so developed as to gin what is yielded, and to meet the demands of the cotton textile industries; there have been exports of raw cotton(Iraq exported 839 tons in 1940) as well as imports of cotton threads.

2. The cotton spinning industry has further possibilities. Syria and Lebanon have four large factories, the largest is that of Arida near Tripoli. An important concern in Palestine is that of "Ata" Textile Company. The industry is not developed in Iraq; the small quantity and the unimproved quality of the cotton yielded have hindered the growth of cotton industries in Iraq; moreover, the required skill for cotton spinning has been lacking. In general the production of cotton threads is not being sufficient to meet the requirements of the internal market; in Syria and Lebanon, for instance, the total production of cotton threads in 1938, which was 1210 tons, could meet only 35% of the two countries' demands. (42) The reduction of the dependence on foreign threads would facilitate the expansion of the spinning industry, an expansion which would prove advantageous for the important industry of cotton weaving. Judging from the produce of the existing factories, and bearing in mind the success of cotton growing, we may hope that some progress can be achieved along the line of spinning, and in the cotton industries as a whole.

3. Cotton Weaving industry has declined, but it can be revived, and may even prosper. It was the chief textile industry, but due to Japanese competition, and to westernization of dress it suffered. Nevertheless, it remains to be a leading manufacture, and can still flourish more especially if the type of the goods produced is changed in accordance with changes in habits and tastes. In Syria and Lebanon there are two modern weaving factories, one of which is that of Arida. Iraq has some factories, but it still imports great quantities; in 1939 its imports of cotton goods were 75,111,367 square meters, with a value of L.P. 1,050,063. (43) In 1938 Syria and Lebanon imported 6984 tons of cotton goods.(44) Thus cotton ginning and spinning should be expanded so that the weaving industry will be able to meet more of the home demands.

(40) Bulletin Economique Trimestriel, 1938
(41) معلومات غرفة تجارة بغداد لسنة ١٩٤١ ، صـ ٠٠
(42) Bulletin Economique Trimestriel, 1938
(43) Statistical Abstract, 1941, P. 126.
(44) Statistiques Generales, 1938

c. 1. Wool Spinning has not advanced as it could have done. Impressed by the large number of livestock, and the vast areas for grazing, one would expect to find a wool industry of a high stage, and on a large scale, but this is not the case. A main reason behind this has been the lack of good quality wool; the sheep and goats are mainly raised for their meat and milk, and the crude wool they yield has been suitable for such things as carpets. The majority of the varieties of sheep are not those giving good wool; only the Arabi variety of Iraq, which has short and soft wool is a source of good wool. But much can be accomplished along this line. The herds of Iraq, Syria, and Transjordan can, through cross breeding and proper raising, be utilized for promoting the wool industry. Unless the necessary improvements in the kind of the raw materials take place, the spinning industry will remain at its low stage of development. At present, there are in Iraq four factories, two of which that of Fattah Basha, and that of Adra and Company, undertake spinning and weaving together, and four of which are only partly supplied from the Arabi wool, a great part of their threads being imported from other countries such as Australia. The industry is almost non-existent in Syria and Lebanon both of which imported in 1939 539 tons of woolen thread. (45)

2. Wool Weaving is relatively more developed, but it is handicapped by certain difficulties whose effects can be modified. Syria has two large factories, that of Diab Brothers and that of Makdissi, both of which are in Damascus. In Al-Hadath near Beirut, the largest factory for Syria and Lebanon exists. In Iraq the two factories of Fattah and Adra are large weaving concerns, which spin and weave wool. But the local production can meet only a part of the home demands, and it is mainly made up of such products as carpets and blankets; large amounts of woollen goods are being imported to supply the internal market; Iraq imported in 1939 woolen cloth to the amount of L.P. 142,285,(46) while Syria imported with Lebanon in 1938 764 tons of finished woollen cloth.(47) Thus there are possibilities for expanding the industry, but the native wool is too coarse to be used for suitings, and it should be imperved. The wool weaving industry will be better established if it gets to be supplied mainly from locally spinned threads, and if the imports of foreign threads are reduced to a minimum. Also, the difficulties of dyeing should be overcome; the availability of proper and adequate dyeing facilities is a step towards the prosperity of the industry. Moreover, the material weaved should be such as to meet the requirements of modern dresses and designs; the industry can no more concentrate on material for aba, and other traditional clothings. With such considerations noticed, and with the necessary measures undertaken, wool weaving can advance considerably. The future of the industry is rather promising; the areas which can be used for grazing are large, fodder can be raised, sheep of better wool can be introduced, and wool more suitable for weaving can be secured.

d. The linen industry has not yet assumed any importance. In Iraq the areas cultivated with flax yielded in 1939 a total of 3,807 tons.(48) But in general, the production of linen threads has been limited, and the linen industries are still in their early stage of development. Flax plantation can be increased especially around Damascus, and the industry should be encouraged because its cloth has many uses, and the seeds of the plant can be used for oil.

Knitting, as well as weaving, has undergone certain changes and can still be promoted. Hand knitting still exist, bnut machine knitting in factories has been established; as early as

(45) Recueil De Statistiques, 1942-43
(46) Statistical Abstract, 1942, P. 126
(47) Recueil De Statistiques, 1942-43
(48) Annual Report of the Chamber of Commerce, 1939, P. 275

1933 there were seven factories in Syria and Lebanon. In Palestine there are three large factories, that of Lodzia Factory, of the Gereb Company, and of the "Hera"; on the whole, knitting is well developed in Palestine, which had 36 establishments for knitting and hosiery in 1939.(49) Hosiery has been growing in Lebanon, Damasucus and Aleppo all which produced 479,000 dozens of pairs in 1939.(50) The knitting of jersys, Houses and pullovers has also been growing in Syria and Lebanon; the production in Syria alone in 1939 was 77,000 pieces made from pure wool, 289,000 pieces from cotton and wool, 255,000 from pure cotton, 125,000 pieces made from cotton and artificial silk, and 75,000 from cotton and artificial silk, and 75,000 from artificial silk.(51) The knitting industry can still progress, and its growth would go with the development in the various textile industries of the Union.

Wearing Apparel of all sorts are being made, and their industry can still expand as there are imports whose value in 1938 amounted to about L.P. 248,700 for Syria and Lebanon(52) and L.P. 349,483 for Iraq.(53) The quality should be improved if the imports are to be reduced considerably. This group of industries include such things as blouses, shirts, pyjamas, children's and ladies' dresses, underwears, hats, belts,gloves, neckties, and water-proofs. The industry is well established in Palestine which in 1939 has 82 establishements for wearing apparel.(54) The industry is also found in Syria and Lebanon in Iraq which had 3 factories for wearing apparel, and in Transjordan which had a factory for ready made clothes.

Carpets and Blankets can be made from coarse wool as well as from cotton. Their manufacture is still in the primitive st state, but it has a fair chance of development especially as it can use whatever wool and cotton the weaving of material for clothing cannot use. The industry should be improved greatly if it is to be able to face the competition of the Persian products.

The industry of lace-making and embroideries depends largely on the export market in Europe and America. The Armenian immigration into Syria revived the industry; the immigrants, especially those around Aleppo, have among them clever workers for the production of lace and embroidery. Prior to the War, the exports of Syria were growing; thus while in 1934 only 1,325 Kgs. of lace were exported, in 1938 the figure rose to 36,034 Kgs.(55). Ramallah and Bethlehem are important centers for this type of production. In Iraq the making of material which has oriental decorations, from the wool of a certain kreed known as Al-mer'z has assumed some importance. This branch as well as the lace-making will have to be constantly improved and perfected so as to gain customers in America where such oriental fancy goods are mostly demanded.

4. Leather and Leather Goods

The rise and growth of this industry is a natural consequence of the existing body of livestock. The rapid development which the industry has recently undergone in Syria and Lebanon is an indicator of the progress that can be achieved along this line. In these two countries, mainly because of improvements in the methods of production, the making and export of leather goods have risen to an appreciable extent.

(49) Monthly Bulletin, April 1945, P. 181
(50) Rapport sur la Situation Economique de la Syrie et du Liban /1940-41
(51) Sammiya, Op.cit., p. 48
(52) Statistique Generales 1938
(53) Statistical Abstract, 1942, p.126
(54) Monthly Bulletin, April 1945, p.182
(55) Statistiques Generales,1934 and 1938

The most important branches of this category are tanning, shoe-making, and the manufacture of other leather goods.

a. Tanning is a widespread traditional occupation which has considerable chance for growth. Small size establishments are scattered all over, and a good number of modern tanneries is also in operation. In Iraq, for instance, there were, besides the numerous small concerns, two factories in 1939. Certain concerns do not complete the process, but they just purify the hides, and export it to be tanned and used in industry. Palestine also has some modern tanneries, which in 1939 were 18,(56) but the leather porduced is mainly sole leather. In Syria and Lebanon the industry has made appreciable progress; the exports of tanned hides which were 230 tons in 1934 , were 543 in 1937; the imports, on the other hand fell from 56 in 1934 to 17 tons in 1938.(57) The most important factories are those of "Roumie and Omari" in Damascus, and that of "Debagh" near Aleppo. The improvement of the quality of product and adapting it to the various uses of the leather industry may expand the market,both the internal and the external. Moreover, the dependence on imported foreign dyes should be reduced; this may prove possible as some plants, from which the dyeing materials are extracted, such as the oak tree and the sumad can be grown within the Union especially in Iraq.

b. Shoe-making is a developing promising industry. The availability of tanned leather has facilitated the growth of the manufacture of shoes and boots in almost all the parts of the Fertile Crescent. It is true that hand-made goods still prevail, but nevertheless more machines are being used, and a number of modern factories have been established. The industry has developed in Syria and Lebanon, where it engaged about 30,000 workers;(58) the two countries exported 174 tons in 1937 and 417 tons in 1938; the imports, which are partly, high quality shoes with a small market, were reduced from 386 tons in 1937 to 143 tons in 1938.(59) In Iraq,the industry has also grown; Baghdad has six factories, and Mosul has an equal number. The possibilities are still good as tanning can progress, and there are imports. The costs of shoe are higher in Palestine, but there also the industry has developed, and in 1939 the number of establishments making shoes and boots reached 61,(60) important among which is that of Corona.

c. Leather can be used in the manufacture of various other products. Fancy leather goods such as suitcases, or traveller's bags, pocket books, and hand-bags are made from leather. In Palestine there is quite a number of factories for such goods. Another item of this category is that of making saddles and other requirements of horse riding and cavalry. Such products are especially needed in Iraq for the army, and in Transjordan. Another two occupations using leather are those of book-binding and foot-ball making.

5. Cement, Construction Materials, and Wood Works:

New demands for building materials are being created by the process of modernisation that has been taking place. The erection of houses, the expansion of cities, the opening of streets, the founding of schools, hospitals and factories, the construction of bridges, and of irrigation schemes, are natural consequences of the reforms that are being introduced; they are

(56) Monthly Bulletin, April, 1945, p. 184.
(57) Bulletin Economique Trimestriel; 1934 and 1937
(58) Le Commerce du Levant, April 24, 1942.
(59) Statistiques Generales, 1934, 1937, 1938
(60) Monthly Bulletin, April, 1945.

more material aspects of the vital changes that our lives are undergoing. The undertaking of these and similar activities and schemes create demands for great quantities of building materials. The establishment of factories yielding the required quantities, and manufacturing good quality products, has been a growing necessity.

a. There are conditions that favor the growth of the cement industry. The cheapness of the product has helped it in many cases to replace building stones, and its manufacture has been quite successful in Syria, Lebanon and Palestine. The Portland Cement Factory of the "Nasher" of Palestine is an important concern which employed over 700 persons, and whose annual capacity is 300,000 tons;(61) Palestine had in 1939 four factories, and a new one is to be started shortly in Nablus; the company to undertake the enterprise has been registered with a capital of ₤ 250,000. The production of cement in Syria and Lebanon in 1938 amounted to 251,000 tons out of which 48,624 tons were exported; the imports were reduced from 78,909 tons in 1934 to 7705 tons in 1938.(62) The need of Iraq for cement is great, and a factory is being established, in which the government is to share by paying 50% of its capital. The industry can still grow as new demands are being created and as there are still some imports which amounted to 57110 tons in 1939, out of which only 3,000 were from Fertile Crescent countries. The raw materials used in in the making of cement are mainly clay, limestone, and gypsum. The abundance of these materials in good quality is an impetus to the making of cement.

b. Cement bricks, tiles, and pipes are being made and needed. Cement bricks have been replacing the building stones, and the significance of their production will tend to grow with the building activity. Factories for tiles are found in Iraq, Palestine, Syria and Lebanon. The new factories produce artistic shapes of various colors; cement tiles have been replacing stones and marbles for flooring, and have been used for roofing also. In 1939 Iraq had three important factories, and Damascus twelve. Cement pipes are being built in Palestine, Syria, and Lebanon; the latter has two important factories, one in Beirut, the second in Tripoli. These pipes are used in sewage construction, and in irrigation schemes both on small scale and large scale. It is therefore, possible to foretell an increased demand for pipes because a development in municipal construction, and an expansion of irrigation will no doubt be taking place.

There are other products that are used in building. Building stones are quarried in large quantities, and there are several large quarrying enterprises. Quarrying, however, is not strictly an industry in the sense in which the word is used in this work. The making of bricks from is an industry which has developed in Iraq, where machines are employed in the manufacture of strong products with yellowish color that is meant to resist the changes of weather.

c. Another industry which is closely related to the building activities is that of wood works. Carpentry has developed and some concerns are being equipped with machinary Good furniture is being made, and the making of doors, windows, tools ornaments, and furniture is undertaken on a large

(61) Palestine Royal Commission, 1937, p. 170
(62) Bulletin Economique Trimestriel, 1934 and 1938

scale and on a modern basis. Another branch of this industry is the building of sailing boats, which is an occupation practised mainly in Iraq and in Mediteranean coast. In Iraq the boats are made from hard wood, and have nice shapes, and in Basra, ships of considerable size are manufactured. Moreover, the making of citrus and other fruit boxes is an undertaking which is of some significance. A further enterprise is that of building bodies of buses and trucks. Some of the timber needed is not present, and this some of the existing wood works are mainly dependent on imported raw materials. This dependence may be reduced if forestry receives a greater care.

6. Petroleum Industries;

The significance of the petroleum products and industries cannot be over emphasized in the world of today.(63) The processes of investigating, digging, pumping, extracting, piping and refining are important undertakings requiring great efforts, and huge amounts of capital. But they, perhaps with the exception of one, that of refining are not manufacturing operations or industries in the sense used here. Through refining, crude oil is transformed into different kinds of fuel such as kerosene, benzine, dissel oil, gas, solar and lubricating oils, all of which are needed for the different motors and machines.

The Fertile Crescent has rich oil deposits, and refining is an important industrial possibility which is being undertaken in Iraq, Lebanon and Palestine. In Iraq there are two refineries; the first which is the larger one and which belongs to the Khanaqin Company is called Al-Fand; and has a capacity of 1 ½ million gallons per month. The greater part of Iraq's oil requirements are supplied by this concern. The second whose capacity is 300,000 gallons per month, belongs to the Iraqian Petroleum Company, which uses in its own enterprises almost all what it produces.(64) The Iraqian Government has been studying the project of building a refinery of its own for the share of oil that it receives as royalty. Tripoli as well as Haifa have important refineries; in 1938, 2,051,650 and 2,074,718 tons of crude oil were exported to Haifa and Tripoli respectively.(65) It is believed that more oil from Iraq as well as from other Arab countries will be refined.

The countries of the Fertile Crescent should derive more gain from their oil resources. The amounts of oil that are refined are great, but the gain of the country of origin is relatively insignificant; the refineries are owned by foreign companies in which various countries are represented, while the share of the natives is confined to royalties, to reduced prices of the products, and to employment for wages. However, as we have seen in Chapter III, there are amounts which are still unexploited in Palestine, Syria, Lebanon Iraq and Transjordan. If the local authorities could secure as much as possible the utilisation of these riches for the natives, they will help to establish enterprises and build industries that will have far-reaching effects on the development of their Union.

There are other industries connected with petroleum. Medical preparations, perfumes, and explosives can be made from petroleum products. A reference to these industries will be made in the following section.

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(63) This takes no account of the yet undeveloped atomic energy.

(64) The Annual Report of Baghdad Chamber of Commerce 1937-1938 p. 912

(65) Statistical Abstract, 1938, p. 123

7. Chemical and Allied Industries: (66)

a. The existence of sulphur in various places within the Fertile Crescent gives rise to the manufacture of matches. In 1939 Iraq had five factories, which were benefiting from the Encouragement of Industries Law. Syria and Lebanon also have a few important factories in Damascus, Beirut and Damur. Palestine has three large enterprises which in 1938 produced 208,047 gross boxes; in 1937 the country imported matches to the value of 1,063.(67)

b. The production of fertilizers is of importance to the agricultural countries of the Union. Fertilizers preserve the richness of the soil, and their application becomes more necessary the hotter is the region because the more the heat, the quicker is the tendency of the land to lose its nitrogen. Phosphate and potash which are abundant in Transjordan and Palestine are good sources for fertilizers, which can also be secured from other by-products at rather cheaper costs. Blood when mixed with certain materials becomes a fertilizer; also without being mixed it can be manufactured after being dried and milled. This raw material exists in great quantities in public slaughtering places, and instead of being wasted, can be utilized. In Iraq more than 1 ½ million are slaughtered annually,(68) and in Palestine the total number of livestock slaughtered reached 307,756 in 1937. (69) The meat of dead animals, and bones of all kinds can also be used in the production of this important product; bones contain 20% phosphates, and when dried and milled they become a rich fertilizer. Moreover, the by-products of fish tanning can be utilized as from fish material, fertilizers can be extracted. This line of production would be profitable mainly if it is undertaken in connection with others, and it should be encouraged as it implies two good economies, namely the utilization of the by-products and the production of an important product.

c. The production of essential oils and perfumes has a chance of development . Essential oils, which can be extracted from flowers and odoriferous plants can be used directly as perfumes, but the greater part of perfumery is made from the oils after they have undergone certain processes. The oils are mixed with alcohol as a drying agent, and a fixative, which varies with the kind of perfume to be secured, is applied; the service of the fixative is to make the smell more lasting. The industry exists already, but it has further possibilities of growth as alcohol is abundant locally and as more care can be directed towards the plantation of the necessary plants and flowers on a larger scale. Improvements in the methods of production will facilitate the development of this industry, and help to reduce imports. Moreover, some types of perfumery can be made from petroleum products; benzine, for instance, when mixed with other elements will give good quality perfume.

d. Various other chemical industries can flourish in the Union. Their production may be on small scale, yet they will serve to reduce the imports and to utilize some natural resources. The making of dyeing materials is undertaken in few concerns, which are either separate or integrated to spinning or weaving, but the industry should be developed as the availability from local sources of dyeing materials influences

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(66) There are certain industries such as soap, which may be thought of as belonging to this category, but it was deemed more fit to discuss them elsewhere. Moreover, the chemical extractive industries though important are not discussed here as they are not strictly manufacturing industries.
(67) Blue Book, 1937 and 1938
(68) Statistical Abstract, 1938, p. 102
(69) Blue Book, 1938, p. 373

the textiles and leather industries. The oak, the sumac, and pomegranates can be used too in the manufacture of dyes. Insecticides, or insect killers, can be made from the by-products of the tobacco industry. The present tobacco does not contain adequate quantities of nicotine, but through experimentation, the proper crop can be raised. The insecticide is an important product, which if made abailable will improve the conditions of health and of agriculture. Iraq in one year spent an amount equalling 20,000 on the purchase of nicotine sulphates for fighting insicts. (70) Moreover, some medical preparations can be made from plants such as mulberry, bananas, figs, quinine, and castor, from some animal products such as fish oil, and from cetain petroleum products. Some locally produced chemical compounds enter also into the manufacture of medicines. Various important chmical preparations can be made from the bromine and the potash of the Dead Sea. Starch, paints, vernishes, inks, colors and polishes can also be manufactured. Paints can be made from certain petroleum products such as benzine. Petroleum products enter also into the manufacture of other articles such as explosives and plastics.

8. <u>Miscellaneous Industries</u>:

a. Paper is an important product whose manufacture can be developed. Besides its value as a means for spreading news, and besides its various important uses in business, it is the best, rather the only, device for the accumulation of knowledge and the transmission of sciences from one generation to another. The manufacture of paper is not developed, and the great bulk of what is produced is of poor quality, but the industry has a chance of growth. Cellulose which is the main raw material can be secured from wood, peal of rice, of sugar-cane and from crashed straw, all of which are found but not in adequate quantities yet. Ten years ago investigations were carried out in Iraq, and it was found that certain Iraqian woods contain the necessary elements that make them suitable for the manufacture of various kinds of paper; the palm tree branches can produce certain kinds of paper; moreover, the بردى (Burda) which is found in the south of Iraq can be used for making paper. (71) Thus there are some possibilities, but a real development of the industry would necessitate a long run policy of planting the proper trees. Paper and stantionary would imply also the making of envelopes, carbon paper, and paraffin paper; cardboard boxes and paper bags will also be made; the former is an auxilliary to the tobacco industry, the latter to that of cement.

Printing is an occupation which is growing in importance. In Palestine there are numerous printing presses, and several firms are engaged in book-binding and publishing. In Iraq there is also a number of printing houses, the largest being that of the Government Press which is equiped with modern machinery for the various activities connected with printing books. The occupation has developed in Syria and Lebanon and especially in the latter. The number and significance of books, periodicals, newspapers, and the many other publications, is on the increase. An expansion in the number of printing and publishing houses, and an improvement in the methods used will contribute to the cultural, social, and economic development of the Union.

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(70) "التقرير السنوي للمباحث الصناعية"، ١٩٤٧، ص ٩
(71) "حول الموضوعات العربية"، القدس، ١٥ شباط ١٩٤٥، ص ٢٢

b. Electricity is growing to be a main source of power, and its generation can be developed. It has been introduced into the many phases of life and into the various activities of business, and its generation has assumed some importance in the countries of the Fertile Crescent. In Palestine, there are two companies, the first, that of Electric Corporation Ltd., has the concession for all of Palestine and Transjordan with the exception of Jerusalem; its capital is about £.P. 5,000,000 The second company is that of Jerusalem Electric and Public Service Ltd. In 1938 the total sale of electricity in Palestine reached 78,713,107 KWH., 72,254,000 KWH. of which were sold by the first company. (72) Baghdad, Basra and Mosul have each its own company; the electricity generated in Baghdad in 1937 and 1941 was 6,863,005 KHW., and 11,000,000 KHW respectively. (73) In Syria and Lebanon electricity is generated in various places, but there are still great quantities that can be generated in Syria and Lebanon, (74) as well as in the other countries of the Fertile Crescent.

c. There are various other industries, which deserve mentioning, but which cannot be properly classified under any of the foregoing groups. One of these is that of artificial teeth, which is well established in Palestine; the American Porcelain Company is an important firm for this early kind of production. Glass making, which is in its stage of development, has advanced during the War, and can still be improved; the manufacture of mirrors, and of pottery may also flourish. The manufacture of ice, toys, souvenirs, buttons, and brushes are among the many small enterprises that can be undertaken. Moreover, it may prove profitable to establish some metal industries. The cost of buying certain metal products from abroad are high, and it may prove less costly if the raw materials or the semi-finished goods are imported and completed at home. Building accessories like baths, sanitary ware, and iron bars will make up an important group of metal articles which may be manufacture locally at an advantage. Metal tools for meeting the demands of agriculture may also be made and they are actually being made in Iraq and Palestine. The growing use of machines ensures an adequate demand for iron pieces and products, and factories that will undertake repair works and that will be ready to supply new pieces may be able to succeed. The industry of copper and bronze may also prove successful; it is practised in Iraq; vessels, baths, dishes and other articles for domestic uses can be made to meet the requirements of the people. Smithing is well established in Iraq, where the existence of the required skill makes the future of the industry a promising one, and enamel, gold and silver will be used to make beautiful paintings, and drawings.

C. Principles of Regional Distribution of Industry.

1. The Union's industrial possibilities have been shown above without a reference to localization. It is beyond the scope scope of this thesis to determine the place within the Union where each of these possibilities will flourish best. However, it has been deemed necessary to devote a few pages to the discussion of the principles that would guide the distribution of industries within the Union.

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(72) Blue Book, 1939, p. 164.

(73) Statistical Abstract, Baghdad, 1941, p. 187.

(74) See p. 28 and Table III in Chapter III

Specialisation in production is possible inspite of the fact that the countries of the Union have certain similarities in their natural resources. In the case of some branches of production there are factors which make their establishment more favorable in some places rather than others. Still, in some cases there is a clear-cut distinction, and the industry is definitely restricted to a respective region. Specialization in industry which has enormous advantages, should be carried to the greatest possible extent. The existence of customs barriers has stood in the way of specialization, but with the realization of the Union, the determining factor will be to supply the consumers within the Union with goods at the least possible cost. This section is meant to be brief discussion of the principles according to which specialization should take place. Such should be the kind of considerations that will determine the formulation of the Union's unified industrial policy.(75)

2. There are certain regions which are in general more favorable than others for industry, and which should concentrate more on industry, while others should concentrate relatively more on agriculture. An important factor is that of distributing capital and labor resources among the main trades. The relative scarcity of the labor and capital resources makes it impossible to utilize fully at present, and for some time to come, all the natural resources of the Union. Thus there is the problem of allocating these limited resources between agriculture and industry in the best possible way. The marginal productivity of labor and capital in the two occupations should as far as possible be equalized. The industrial policy should plan the development of each region along the line for which it is best equipped. The existence of barriers has made it practically necessary to undertake agriculture on certain lands, which are not suitable for it. On the other hand, where agriculture should have been undertaken, industries were found necessary to meet the requirements of the people. The fusion of the Arab countries of the Fertile Crescent into a Union would gradually bring such such situation to an end. Concentration on agriculture should be provided for in the alluvial plains of Iraq, and the fertile areas of Syria. Where the density is relatively high, where capital and labor resources are abundant in relation to agricultural resources, and industrial expansion should be planned. The increased industrialization in these regions would utilize more economically the human resources, and would create new demands for agricultural products as raw materials for industry, and as food supplies, and thus may make agriculture more profitable. The industrial regions, on the other hand, will expand their production to meet the demands of both sectors. With such a weder application of specialization a greater volume of production can be secured, the costs will tend to fall, and the quality to be improved.

The factors of the skill and the cost of labor may also be determining. There are conditions under which industry flourishes better. For such reasons as an early start, which means acquired skill, certain places may have relatively more skilled laborers, and more experience in management. In these centers such as Aleppo, Beirut, Damascus, Baghdad, Haifa and Tel-Aviv, industry should be encouraged and expanded. Howefer, the early start should not justify specialisation unless the region can prove in the long run to be the best suited for the production in question; that is localization should not be allowed on this assumption if other regions and cities can

(75) The nature and significance of such a policy are discussed in Chapter V.

start now, and in due time to be prove better than the existing firms. Moreover, there are industries which need a special kind of skill, and thus the enterprise will tend to be undertaken in the place where that type of skill exists. As regards the costs of labor it is clear that they will influence the establishment of an industry where they are cheaper; this is of course provided that other consideration are not more than to counterbalance the cheaper costs.

In promoting industry in certain regions rather than others due consideration should be given to natural resources It has already been said that conditions of climate has an influence on the establishment of industries and that the moderate climate helps the exertion of energy more than a hot one does. Thus, other factors being equal, industry should be encouraged in regions of moderate climate. The raw materials for a type of production may be available only in a particular region which will naturally undertake that line of manufacture. Palestine, on account of its Dead Sea, should for instance specialize in the potash and phosphate products, especially that of fertilizers, and supply the Fertile Crescent with these products. Industries connected with the palm tree will naturally prosper in Iraq. There may be industries whose raw materials are found in more than one place; if these are equally good, and if no other factor is implied, the occupation should be allowed to flourish in more than one center. This would especially hold true if the consumption of the product is more than what can be produced by one locality. When the difference is insignificant then the article will be produced in more than one region until it becomes possible for the best to supply all the Union.

The costs of transportation is another factor which influences the distribution of industry. It is natural that a good, which can be produced both in Beirut and Baghdad, will not be carried from the former to the latter if the cost of its production in Beirut will tend to remain, even if production becomes on a larger scale, lower by an amount which is not more than the cost of transportation. The product may be costly to transport, and a gain from producing it on a large-scale would be outweighed by the costs of transportation, and thus each country should produce for itself. In the case of cement, and other similar bulky and relatively cheap products, the tendency will be that each country should be self-sufficient as they are almost equally well equipped for its production.

There is a number of industries which are not subject to any of the above considerations and whose distribution will will have to take place in accordance with the broad principles of cost differences. The cost of producing the unit will determine which country is most suitable for the production of a given commodity. The freedom of trade between the countries of the Fertile Crescent will result in free competition in such products. Such competition will bring about specialization in the place which can supply the Union at the lowest costs, and the price movements will ~~in due time result in the survival of the fittest. Thus~~

in due time result in the survival of the fittest. Thus in these cases localization of industry in an economic manner will take place through the application of the general principles of free competition and price movements.

These are some of the most important principles that I can think of. They may be too vague, or not sufficiently definite, yet as I have said, such a task of allocating the industries in an exact and specific manner is rather impossible for me as it implies a technical and detailed knowledge of the various possibilities, of the existing conditions, and of the countries' resources. An efficient undertaking of such a task can be done only by special committees which the Union's Council will have to form.

Chapter V

MEASURES FOR PROMOTION OF INDUSTRY

A. Introduction

B. A State Industrial Policy
   1. Necessity of State Intervention
   2. Implications of the Policy

C. Improvement in Agriculture
   1. Significance of Agriculture
   2. Measures of Improvement and their Effects on Industry

D. Miscellaneous
   1. Industrial Bank
   2. Means of Transportation
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Chapter V

MEASURES FOR PROMOTION OF INDUSTRY

1. Introduction:

The process of industrializing a country needs great efforts, and requires a sufficient period of time. An adequate degree of industrialization has many prerequisites such as the ability to compete, the possibility of increasing consumption, the presence of trained workers, and the availability of capital. These and similar conditions cannot be adequately accomplished except through a series of political, economic, and social measures, the most important of which will be discussed in this chapter. The local authorities have no doubt realized this, but their contribution has been partial.

Moreover, the measuress taken need revision in the light of the new situation of a Customs Union. In Iraq various protective measures such as exemptions of raw materials and machinary, subsidizing certain establishments, and regulating customs duties, were adopted. In Syria, Lebanon, and Palestine industry was also protected; in Palestine since "1927 the policy of protecting local industry was initiated and the familiar phrase"infant industry" became part of the fiscal language of Palestine". Protection is almost inevitable for industrial development, and thus we notice that after 1931 there was no country on a free trade basis[2]. Protection may be a burden for sometime but it is a temporary burden which is a kind of investment of ensuring capital which in a later generation will yield fruit at compound interest[3]. But on the other hand protection is to be justified only when it is to promote the industries which the country can hope to have at a competitive standard; unless protective duties are in conformity with the productive capacity, and correspond to the stage of industrial development, they would not result in their alleged advantages. These facts were not observed by the countries of the Fertile Crescent which pursued their welfare separately; each used its own protective measures, and they were "all harmed by such tactics"[4]. In Palestine for instance there was a general lack of success[5]. Thus the various protective systems should be reorganized and unified; many measures have been adopted to protect against goods coming from Fertile Crescent countries; these should soon or late be abandoned; moreover, even as regards the outside world there will be a tendency for a lwer degree of protection as the industries will be producing under more favorable conditions, such as those we saw in Chapter II. The system should provide for the promising industries that were established during the war, and that may need nursing for some time.

Another effort of the governments has been along labor legislation, but the conditions of labor are still not satisfactory. In many cases the workers are illiterate, and unacquainted with the modern methods of production, their standard of living is verylow, and the phenomenon of child labor is common.

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1 - Report of the Royal Commission, p. 209
2 - "Protection", Encyclopedia of Social Sciences, Vol. XII, p.566
3 - G. Haberler, The Theory of International Trade, 1936, p.280
4 - Burns, op.cit., p. 118
5 - Report of the Royal Commission, p. 209

In some places such as in Iraq the government has been trying to help the laboring classes, but the present legislation is not sufficiently observed or carried. Moreover, the laborers with the exception of the Jews, have not organized themselves, and have not adopted their own effective ways for attaining their rights. There are certain unions, but they are disintegrated and separate. Moreover, there is a danger of unemployment especially as the demands of the army are coming to an end, and as the old industries are disappearing in favor of new industries in which the laborer is dependent on the capitalist, Thus the need for a new renaissance in the life of the working classes is great. With the progress of industry, the industrial workers will form a larger and more important class whose standard of living will greatly influence that of the community as a whole, and whose problems if neglected will develop to be serious and dangerous. The state should be strict about its curing after the welfare of the workers, about defining and fullfiling their rights and duties; social insurance should properly be understood and carried, and regulations concerning child and women labor should be keenly observed; the law should see to it that the workers work under healthy conditions. Where Unions have not been formed, they have to be organized; the Unions of the Union should cooperate, and they should develop to play a more important role in protecting the workers and promoting their interests.

B. A State Industrial Policy:

1. It is commonplace to observe that the state in the twentieth century, especially after the first World War, has emerged as a powerful factor in regulating economic conditions. Economic problems within each country and economic relations between the different countries have become so complicated that the state has found that if it is to safeguard the interests of its people, it is obliged to take over further duties. The policy of laissez-faire is getting to be a thing of the past, and the government no more considers itself as a spectator of the course of economic development[6]. State intervention is needed in the various fields, but the promotion of industry has proved to be an activity in connection with which state control is needed badly, and government intervention can achieve much. Thus we notice that the industrial production of Russia in 1937 was 240% of what it was in 1929, while that of Great Britain and Germany was 126% and 123% respectively[7]. In general it has been felt that industrial expansion can be realized to an appreciable extent when certain conditions, brought about by government laws and measures, are present. Economic resources for industry may be found, but unless there is a conscious state policy towards industry, industries may never flourish. The necessity for a state industrial policy has been felt by all nations, no matter how strong or weak, how rich or poor, but while the need for it is great in developed countries, where the people are educated and the industrialists are acquainted with the best ways for maintaining their industrial power, its presence is still more vital in the case of the developing countries of the Fertile Crescent. In the following sections I shall give the most important implications of a state industrial policy.

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6 - "A return to laissez-faire is impossible. The concentration of capital needed for the full exploitation of modern productive resources is too great to be left uncontrolled by the state ..... industrialism has reached a stage at which its fuller development requires above all else coherent planning and unified control from the standpoint of consumption as well as of productive technique." C.D.E. Cole, "Industrialism", Encyclopedia of Social Sciences. Vol. VIII, p. 18.

7 - Clark, op. cit., p. 66

2. In general, the policy should promote industrialization. List said that "It is the task of national economy to accomplish the economical development of the nation, and to prepare it for admission into the universal society of the future[8]". Bearing in mind this task and the significance of industry it becomes clear why it is economically advantageous and politically sound that the state adopts industrial development as an aim. The limitations of resources and markets renders industrial development possible along certain lines only. These possibilities should be investigated, and the best ways to realize them decided upon by the Council of the Union. The state should help the existing industries which are economically sound, and the necessary protective system which will facilitate the securing of the necessary raw materials and machinery, and which will encourage the consumption of local products, should be provided. Moreover, the state may inform the public about certain possibilities, may acquaint the industrialists with new chances or methods, or may help to establish the companies that will undertake industrial enterprises. The State may find it necessary to undertake some enterprises itself, but in general, control is better as the state has its own duties and projects, however, control in some cases may be insuffident as there are industries which individuals should not or cannot, or will not undertake. Thus state ownership often prove necessary for the promotion of industry, and both Turkey and Iran established a number of industrial enterprises which are either wholly or partly owned and run by the government.

The state industrial policy should be coordinated with the other items of the Union's economic policy. The factors which determine the economic policy of the Union are many; they are not confined to the field of industry, and thus the plans of the different economic activities should be made by one centralized authority that is conscious of the needs and conditions of the countries, and that is acquainted with their different measures. Without such a strict coordination, there would be conflicts and confusion; the pursue of one department or institution within the Union may happen to be in straight opposition to another's effort; certain activities may be undertaken by a member state of the Union which is inconsistant with the other's acknowledged objectives. The Supreme Council of the Union, through its various branches of agriculture, commerce, industry, finance, and transportation, should see to it that the necessary coordination will take place.

With the need for industrial policy there grows the need for a special department or ministry for industry. As industry is to be an integral element in our economy, there must be a special body to suggest policies and administer their execution. To insure unification and coordination, this department should be common to the whole Union, and its plans for industrial development should be bound by the main policies drawn by the Union. The department will also propagate the consumption of domestic goods, and arouse public consciousness as to the importance of national industry. Every now and then it can hold fairs and industrial exhibitions. For the sake of efficiency and effectiveness, the central department should have branches in the different countries of the Union. Each local department will deal with the welfare of industry in its respective region in accordance with the particular conditions of the region, and bound by the general plans and policies. Each of these departments will have a bureau for industrial research like that which was established in Iraq by the Ministry of Economics and Commerce in 1935, and whose activities would include studies and research as regards mineral

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8 - List, op.cit., p. 142

and agricultural raw materials for industry, and may be along one of the following lines; general investigations and chemical inquiries, suggestions of new industries using native raw materials, discussions and experiments with a view to showing the existing industries their defects and instructing their owners how to raise their standard. Moreover, the bureau should have technicians, machines, and a library, all of which should be used to teach the industrialists how to use machinery and how to increase the degree of industrialization. Pamphlets issued at intervals and carrying instructions and information to the public will serve well the purposes of the bureau.

A state industrial policy with public ownership of some concerns does not mean collective ownership or central planning. Central planning means that there is a unifying center which is authorized to determine how the allocation of factors and the accumulation of capital is to take place; it also decides on what goods to produce, and how much of each good is to be produced, and it sets the general price level and fixes individual prices[9] I am not in a position to advise such a policy; neither do I propose to advocate any step which may be considered as transitory to communism. All that I am proposing is a policy which will take the form of conscious efforts towards promoting industry. Government intervention in the form of control, assistance, or even direct management is necessary and greatly beneficial.

C. Improvement of Agriculture:

1. Improvement of agriculture in the agricultural countries of the Fertile Crescent results in manifold advantages to the growth of industry. The bulk of the industries that can flourish will have to depend directly or indirectly on agricultural or semi-agricultural resources. Despite the great significance of industrialization and inspite of prospective industrial development, agriculture will remain to be of supreme importance in our economy, and efficiency in agricultural production will prove to be a most influencial prerequisite for raising the standard of living of the countries of the Union. The main effects of better agricultural conditions on industrial development are two. In the first place, with proper use of methods and better utilization of the land the agricultural products needed as raw materials for industry will become available with wider variety, greater quantity, better quality, and may cost less. On the other hand, the market for industrial products will be greatly extended when the conditions of the agricultural class are improved. The income of those engaged in agriculture, who form the majority, will be increased when the agricultural occupations are improved; consequently, their consumption of industrial products will increase, and the total purchasing power will rise. Besides these two main influences of agriculture on industry, there is another important one. This lies in the fact that with agricultural development the revenue of the state can be increased rendering it more able to carry out its policies and plans for developing the native industries. In general, it can be said that the agricultural possibilities are only partially fulfilled, and that much will have to be done before agriculture can render its proper service to industry. In the following paragraphs I shall give some important measures that should be carried out, and that will benefit the industry.

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9 - Sikes, op. cit., p. 443

2. To start with, there should be a change in the system of landpownership. The existing land tenure has been a great handicap to agricultural productivity. The present system is similar to a feudal one. In certain places in Iraq one person owns as many as thirty or fourty villages[10]; the system of tenancy in Syria and Lebanon is "universally condemned because of the many economic and social evils to which it gives rise[11]". The land owner gives the actual cultivator, the fellah, a small share of the crop and the fellah is often a mere tenant, who may be dismissed at any time. This no doubt discourages investment and exertion, while the fertility tends to be exhausted during a short period of time. The tenants on the whole have a very low standard of living, and their consumption is very limited. The fact of low degree of productivity, that such systems bring about, places the industries in further disadvantages as regards their raw materials. Thus land ownership should be limited, and the government should buy from the large landowners whatever is above the limit, and then make it possible for the peasants to buy the lands that accumulate.

Other measures will have to be undertaken if an adequate rise is to take place in the standard of living of the farmer. His health should be improved, and serious and wide-spread diseases will have to be fought and eliminated. Moreover, the prevailing illiteracy which prevents the farmer from using the best methods of production and hygiene, should be wiped out. Other measures and facilities such as improved means of transportation and marketing channels, will have to be undertaken in the vital process of raising the farmer's standard of living, increasing his purchasing power, and increasing the total consumption of industrial goods.

Another important undertaking is the extension of cultivation to secure greater quantities and wider varieties of agricultural and animal raw materials. New potentialities for agricultural development exist, and their materialization will be realized by increasing areas cultivated, through drainage, irrigation, utilizing fallow land by modern methods, and by increase of labor supply. The rivers of Iraq are used to 1/14 of their capacity[12]; a full utilization of the water resources will make it possible to cultivate much greater areas. Moreover, there are vast swamps, which can in many cases be drained. The undertaking of such plans would place at the disposal of Iraq an area at least five times as that which is being cultivated at the present[13]. In Syria and Lebanon the cultivable area is 4,000,000 hectars, and only about half of it is actually cultivated. Even this half is not used all in one year[14]. Water resources in Syria are rich, and if fully utilized would irrigate more than 6000,000 hectars of highly fertile land[15]. Syria, moreover, contains swamp lands; draining these lands would increase the fertile land used, and would improve the sanitary conditions of the peasants. Palestine and Transjordan do not offer as great a chance as Syria and Iraq for increase of cultivable land. Nevertheless, through

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10 - عقراوي op.cit., ص ١٢٥
11 - Economic Organization of Syria, p. 59
12 - op.Cit.,
13 - Ibid.,
14 - Economic Organization of Syria, p. 74.
15 - Ibid., p. 36.

Nevertheless, through the use of the Jordan River, there is a real chance of increasing the cultivable area[16]. The supply of labor in the Fertile Crescent can be increased mainly from among the bedouins; the settlement of tribes is of great significance to the political and economic development.

The alleged great advantages of agriculture cannot be realized if the prevailing primitive methods and ideas continue in use. Improvement of agricultural production will be dependent on scientific means and mechanical methods as well as on fertile land and sufficient water. The use of primitive methods limits agricultural productivity as it makes it profitable to cultivate only the most fertile lands. The introduction of machinery should be the first form of applying modern methods. The use of machines such as tractors and threshing machines results in greater productivity of industrial raw materials. Another feature of the employment of the new biological and technical means and devices is the crop rotation system, which, based upon the study of the soil's elements, and the knowledge of the needs of the different crops, should be introduced. This modern system affords a greater degree of exploitation without depriving the soil of its nutritive qualities, and can result in a greater variety of industrial raw materials. Industrial crops should be introduced, but this presupposes the existence of experimental stations which undertake the necessary study, distribute seeds, instruct as to the suitable soil conditions and as to the best methods of cultivation. Moreover, the establishment of modern farms would promote greatly the use of modern means; through such farms, the farmers can see the results, and learn the methods. Equally, if not more important, is the provision of adequate agricultural education. The establishment of agricultural schools all over the Union would contribute much towards a greater productivity and a richer people.

D. Miscellaneous:

1. The existence of an industrial bank is of importance to the welfare of industry. Capital is an extremely important factor in bringing about prosperity and accelerating progress. The employment of productive capital, however, necessitates the availability in adequate quantities of money capital; it presupposes the existence of the financial means, which will provide the required amounts. Thus the availability of adequate amounts of credit at suitable terms and reasonable costs is an important problem in the development of industry. Through efficiency in the banking mechanism, the large deposits that will be pooled, and will be available to be granted to the promoters of industry in the form of loans at reasonably low costs. However, an industrial bank proper should be established. Its contribution may be along one or more of the following lines. The bank may undertake industrial enterprises on its own account; it can form new corporations in which it will have a share, or it may choose to help and take part in the existing industrial companies. Moreover, it should lend at favorable rates, for either establishing or expanding industrial plants, or for importing raw materials. The bank should also help to secure the proper facilities for exporting the product, and importing machinery and raw materials. The government

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16 - The Jordan Valley Authority project provides for the irrigation of areas in the Valley, the Negev, and even the interior plain of Esdraleon. Lowdermilk, on p. 170, states that the Jordan River can be used to irrigate 300,000 acres; only 155,000 of these would be the share of the Valley, as this amount constitutes all the cultivable area there. Of course, behind the whole project there are the Zionist motives. However, such endeavours should urge us, the Arabs, to investigate the real possibilities, and to secure the use of the native resources to the natives.

should have a hand in the establishment of the industrial bank. Its contribution may be by giving an adequate advance which will in turn become its share in the capital stock of the bank. In any case the government should encourage the bank through such measures as exemptions from taxes and duties of registration. We still do not have an Arab industrial bank; in Iraq there is an "Agricultural Industrial Bank", but the bulk of its activities are concentrated on agriculture as less than 5% of its advances are for industrial purposes[17]. In Lebanon, I understand, that the establishment of an industrial bank is being contemplated. However, the Supreme Council of the Union should provide for a central industrial bank, which, acting in accordance with the industrial policy, will help to increase the number of the industrial firms, and raise the standard of the existing industries. To ensure efficiency and unity there should be besides the central industrial bank, a sufficient number of branches within the Union.

2. The system of transportation that a country has is in accordance with the requirements of its population, and, on the other hand, the means of transportation influence human activities. Thus we notice that the railway lines per 10,000 persons in 1934 were 15.4 Kms. in France and 14.5 Kms in Denmark, while in 1938 they were 3.9 Kms. in Syria and Lebanon, 3.3 in Iraq and 5.3 in Palestine; the motor vehicles in 1937 per 10,000 persons were 477 in Great Britain as compared with 62 in Palestine, 19 in Iraq, and 30 in Syria and Lebanon[18]. This interrelation of the human activities and the transport facilities "invests the question of the capacity and efficiency of the transportation system and its component parts with a social significance unequaled in any technical field"[19].

The means of transport is of special significance to the industry of the country. On transport facilities depend the method of marketing, which is important for the distribution of the product at the least possible cost. On the other hand the development of communications is important for production as it facilitates securing the industrial raw materials at lower costs. Through them it may become possible to exploit profitably distant resources for industry. Thus the existence of dependable and regular means of transport, which help to expand the market, and to secure the raw materials, facilitates the establishment of industrial firms, and encourages the growth of industry as a whole.

The improvement in the means of transportation, by helping to raise the standard of living, acts in another way on the development of the Union's industry. Efficiency in means of transport acquaints the people with their country, and facilitates the shifting of population from one place to another; it has an influence on the process of urbanization and the growth of cities. Moreover, the development of transport methods leads to development in economic, social, and cultural needs. On the whole, it can be noted that as a result of better methods more people live in the cities, and those already living there will have new demands, and this results in increased demand for products.

The interdependence of the countries of the Union, to which I have referred in the second chapter, adds to the significance of the means of transportation. With the growth in specialization, the raw materials, the capital goods, or the products have to be carried from the one member state to the other. The more those Arab countries develop, and the more intimate their unity grows, the more intensified is this aspect of interdependence, which in turn means a growth in the importance of means of transport.

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17 - Based on figures given by مجلة غرفة تجارة بغداد ، كما فوبطاق ١٩٥٩ ص ٢٨
18 - Bonne , op. Cit., p. 67.
19 - "Transportation", Encyclopedia of Social Sciences, Vol. XV, p. 80.

The expected higher standard of living, and the natural increase in population within the Union will add to this significance of communication. On the other hand, the interdependence will be encouraged by the existence of efficient transport facilities; as with adequately low freight rates, specialization among the different countries will be more profitable.

But many improvements are needed if the means of transport are to play the part described above. Net-works of railroads and roads have to be constructed; rivers are to be used to their maximum capacity, and canals, where possible, built. The governments of the Union should know that the realization of their plans depend to a large extent on the efficiency of the means of transportation, and should give this problem its due care. The required means have to be found, and the characteristics of speed, safety, cheapness, and dependability are to be possessed by those means. The governments should look after the promotion of these companies, and if need be, to become part or whole owners; they should facilitate the importation of rail cars, but as railways need larger investments and as cars are developing, we may use the latter more, encourage their imports, and organize large and efficient transport companies. The fuel should be made available at cheap prices; this is possible as there are rich oil deposits in the Fertile Crescent. Only with the execution of such programs, can the Arabs in general, and the countries of the Union in particular, hope to increase the contact between themselves, and to realize the advantages of their aspired Unity. Through such measures their bonds grow stronger, and their Union approaches reality.

3. If we follow the steps of the movements in the modern world, we notice that a background of sound knowledge has always been a condition for any kind of successful and advantageous development. Real progress has taken place only where it was in accordance with and supported by theories and principles. Wherever there has been a revolution in the conditions of life, or a considerable change in the economic, political or social systems, the endeavour has been undertaken by an educated few who were in possession of ideas. Moreover, the existence of a fairly educated public has been a further guarantee for the success of the movement. This section is meant to be a brief discussion which is to emphasize the truth of the above stated facts as regards development in industry. The significance of technical education for industrial development cannot be over-emphasized. Yet the level of technical education in the countries of the Fertile Crescent has been very low, and the lack of technicians has been a hindrance to industrial development. The advance in industry, however, has revealed the fact that there is no inherent inferiority in the native workers; on the contrary the results achieved show a considerable degree of cleverness and ability. What the craftsmen lack is schooling and training with proper direction and education they are apt to master their craft. Provision for labor training therefore is essential for any progress in industry. The number of technical schools should be increased, and they should give a higher degree of training. Peasants or rural people should be transformed into industrial workers after having received proper training and instruction. Missions should be sent abroad to study, and foreign experts that are being used in the native industries should be learned from and replaced after a period of time. The undertaking of such measures by the state would prove to be a very good investment as through fulfilling such programs of training and studying, the productivity of the workers will become a source of wealth to the Union.

Scientific methods should be applied in management. With the growth of industry there is a need for a sure method of managing large enterprises; management should no more be regarded

as an empirical matter, and the coordination of the factors of production should be done in a way which approaches a Science. However, inspite of this significance management has not developed in the countries of the Fertile Crescent. The enterprises in many cases are started without previous study, and proper promotion. Thus management should be taught properly so that it will grow to be a separate and important factor of production.

Moreover, the raising of the standard of education in general is of importance in promoting industry. We notice that the degree of industrialization of a certain country does not only reflect its richness in economic resources, but also its social and cultural existence. The more educated the laborer is, the higher is his degree of skill, and the greater is his efficiency; his standard of living as a whole rises, and he gets better equipped for his work. Moreover, an educated public constitutes an advantage for industrial development. There is a close relationship between the standard of education and that of living, a higher standard of living promotes industry as it results in a larger total consumption of goods, and a relatively greater consumption of industrial products. Also an educated public can better realize the significance of industry and is better endowed to achieve a greater manufacturing power. Education awakens the public; it helps the people to become aware of their problems, and more acquainted with their defects, and thus they are apt to be more powerful in their struggle for national existence. The fact that other nations have surpassed the Arabs of the Union will not discourage them; on the contrary with a firm belief in their potentialities, they will march onward in their ceaseless efforts towards progress. Such belief will stimulate private initiative; it will urge the people to cooperate by forming companies; and by encouraging the consumption of native goods.

Education and science can promote industrialization in various other ways. In the search for raw materials, the sciences can help to indicate where metals exist, and how they can be used. The use of scientific methods in extracting and collecting minerals influences greatly the quantities of output. The use of certain materials in industry often depends on using modern methods, arrived at by studies. Progress in sciences through inventions and improvements lead to more efficient means of transportation. Moreover, science serves the laborers; it cares after them, keeps them from dangers and bad conditions of work. The influence of science on machinery, its production and its use, is too clear to be emphasized. Moreover, progress in science enables the exploitation of the natural resources; thus through knowledge of physics the mechanical energy found in falls has been transformed to electric energy that can be transmitted to industrial centers.

Chapter VI

CONCLUSION

The establishment of a manufacturing power has been shown to be of great value to the economic, social , and political development of the Arab countries of the Fertile Crescent. With the introduction of industry their agricultural, animal, mineral, and water resources will be economically exploited; internal as well as external commerce will be extended. Under conditions of developed industry the intelligence of the individuals will be promoted, their character strengthened, their productivity intensified, and their number multiplied. Russia has always had the natural resources it has to-day, but before the Five-Years plans it was backward and poor. The planning period which was only over a short time by aiming at industrialization has lifted the country from its agrarian backwardness to the Russia of today.

The Arab countries of the Fertile Crescent are entitled for an advance in industry. There are rich agricultural, and animal resources which can be used as raw materials; ~~in industry~~; there are some minerals, which are important for industry. Moreover, these countries possess a potential labor force, which both from the point of view of skill and size, is better and greater than the present one. Furthermore, there are considerable idle capital resources. The army expenditures over the last few years have resulted in an enormous increase of the free capital resources, a part of which can be used to pay for whatever machinery, labor, and raw materials the industrial development may require. An important part of the native resources are still not utilized, and the production of many articles is far from being sufficient to meet the demands of the natives. Moreover, the change in habits, the increase of population, the rise in the standard of living, and the process of urbanization will tend to increase the demand for industrial goods. The low costs of securing the required raw materials, and the relative cheapness of labor will serve as an impetus to the process of industrialization. The existence of oil fields will tend to make the fuel costs also low. Certain industries will flourish best in some one of these countries such as industries related to the palm tree in Iraq, sericulture in Lebanon, and the Dead Sea minerals in Palestine. The production of perishable and bulky goods will also prosper. Moreover, in many cases the production of low quality goods that can be disposed of at low prices will also be possible.

The industrial possibilities which the countries of the Fertile Crescent have by virtue of their resources can be realized only under certain conditions. A real development of industry is possible only within a Customs Union, which will result in a wider market, and which will make it possible to enjoy the advantages of large-scale production, and of specialization. This Union has some obstacles which have to be overcome, ~~but~~ and a transitory period may prove necessary. The Union's Supreme Council will have to formulate a state industrial policy that should include plans for the industrial development, and that should provide the measures required for its realization. Many improvements should be introduced to agriculture so that the agricultural raw materials for industry will be available in larger quantities and greater variety. Better agricultural conditions will have the further effect of increasing the purchasing power of the people as a whole.

Among the other important measures that should be adopted are the provision of the necessary protection, and of the required capital, the enforcement of labor legislation, the raising of the level of education in general, and technical education in particular. At present industry is on a small scale, but there is ground for the belief that the improvements and changes needed will take place, and the appreciable potentialities realized.

The industrial development, which is of significance to our future should be based on a solid ground. Native industry should be developed in the light of the study of the economic resources of the countries forming the Union, which are mainly agricultural in nature. The land is rich in many respects; while extensive areas can be cultivated with industrial crops such as vineyards, olives, tobacco, and cotton, others can be used as pastoral land for livestock raising and dairy farming. Thus the industrial development should be mainly along the lines which use agricultural and animal products as raw materials. The various other possibilities that exist should be encouraged, and not a single possibility should be overlooked. However, with the present economic resources, and with the prevailing political conditions we may not hope to become a highly industrial society, but we can aspire for a degree of prosperity and power which is much higher than the existing one. The application of the necessary measures for the realization of the industrial possibilities will further the progress of our industry, trade, agriculture, and of our systems of education and transportation. Only then will our national movement rest on strong natural foundations. The future will tend to be more progress in industry and commerce, and it may be ahead of the present more than the present is ahead of the past. The degree of industrialization which other powers have attained should never discourage us. With a scientific study of the resources our countries have, and with a sound knowledge of what our national movement needs we can accomplish much. First of all, however, we should have the courage and faith in our national future; above all we must have enough national spirit to build an industrial power of our own, and to plant and promote the tree of Arab nationality which, yielding its material and spiritual fruits to future generations, will enable our nation once more to make great contributions to the civilization and progress of humanity.

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